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

Stock code : 8110
股票編號 : 8110

MASTERING
THE MOBILE
ARENA

ANNUAL REPORT 2006 二零零六年年報

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "EXCHANGE")

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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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 HONG
NG KOK TAI
NG KOK YANG

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WU WAI CHUNG MICHAEL
WONG TIN SANG PATRICK

AUDIT COMMITTEE

SEE TAK WAH (CHAIRMAN)
WU WAI CHUNG MICHAEL
WONG TIN SANG PATRICK

REMUNERATION COMMITTEE

WONG TIN SANG PATRICK (CHAIRMAN)
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NOMINATION COMMITTEE

WU WAI CHUNG MICHAEL (CHAIRMAN)
WONG TIN SANG PATRICK
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
CIMB 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)

FIRST ASIA MOBILE, INC.
(THE PHILIPPINES)

CONTACT MOBILE PTE. LTD.
(SINGAPORE)

GENERATION MOBILE PTE. LTD.
(SINGAPORE)

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

MOBILE CONCEPT INTERNATIONAL LIMITED
(TAIWAN)

RETAIL BUSINESS

MOBILE CITY (HONG KONG) LIMITED
(HONG KONG)

EXQUISITE MODEL SDN. BHD.
(MALAYSIA)

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.

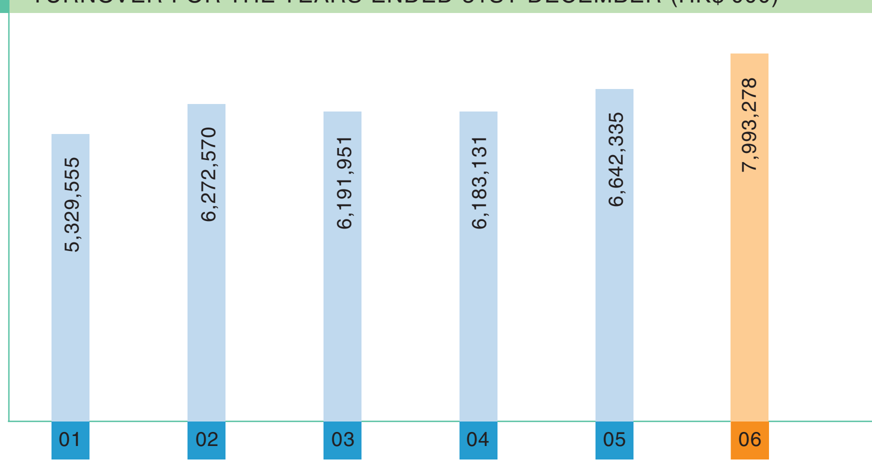
MISSION

To sustain First Mobile's 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

AT THE VANGUARD OF OUR INDUSTRY

"With the progressive management of the Group, turnover for the fiscal year 2006 exceeded US$1.0 billion, which marked another milestone in the Group's history."

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



ENCOURAGING DEVELOPMENTS IN 2006

The last few years have seen an intense price war in the region. First Mobile Group Holdings Limited ("First Mobile" or "the Group") had emerged from this strengthened, and further consolidated our position in the market. This is clearly evident from our consistent and steady top-line growth over the years and I am pleased to report that for the first time in our history, the Group's turnover had exceeded the US$1.0 billion milestone.

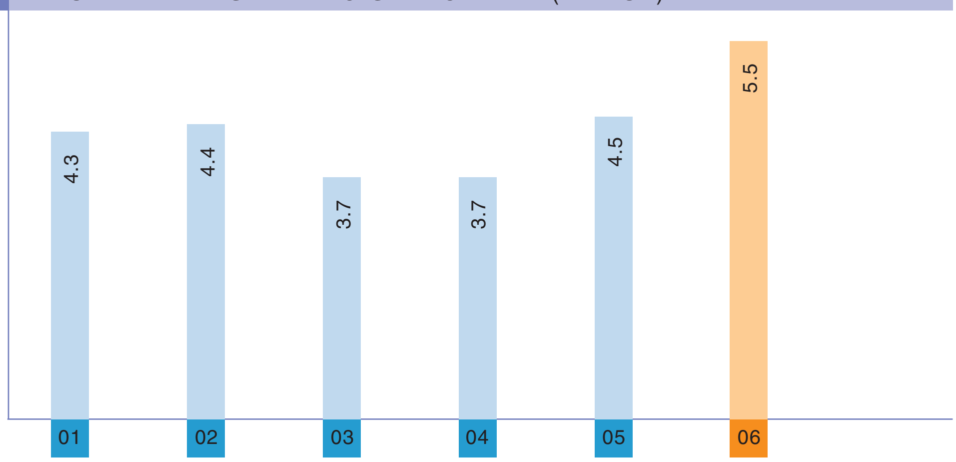
First Mobile continuously strives to bring the best products and highest quality service to our customers. The Group acquired over 40 new models in 2006, expanding the Group's product portfolio to a total of approximately 80 models. During the year under review, the Group operated 59 retail shops and sales kiosks in Hong Kong and Malaysia, under our Mobile City brand. Mobile City focuses on retailing mobile phones, related accessories and subscription services. In 2006, various large-scale promotions and joint promotion activities have contributed to our brand recognition in the market.

IMPROVING RESULTS DESPITE TOUGH MARKET CONDITIONS

Although the market conditions continued to be challenging in 2006, thanks to the Group's well-established sales network, strategically diversified product portfolio and hands-on management expertise, the Group recorded a consolidated profit after tax of HK$40 million for the year ended 31st December, 2006.

First Mobile sold approximately 5.5 million units of mobile phones during the year. The Group's turnover for the financial year 2006 was unprecedented and totaled HK$7,993 million. Gross profit of the Group increased by 15% to approximately HK$390 million year-on-year. Profit attributable to shareholders had also surged by 379% to HK$41 million compared to 2005.

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



CONSTRUCTIVE RESTRUCTURING

In order to ensure long-term growth and profitability, we carried over our strategy from the previous year of discontinuing or disposing non-profitable business units within the Group. As a result, the Group marked its exit from the Voice-over-Internet-Protocol ("VoIP") business with the disposal of its equity interest in Chi Tel Investments Limited during the year, resulting in a one-off loss of HK$10.4 million.

Further, the Group disposed of its entire equity investment in Noble Stand Holdings Limited, which gave rise to a one-time loss on disposal of HK$5.0 million.

FUTURE DIRECTION

In spite of the challenges ahead, the development and expansion of the mobile phone trading and distribution business across the region and worldwide will remain the Group's key focus and priority. First Mobile will continue to strive towards excellence through strategic expansion of product portfolio and distribution networks.

Over the years, mobile phone technology has undergone several transformations, resulting in the enormous growth of technologies and mobile applications including 3.5G (HSDPA), GPS, WiFi, push e-mails, instant messaging, mobile TV and other various multimedia applications. Such swift development in mobile technology has created and fed demands in new mobile devices from end-users, thereby shortening the ownership life cycle and fueling a healthy replacement market. This augurs well for the Group's business in the years to come.

As we further consolidate our position in the market, we are poised to grow our business even further and drive margins upwards to return greater profitability to our business.

ACKNOWLEDGMENT

On behalf of the Board of Directors, I would like to thank our shareholders, bankers, management team as well as all our dedicated staff for your continued support and untiring commitment. Last but not least, I would like to express my gratitude also to our manufacturers, operators, dealers, retailers and business partners. Without your innovative strategies, valuable experience and wholehearted support, First Mobile would not be able to achieve so much.

Ng Kok Hong
Executive Chairman

Hong Kong, 20th March, 2007

FOCUS

Building a Stronger Foundation for Further Growth

HIGHLIGHTS

First Mobile recorded encouraging results for the financial year of 2006 with a turnover exceeding US$1.0 billion for the first time in the Group's history.

As at 31st December, 2006, the Group's existing product portfolio totaled approximately 80 models of mobile phones, including an addition of over 40 models from renowned brands during the year under review.

To proactively explore the potentials of untapped markets, the Group participated in 2 large-scale international telecom trade fairs in 2006: CTIA Wireless 2006 in Las Vegas, USA and SVIAZ/EXPO COMM MOSCOW 2006 in Moscow, Russia.

BUSINESS REVIEW

Hong Kong

With effective marketing, the Group's retail business under the Mobile City branding has been popular among consumers in 2006. A series of tailor-made promotions focusing on its target customers have been carried out in 2006 jointly with globally renowned brands including Nokia, Motorola and Sony Ericsson. The Group also participated in the Hong Kong Shopping Festival organized by the Hong Kong Tourism Board. Such all-rounded marketing strategies were successful in further polishing the Mobile City brand name as well as increasing sales volume.

Mobile City was covered by regional and local media during the year including interviews by ATV Home of Asia Television Limited and East.TV of East Asia Satellite Television, focusing on the professional and quality service provided by Mobile City, and also by TV TOKYO to unveil the latest changes in the Hong Kong telecom market to its Japanese audience.

A new retail shop was opened in Tsz Wan Shan in late 2006 to further expand the geographical coverage of Mobile City. A series of marketing and promotional campaigns were organized to garner publicity and exposure for the Mobile City brand in Kowloon East district.

Hong Kong has one of the highest penetration rates for mobile handsets in the world, with a rate of approximately 140% (source: OFTA, December 2006). Despite the somewhat saturated local subscriber market, there is a huge and growing replacement market. Mobile phones supporting 3G technology are gaining significance among Hong Kong users. Currently, 4 operators are providing 3G network services to a total of approximately 1.3 million 3G subscribers locally. Also, with the growing popularity of 3.5G connectivity with an even higher transmission speed than that of 3G, and new mobile phone applications including pocket MSN, mobile TV, Sling box, GPS, WiFi, etc., subscribers tend to constantly trade-in their current handsets for new ones, leading to shorter ownership life-cycles and a steadily growing replacement market. First Mobile is exploring new business opportunities with such new technologies and applications so as to cope with the increasing demands of the market.

Malaysia

With a population of approximately 26 million, there is tremendous potential in the Malaysian mobile phone market. In 2006, the number of mobile service subscribers has increased to 20 million, with a penetration rate of approximately 77% (source: Samsung Malaysia Electronics, December 2006), as compared to a penetration rate of approximately 65% in 2005.

With a market share of approximately 20%, Samsung is currently the second most popular handset brand in the country (source: GfK Report, December 2006). During the year under review, the Group's subsidiary in Malaysia had acquired the distribution rights of 35 new Samsung models including SGH-C130, C300, D510, D720, D820, D830, D840, D900, E250, E690, E770, E870, E900, I300, I320, P300, P850, X160, X210, X300, X500, X510, X520, X530, X540, X630, X650, X670, X680, X820, Z230, Z370, Z540, Z560 and Z720, making a total of 52 models in its current Samsung portfolio. The Group is also a distributor of Motorola mobile phones and the sole distributor of O2 PDA-phones in the country.

During the year under review, the Malaysian retail business unit had continued to expand its Mobile City retail network with the establishment of 2 additional retail stores and kiosks at Equine Park Seri Kembangan and Low Yat Plaza. They serve as the main platform in offering retail sales and customer services to end-users. A total of 52 shops and kiosks are now operating under the Mobile City brand name in the country.

A series of successful promotional campaigns have been organized in Malaysia to further grow sales volume and enhance First Mobile's brand image. The Group carried out co-marketing with Best Denki, one of the largest consumer electronics chain stores, to promote Samsung mobile phones in all Best Denki outlets in Malaysia as well as collaborating with Courts Mammoth, a leading retailer of home products and appliances to promote and sell Samsung, Motorola and O2 products in all of their outlets throughout Malaysia. The Samsung Chelsea Winning Tour, a 7-day-5-night London/Paris trip for VIP dealers to watch the F.A. Premier League game between Manchester City and Chelsea promoted rapport and enhanced relationship between the Group and its dealers. The subsidiary also held a Samsung Dealers Conference in Taipei, Taiwan.

The Philippines

The total number of mobile subscribers increased by 12% in 2006 while penetration rate remained a lowly 40% in the Philippines which has a population of 85 million people (source: National Telecommunications Commission, December 2006). There is enormous potential in this market. The number of mobile subscribers is expected to increase by about 6 million by the end of 2007 (source: National Telecommunications Commission, December 2006).

First Mobile's subsidiary in the Philippines is the exclusive distributor of Samsung, the second largest mobile phone brand in the country, with a market share of approximately 14% (source: Gartner Q4 Report, 2006). During the year under review, the subsidiary had acquired distribution rights of 15 new Samsung models including Samsung SGH-D510, D520, D720, D820, D830, D900, E360, E770, I300, P300, X300, X670, X680, X700 and X820, adding its Samsung distribution portfolio to 29 models to date. Sales volume of Samsung models had increased by 18% between 2005 and 2006.

During the year, Emcor, Ambassador and Audionet Telecom had been appointed as dealers of Samsung products. Emcor and Ambassador are the leading appliance stores based in Davao and Metro Manila respectively, while Audionet Telecom is one of the retail stores based in Cebu City with stores within the Visayas/Mindanao region.

To extend coverage of Samsung products and provide better services to its customers, the Group established another concept store under the banner of Samsung Experience in the Philippines during the year under review.

In addition, an interactive Samsung Academy Dealer Workshop had been set up in the northern city of Laoag for the Group's nationwide dealers to meet up and enhance team spirit on a quarterly basis apart from those already established in early 2006 in 5 other cities.

TEAMWORK

Working Together Towards a Common Goal

FINANCIAL REVIEW

Overview

The financial year 2006 saw the Group achieve a new milestone as it surpassed the US$1.0 billion turnover mark. With the robust industry outlook and market position of the Group, turnover for the financial year 2006 amounted to HK$7,993 million, representing an increase of 20% over last year's turnover of HK$6,642 million. Total sales volume increased by 22% from 4.5 million units in 2005 to 5.5 million units in 2006. Despite intense market conditions, the Group successfully maintained a satisfactory average gross profit margin of 4.9% for the year (2005: 5.1%).

Selling and distribution expenses reduced by 11% from HK$61 million in 2005 to HK$54 million for the year under review principally due to the reduced promotional expenditure relating to the Group's operations in Taiwan.

General and administrative expenses increased by 2% to HK$188 million in 2006, and have generally been kept in check as a result of tighter cost control and cost reduction measures undertaken by the management team during the year.

Finance cost increased by 53% to HK$68 million due to increased purchases during the year and an increase in bank and other charges.

Business units in Hong Kong, Malaysia and the Philippines continued to be the key contributors of profit to the Group. The Group will continue to focus on its key markets and strengths while at the same time further streamline its existing operations and close or divest non-performing business units so as to ensure the Group continues to be profitable in the long-run.

Management carried this policy through into the current year by exiting from the Voice-over-Internet-Protocol (VoIP) business with the disposal of its 70% equity interest in Chi Tel Investments Limited, resulting in a one-off loss of HK$10.4 million during the second quarter of the financial year. Further, the Group disposed of its entire equity investment in Noble Stand Holdings Limited, which gave rise to a loss on disposal of HK$5 million during the final quarter of the financial year.

Basic earnings per share from continuing operations and loss per share from discontinued operation for the year ended 31st December, 2006 were HK2.64 cents (2005: HK0.37 cent) and HK0.55 cent (2005: earnings per share HK0.06 cent) respectively.

The Group's inventory level increased to HK$566 million (2005: HK$377 million) due to year-end stock accumulation for the forthcoming month's sales. Average inventory turnover days increased slightly from 26 days to 30 days year-on-year.

Trade receivable increased from HK$1,136 million as at 31st December, 2005 to HK$1,357 million as of 31st December, 2006 in line with the increase in turnover. Average trade receivable turnover days was 67 days (2005: 65 days).

Liquidity and Financial Resources

As at 31st December, 2006, bank balances and cash of the Group amounted to approximately HK$532 million (2005: HK$693 million), of which approximately HK$402 million (2005: HK$388 million) was pledged for general banking facilities. Total borrowings of the Group amounted to approximately HK$484 million (2005: HK$592 million), comprising long-term bank loans of approximately HK$47 million (2005: HK$49 million), obligations under finance leases of approximately HK$1 million (2005: HK$1 million), and short-term bank loans and overdrafts of approximately HK$436 million (2005: HK$542 million). The gearing ratio (total borrowings/total assets) of the Group as at 31st December, 2006 was 18% (2005: 24%).

Freehold property, certain leasehold land and buildings and investment property of the Group with carrying values of approximately HK$55 million (2005: HK$46 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, 2006, the Group had approximately HK$29 million (2005: HK$61 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, 2006 and 2005.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31st December, 2006 and 2005.

Employees

As at 31st December, 2006, the Group had 708 (2005: 740) employees. The total of employee remuneration, including that of the Directors, for the year ended 31st December, 2006 amounted to approximately HK$94 million (2005: HK$91 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.

Plans and Strategies for 2007

The global mobile phone industry has been robust and growing healthily over the years and the Group is anticipating this upward trend to continue in the coming years. According to industry forecasts, the global sales of mobile phones is expected to reach approximately 1.1 billion units in 2007 compared to approximately 980 million units in 2006.

As the leading distributor in the Asia Pacific region, the Group is poised to benefit from the growing demand for mobile handsets and related accessories. The Group is particularly excited by the new, innovative and high-quality products to be launched in 2007.

The Group is continuing to grow its business and build on its brand name recognition by participating in international telecom trade fairs, such as CeBIT and CTIA Wireless, in March 2007, to maintain market visibility and explore new business opportunities globally. The Group intends to further consolidate its position in the market and drive margins upwards to return greater profitability to its business.

EXECUTIVE DIRECTORS

Mr. NG Kok Hong

Aged 43, 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 46, 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 39, 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 43, 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 20 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 57, has been an independent non-executive Director since August 2000. Mr. Wu 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 currently an independent non-executive director of SW Kingsway Capital Holdings Limited, Shenzhen Investment Limited and International Financial Network Holdings Ltd..

Mr. WONG Tin Sang Patrick

Aged 74, 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 a business advisor in the corporate banking group at CITIC Ka Wah Bank Limited.

SENIOR MANAGEMENT

Ms. CHEUNG Man Yi Claudia

Aged 37, 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 59, Group Treasurer. Mdm. Eng is also a director and Chief Financial Officer of First Mobile Group Sdn. Bhd. in Malaysia and has more than 34 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 39, 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 16 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 35, 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 12 years and is currently a member of the accountancy bodies in Australia, Malaysia and Hong Kong.

Mr. MAH Kwong Chee Dyland

Aged 39, 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 16 years of professional experience. Prior to joining the Group, he has held senior positions around the region with multinational corporations and a public-listed company.

Mr. NG Kian Teck Simon

Aged 48, 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 22 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 31, Senior Vice President (Group Operation) of the Group. He is also a director of the two French subsidiaries 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, international trading development, new products and markets sourcing.

Ms. SIEW Ai Lian

Aged 47, 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 51, 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 23 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 39, 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.

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, 2006.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities and other particulars of the principal subsidiaries are set out in note 36 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 30.

The Directors do not recommend the payment of a final dividend for the year ended 31st December, 2006.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 29 to the accounts.

DONATIONS

Charitable and other donations made by the Group during the year amounted to approximately HK$43,000.

INTANGIBLE ASSETS, INVESTMENT PROPERTY AND FIXED ASSETS

Details of the movements in intangible assets, investment property and fixed assets are set out in notes 15, 16 and 18 to the accounts respectively.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 28 to the accounts.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group is set out on page 88.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31st December, 2006, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed shares.

PRE-EMPTIVE RIGHTS

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

DIRECTORS

The Directors 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
Mr. Wu Wai Chung Michael
Mr. Wong Tin Sang Patrick

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 Article 116 of the Company's Articles of Association, Mr. Ng Kok Yang and Mr. Wu Wai Chung Michael retire 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 14 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, 2006, the maximum amount of discretionary bonus that the executive Directors would have been entitled to was approximately HK$4,000,000 (2005: HK$850,000). For the year ended 31st December, 2006, the executive Directors were entitled to a discretionary bonus of HK$1,200,000 (2005: HK$750,000).

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.

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, 2006, no options under this scheme had been granted.

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. The final expiry date to exercise the options under the terms of the Pre-Listing Share Option Plan is 30th June, 2006.

Options to subscribe for 27,630,750 Shares in the Company lapsed during the year ended 31st December, 2006 of which 27,625,500 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 5,250 Shares lapsed due to the resignation of an employee. As at 31st December, 2006, there were no options remaining to subscribe for Shares in the Company under this scheme.

During the year ended 31st December, 2006, no options had been exercised or cancelled.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 31st December, 2006, 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:

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.

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.

Options to subscribe for Shares in the Company

Name of Director	Number of underlying shares under the Pre-Listing Share Option Plan: Outstanding at 1st January, 2006 — Personal interests	Outstanding at 1st January, 2006 — Family interests (note)	Lapsed during the year — Personal interests	Lapsed during the year — Family interests	Outstanding at 31st December, 2006 — Personal interests	Outstanding at 31st December, 2006 — Family interests
Mr. Ng Kok Hong	9,450,000	–	(9,450,000)	–	–	–
Mr. Ng Kok Tai	8,400,000	175,000	(8,400,000)	(175,000)	–	–
Mr. Ng Kok Yang	8,575,000	–	(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, 2006 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, 2006, 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.

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

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	7.4%
– five largest customers combined	17.5%
Purchases	
– the largest supplier	68.0%
– five largest suppliers combined	86.4%

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 3rd July, 2006, First E-Pro Limited, 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 Investments Limited ("CTI"), an indirect subsidiary of the Company, for a consideration of HK$1 paid in cash upon completion of the transaction. The Purchaser is a substantial shareholder of CTI. Mr. Frank CD Huang, a director of CTI, is also a director and substantial shareholder of Purchaser.

CORPORATE GOVERNANCE

The Company's Corporate Governance Report is set out on pages 24 to 28.

AUDITOR

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, 20th March, 2007

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 Code on Corporate Governance Practices as set out by the Exchange.

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. All Directors had served throughout the year ended 31st December, 2006. The Directors are, collectively and individually, aware of their responsibilities to the shareholders. The Directors’ profile are set out on page 14. The three executive Directors are brothers.

The Board members as at 31st December, 2006 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.

The Board meets regularly at least four times a year and additional meetings are convened as and when the Board considers necessary. In 2006, six board meetings were held. The Directors' attendance at Board meetings during the year is set out below:

	Attendance/ No. of meeting held
Executive Directors	
Mr. Ng Kok Hong (Executive Chairman)	6/6
Mr. Ng Kok Tai (Executive Deputy Chairman)	3/6
Mr. Ng Kok Yang (Chief Executive Officer)	2/6
Independent Non-Executive Directors	
Mr. See Tak Wah	6/6
Mr. Wu Wai Chung Michael	5/6
Mr. Wong Tin Sang Patrick	6/6

At the annual general meeting of the Company held on 26th April, 2006, a special resolution amending the Articles of Association of the Company to require that (i) all Directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment; and that (ii) every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years, was duly passed. These amendments to the Articles of Association have brought the Company into compliance with the requirements of the Code on Corporate Governance Practices.

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.

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 Code on Corporate Governance Practices as set out by the Exchange. The primary duties of the Audit Committee include the review of financial information, overseeing the financial reporting system and internal control procedures as well as maintaining a working relationship with the external auditors.

The Audit Committee meets regularly at least four times a year. In 2006, four audit committee meetings were held to review, consider and discuss the appointment, scope, plan and fee of the external auditors; the external and internal auditors' audit findings covering internal control and risk management issues; the quarterly, interim and annual financial results and statements and other financial reporting matters. Attendance of the members is set out below:

	Attendance/ No. of meeting held
Mr. See Tak Wah (Committee Chairman)	3/4
Mr. Wu Wai Chung Michael	4/4
Mr. Wong Tin Sang Patrick	4/4

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 Code on Corporate Governance Practices. The Remuneration Committee is responsible for developing the remuneration policies of Directors and senior management.

The Remuneration Committee met on 14th March, 2007 to consider the remuneration of executive Directors and senior management for the year 2007 and submitted their recommendations to the Board for approval. Attendance of the members is set out below:

	Attendance/ No. of meeting held
Mr. Wong Tin Sang Patrick (Committee Chairman)	1/1
Mr. Wu Wai Chung Michael	0/1
Mr. See Tak Wah	1/1

NOMINATION COMMITTEE

The Nomination Committee was established on 9th March, 2006 and is made up of the 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 Code on Corporate Governance Practices. The Nomination Committee is responsible for making recommendations to the Board on the appointment of Directors.

As there was no selection and recommendation of candidates for directorship during the year, no meeting of the Nomination Committee was held.

DIRECTORS' SECURITIES TRANSACTIONS

The Company had, 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, 2006.

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

DIRECTORS' RESPONSIBILITY FOR THE 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.

INTERNAL CONTROLS

A sound and effective internal control system is important to safeguard the shareholders' interest and the Group's assets. During the year, the Board had reviewed the effectiveness of the system of internal control of the Group. The review covers all material controls, including financial, operational and compliance controls and risk management functions of the Group.

AUDITOR'S REMUNERATION

For the year ended 31st December, 2006, the external auditor provided the following services to the Group:

	2006 HK$'000
Audit services	2,596
Taxation advisory services	33
Audit-related services	5
	2,634

INVESTOR RELATIONS

The Company maintains a website at www.firstmobile.com to disseminate all necessary information to shareholders, including but not limited to annual reports, interim reports, quarterly reports, announcements, circulars, notices of shareholders' meetings and media releases.

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

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated accounts of First Mobile Group Holdings Limited (the "Company") as set out on pages 30 to 87, which comprise the consolidated and company balance sheet as at 31st December, 2006, and the consolidated profit and loss account, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the accounts

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated accounts in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the accounts that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated accounts based on our audit, and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagements and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated accounts give a true and fair view of the state of affairs of the Company and the Group as at 31st December, 2006 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 20th March, 2007

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST DECEMBER, 2006

	Note	2006 HK$'000	Restated 2005 HK$'000
Continuing operations			
Revenues	4	**7,998,793**	6,652,004
Cost of sales	5	**(7,608,334)**	(6,313,903)
Gross profit		**390,459**	338,101
Selling and distribution expenses		**(53,957)**	(60,503)
General and administrative expenses		**(188,199)**	(184,313)
Other income		**6,697**	2,794
Other expenses		**(10,089)**	(22,301)
Operating profit	6	**144,911**	73,778
Finance income	7	**13,429**	9,063
Finance costs	7	**(68,267)**	(44,751)
Profit before taxation		**90,073**	38,090
Taxation	8	**(38,727)**	(31,651)
Profit from continuing operations		**51,346**	6,439
Discontinued operation			
Loss from discontinued operation	9	**(10,935)**	(116)
Profit for the year		**40,411**	6,323
Attributable to:			
Equity holders of the Company	10	**40,715**	8,498
Minority interests		**(304)**	(2,175)
		40,411	6,323
Basic and diluted earnings/(loss) per share	11		
– from continuing operations		**HK2.64 cents**	HK0.37 cent
– from discontinued operation		**(HK0.55 cent)**	HK0.06 cent

CONSOLIDATED BALANCE SHEET

AS AT 31ST DECEMBER, 2006

	Note	2006 HK$'000	2005 HK$'000
Non-current assets			
Intangible assets	15	**1,381**	12,139
Investment property	16	**8,814**	–
Leasehold land	17	**23,162**	23,735
Fixed assets	18	**37,638**	49,222
Deferred tax assets	31	**13,211**	9,203
Available-for-sale financial asset	19	**–**	65,000
		84,206	159,299
Current assets			
Inventories	21	**566,017**	376,982
Financial assets at fair value through profit or loss	22	**729**	627
Trade receivable	23	**1,356,600**	1,136,240
Other receivables and prepayments		**188,194**	111,495
Tax recoverable		**9,094**	6,712
Derivative financial instruments	26	**483**	–
Bank balances and cash	24		
– pledged		**402,253**	387,692
– not pledged		**130,145**	304,850
		2,653,515	2,324,598
Current liabilities			
Trade payable	25	**882,006**	701,466
Bills payable		**379,269**	245,137
Other payables and accrued charges		**98,371**	107,259
Derivative financial instruments	26	**–**	3,147
Current portion of long-term liabilities	30	**25,235**	897
Taxation payable		**17,197**	15,841
Bank loans and overdrafts	27		
– secured		**428,256**	532,867
– unsecured		**7,956**	8,891
		1,838,290	1,615,505
Net current assets		**815,225**	709,093
Total assets less current liabilities		**899,431**	868,392

CONSOLIDATED BALANCE SHEET

AS AT 31ST DECEMBER, 2006

	Note	2006 HK$'000	2005 HK$'000
Capital and reserves attributable to the Company's equity holders			
Share capital	28	**194,570**	194,570
Reserves	29	**680,376**	622,714
		874,946	817,284
Minority interests		**12**	355
Total equity		**874,958**	817,639
Non-current liabilities			
Long-term liabilities	30	**22,684**	49,777
Deferred tax liabilities	31	**1,789**	976
		899,431	868,392

Ng Kok Hong
Director

Ng Kok Yang
Director

BALANCE SHEET

AS AT 31ST DECEMBER, 2006

	Note	2006 HK$'000	Restated 2005 HK$'000
Non-current assets			
Investments in subsidiaries	20	**168,280**	166,268
Current assets			
Amount due from a subsidiary	20	**408,866**	412,739
Other receivables		**178**	178
Bank balances and cash		**35**	35
		409,079	412,952
Current liabilities			
Other payables and accrued charges		**1,306**	1,061
Current portion of long-term liability	30	**24,500**	–
Financial guarantee liabilities		**2,012**	2,441
		27,818	3,502
Net current assets		**381,261**	409,450
Total assets less current liabilities		**549,541**	575,718
Capital and reserves attributable to the Company's equity holders			
Share capital	28	**194,570**	194,570
Reserves	29	**336,596**	332,148
Total equity		**531,166**	526,718
Non-current liability			
Long-term liability	30	**18,375**	49,000
		549,541	575,718

Ng Kok Hong
Director

Ng Kok Yang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST DECEMBER, 2006

	Note	Attributable to equity holders of the Company				
		Share capital	Other reserves	Retained earnings	Minority interests	Total
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1st January, 2006		**194,570**	**139,725**	**482,989**	**355**	**817,639**
Exchange differences	29	**–**	**19,290**	**–**	**31**	**19,321**
Profit for the year		**–**	**–**	**40,715**	**(304)**	**40,411**
Release of reserve upon disposal of subsidiaries	29	**–**	**(352)**	**–**	**(140)**	**(492)**
Release of reserve upon disposal of available-for-sale financial asset	29	**–**	**(1,991)**	**–**	**–**	**(1,991)**
Contribution from a minority shareholder		**–**	**–**	**–**	**70**	**70**
Balance at 31st December, 2006		**194,570**	**156,672**	**523,704**	**12**	**874,958**
Balance at 1st January, 2005		194,570	133,848	484,219	376	813,013
Exchange differences	29	–	3,898	–	742	4,640
Profit for the year		–	–	8,498	(2,175)	6,323
Release of reserve upon disposal of subsidiaries	29	–	(12)	–	1,412	1,400
Surplus on revaluation of available-for-sale financial asset	29	–	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, 2006

	Note	2006 HK$'000	2005 HK$'000
Cash flows from operating activities			
Cash generated from operations	32(a)	**48,048**	205,156
Hong Kong profits tax paid		**(22,131)**	(10,159)
Hong Kong profits tax refund		**70**	121
Overseas taxation paid		**(20,193)**	(27,533)
Overseas taxation refund		**66**	829
Interest received		**12,707**	8,866
Interest paid		**(44,620)**	(31,817)
Bank and other charges paid		**(24,499)**	(12,391)
Net cash (used in)/from operating activities		**(50,552)**	133,072
Cash flows from investing activities			
Purchase of fixed assets		**(4,501)**	(7,198)
Sale of fixed assets		**875**	6,587
Sale of available-for-sale financial asset		**10,000**	–
Purchase of investment property		**(8,904)**	–
Acquisition of subsidiaries	32(e)	**–**	(2,544)
Disposal of subsidiaries, net of cash disposed	32(f)	**(65)**	(133)
Increase in pledged bank deposits		**(14,561)**	(338)
Net cash used in investing activities		**(17,156)**	(3,626)
Cash flows from financing activities	32(b)		
Interest element of finance lease payments		**(147)**	(171)
Dividend paid		**–**	(9,728)
Capital element of finance lease payments		**(874)**	(1,005)
Drawdown of long-term bank loans		**4,264**	49,000
Repayment of long-term bank loans		**(6,543)**	(6,978)
Decrease in short-term bank loans		**(104,611)**	(15,657)
Capital contribution from a minority shareholder		**70**	–
Net cash (used in)/from financing activities		**(107,841)**	15,461
Effect of foreign exchange rate changes		**1,779**	4,167
Net (decrease)/increase in cash and cash equivalents		**(173,770)**	149,074
Cash and cash equivalents at beginning of year		**295,959**	146,885
Cash and cash equivalents at end of year	32(d)	**122,189**	295,959

First Mobile Group Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") is principally engaged in the trading, distribution and retailing of mobile phones and accessories.

Following the Group's disposal of its 70% equity interest in Chi Tel Investments Limited, which provides inter-city/international telecommunication services using VoIP technology ("VoIP business") on 3rd July, 2006, the VoIP business is reported as discontinued operation in the consolidated accounts for the year ended 31st December, 2006, and accordingly relevant comparative figures were restated.

The Company is a limited liability company incorporated in the Cayman Islands. The address of its registered office is Ugland House, South Church Street, P.O. Box 309, George Town, Grand Cayman, the 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 20th March, 2007.

1 SIGNIFICANT ACCOUNTING POLICIES

The significant 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 and derivative financial instruments.

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.

(b) Amendments to published standards

In 2006, the Group adopted the new/revised standards and interpretation of HKFRSs below, which are relevant to its operations. The applicable HKFRSs are set out below:

HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 and HKFRS 4 (Amendment)	Financial Guarantee Contracts
HKFRS Int 4	Determining whether an Arrangement contains a Lease

All new and revised standards adopted by the Group require retrospective application other than those specifically allowed under the transitional provisions in the relevant standards.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Amendments to published standards *(Continued)*

(i) HKAS 39 (Amendment) The Fair Value Option

This amendment changes the definition of financial instruments classified as fair value through profit or loss and restricts the ability to designate financial instruments as part of this category. This amendment does not have any financial impact as the Group's accounting policies already comply with the amendment.

(ii) HKAS 39 and HKFRS 4 (Amendment) Financial Guarantee Contracts

In previous years, financial guarantees issued by the Company to banks in relation to borrowings by subsidiaries are accounted for as contingent liabilities of the Company and are not recognised in the financial statements until an obligation is imposed on the Company to make payment under the guarantees.

This amendment regulates 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 (i) the unamortised balance of the related fees received and referred; and (ii) the expenditure required to settle the commitment at the balance sheet date.

The financial effect on the Company's balance sheet as a result of adoption of the amendment is summarised as below:

	Company	
	2006	2005
	HK$'000	HK$'000
Increase in investment in subsidiaries	**8,457**	6,445
Increase in financial guarantee liabilities	**(2,012)**	(2,441)
	6,445	4,004
Increase in retained earnings:		
– At 1st January	**4,004**	–
– Profit and loss account for the year	**2,441**	4,004
	6,445	4,004

This amendment did not have any financial impact to the Group's financial results.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Amendments to published standards *(Continued)*

(iii) HKFRS Int 4 Determining whether an Arrangement contains a Lease

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: (i) fulfillment of the arrangement is dependent on the use of a specific asset or assets (the "asset"); and (ii) the arrangement conveys a right to use the asset. This interpretation does not have any financial impact to the Group's financial results.

(iv) Interpretation to published standards that are not yet effective

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

(1) IFRIC/HK(IFRIC)-Int 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1st November, 2006)

IFRIC/HK(IFRIC)-Int 10 prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. The Group will apply IFRIC/HK(IFRIC)-Int 10 from 1st January, 2007, but it is not expected to have any impact on the Group's accounts.

(2) 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 financial year beginning 1st January, 2007.

1 SIGNIFICANT 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. The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the consolidated profit and loss account.

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 SIGNIFICANT 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 SIGNIFICANT 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) Investment property

Investment property is stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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 costs are expensed in the income statement during the financial period in which they are incurred.

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 1(m)).

Depreciation of investment property is calculated to write off their cost over their estimated useful lives, using the straight-line method. The principal annual rate is 2%.

Profit or loss on disposal of investment property is determined as the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) 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 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 on leasehold land	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 1(m)).

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.

(i) 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.

(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.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Financial assets

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.

(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 income/expenses in the period in which they arise.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Financial assets *(Continued)*

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 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.

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 receivable is described in note 1(m).

(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 carrying amount of the assets is reduced through the use of a provision account. When a trade receivable is uncollectible, it is written off against the provision account for trade receivable. Subsequent recoveries of amounts previously written off are credited against general and administrative expenses in the profit and loss account. The amount of the provision is recognised in the profit and loss account.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) 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.

(n) 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. Bank overdrafts are shown under current liabilities on the balance sheet.

(o) Trade payable

Trade payable is recognised initially at fair value and subsequently measured at amortised cost using effective interest method.

(p) 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.

(q) 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.

(r) 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.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) 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 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.

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.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Employee benefits *(Continued)*

(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.

(t) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. 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.

(u) Pre-operating costs

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

(v) 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.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Segment reporting *(Continued)*

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 investment property, 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, investment property 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.

(w) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable 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.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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.

(x) 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, it will then be recognised as a provision.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(y) 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) Repair service income

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

(iii) Rental income

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

(iv) 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 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.

2 FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factors *(Continued)*

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 to United States Dollar ("US$"), Malaysian Ringgit ("RM"), Euro ("EUR") and Renminbi ("RMB"). 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 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.

(iv) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets, other than bank balances and cash, 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.

2 FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Accounting for derivative financial instruments and hedging activities

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 income/expenses.

(c) Fair value estimation

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, trading securities 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 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 a reasonable approximation of 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.

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) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement 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.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

Critical accounting estimates and assumptions *(Continued)*

(ii) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of inventories and variable selling expenses. These estimates are based on current market conditions and the historical experience of selling products of a similar nature. It could change significantly as a result of changes in customer preferences and competitor actions in response to industry cycles. Management reassesses these estimates at each balance sheet date.

(iii) Trade and other receivables

The Group's management determines the provision for impairment of trade and other receivables based on an assessment of the recoverability of the receivables. This assessment is based on the credit history of its customers and other debtors and current market conditions, and requires the use of judgements and estimates. Management reassesses the provision at each balance sheet date.

4 REVENUES, INCOME AND SEGMENT INFORMATION

The Group is principally engaged in the trading, distribution and retail sales of mobile phones and accessories.

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

	2006 HK$'000	Restated 2005 HK$'000
Revenues		
Turnover from sales of mobile phones and accessories, net	**7,993,278**	6,642,335
Rental income		
– investment property	**481**	–
– others	**3,583**	3,449
Repair service income, net	**1,451**	6,220
Total	**7,998,793**	6,652,004

4 REVENUES, INCOME 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 retail sales of mobile phones and accessories.

Other operations of the Group include the 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, 2006 by business segment is as follows:

	Continuing operations						Discontinued operation	
	Trading and distribution of mobile phones and accessories		Retail sales of mobile phones and accessories		Consolidated		Provision of telecommunication services using VoIP technology	
	2006 HK$'000	Restated 2005 HK$'000	2006 HK$'000	Restated 2005 HK$'000	2006 HK$'000	Restated 2005 HK$'000	2006 HK$'000	Restated 2005 HK$'000
Turnover before inter-segment sales	**7,700,978**	6,440,359	**446,786**	569,168	**8,147,764**	7,009,527	**13,397**	76,085
Inter-segment sales	**(80,561)**	(89,660)	**(73,925)**	(277,532)	**(154,486)**	(367,192)	**–**	–
Turnover	**7,620,417**	6,350,699	**372,861**	291,636	**7,993,278**	6,642,335	**13,397**	76,085
Unallocated revenues					**5,515**	9,669		
Revenues					**7,998,793**	6,652,004		
Segment results	**168,994**	103,045	**(9,227)**	(7,617)	**159,767**	95,428	**(10,914)**	(1,750)
Unallocated income and expenses, net					**(14,856)**	(21,650)	**–**	–
Operating profit/(loss)					**144,911**	73,778	**(10,914)**	(1,750)
Finance income					**13,429**	9,063	**13**	32
Finance costs					**(68,267)**	(44,751)	**(34)**	(617)
Profit/(loss) before taxation					**90,073**	38,090	**(10,935)**	(2,335)
Taxation					**(38,727)**	(31,651)	**–**	2,219
Profit/(loss) for the year					**51,346**	6,439	**(10,935)**	(116)

4 REVENUES, INCOME AND SEGMENT INFORMATION *(Continued)*

Primary reporting format – business segments *(Continued)*

	Continuing operations						Discontinued operation	
	Trading and distribution of mobile phones and accessories		Retail sales of mobile phones and accessories		Consolidated		Provision of telecommunication services using VoIP technology	
	2006 HK$'000	Restated 2005 HK$'000	2006 HK$'000	Restated 2005 HK$'000	2006 HK$'000	Restated 2005 HK$'000	2006 HK$'000	Restated 2005 HK$'000
Segment assets	**2,440,227**	2,146,284	**174,334**	124,330	**2,614,561**	2,270,614	**–**	16,856
Unallocated assets					**123,160**	196,427		
Total assets					**2,737,721**	2,467,041		
Segment liabilities	**(1,713,493)**	(1,477,004)	**(85,184)**	(124,621)	**(1,798,677)**	(1,601,625)	**–**	(13,748)
Unallocated liabilities					**(64,086)**	(50,885)		
Total liabilities					**(1,862,763)**	(1,652,510)		
Capital expenditure	**3,397**	4,443	**1,284**	2,401	**4,681**	6,844	**–**	588
Unallocated capital expenditure					**8,904**	–		
Total capital expenditure					**13,585**	6,844		
Depreciation and amortisation	**9,509**	11,807	**1,409**	845	**10,918**	12,652	**873**	3,496
Unallocated depreciation and amortisation					**87**	–		
Total depreciation and amortisation					**11,005**	12,652		
Impairment of trade receivable	**47,770**	36,567	**1,886**	4	**49,656**	36,571	**28**	256
Impairment of inventories	**3,376**	38,504	**2,642**	80	**6,018**	38,584	**–**	–

4 REVENUES, INCOME 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.

	Revenue 2006 HK$'000	Total assets 2006 HK$'000	Capital expenditure 2006 HK$'000
Hong Kong	**6,699,606**	**1,767,235**	**1,248**
Malaysia	**771,823**	**670,144**	**11,959**
The Philippines	**74,039**	**36,539**	**163**
Mainland China	**117,116**	**66,419**	**–**
Taiwan	**18,201**	**8,687**	**176**
Other countries	**318,008**	**65,537**	**39**
	7,998,793	**2,614,561**	**13,585**
Unallocated assets		**123,160**	
Total assets/capital expenditure		**2,737,721**	**13,585**

	Revenue Restated 2005 HK$'000	Total assets 2005 HK$'000	Capital expenditure Restated 2005 HK$'000
Hong Kong	5,473,297	1,326,234	3,088
Malaysia	716,661	722,266	1,174
The Philippines	83,697	55,869	194
Mainland China	172,776	106,907	–
Taiwan	66,954	25,309	1,027
Other countries	138,619	50,885	1,361
	6,652,004	2,287,470	6,844
Unallocated assets		196,427	
Total assets/capital expenditure		2,483,897	6,844

5 COST OF SALES

	2006 HK$'000	Restated 2005 HK$'000
Cost of sales comprises:		
Cost of inventories sold	**7,551,148**	6,216,672
Other direct costs	**51,168**	58,647
Impairment of inventories	**6,018**	38,584
	7,608,334	6,313,903

6 OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	2006 HK$'000	Restated 2005 HK$'000
Crediting		
Gain on derivative financial instruments at fair value #	**3,630**	–
Compensation from insurance claim #	**2,502**	1,898
Fair value gain on financial assets at fair value through profit or loss #	**39**	12
Charging		
Amortisation of intangible assets #	**3,198**	3,089
Amortisation of leasehold land	**573**	572
Auditors' remuneration		
– current year	**2,679**	2,191
– under/(over) provision in prior years	**320**	(2)
Depreciation		
– owned fixed assets	**6,398**	7,653
– leased fixed assets	**749**	1,338
– investment property	**87**	–
Direct operating expenses arising from investment property that generates rental income	**206**	–
Exchange losses, net #	**207**	1,266
Loss on derivative financial instruments at fair value #	**–**	4,796
Loss on disposal of available-for-sale financial asset (note 19) #	**5,009**	–
Loss on disposal of fixed assets #	**1,131**	1,336
Operating leases		
– land and buildings	**20,780**	17,107
– office equipment	**422**	430
Pre-operating costs	**418**	62
Impairment of trade receivable	**49,656**	36,571
Provision for cessation of operations #	**–**	7,000
Staff costs (including Directors' remuneration (note 14) and retirement benefit costs (note 13))	**94,149**	91,238

These are included in other income/expenses

7 FINANCE INCOME/COSTS

	2006 HK$'000	Restated 2005 HK$'000
Bank interest income	**13,429**	9,063
Interest expenses on:		
– bank loans, overdrafts and finance leases wholly repayable within five years	**44,070**	33,026
– bank loan not wholly repayable within five years	**112**	171
Bank and other charges (note)	**24,085**	11,554
	68,267	44,751

Note:

Bank and other charges included a one-off discount on settlement of an other receivable balance amounting to HK$4,565,000 during the year.

8 TAXATION

	2006 HK$'000	Restated 2005 HK$'000
Company and subsidiaries		
Hong Kong profits tax (note (i))	**25,939**	13,385
Overseas taxation (note (ii))	**14,451**	21,313
Under/(over) provision of taxation in prior years	**854**	(144)
Deferred taxation (note 31)	**(2,517)**	(2,903)
	38,727	31,651

Notes:

(i) Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profit 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.

8 TAXATION *(Continued)*

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:

	2006 **HK$'000**	Restated 2005 HK$'000
Profit before taxation	**90,073**	38,090
Calculated at a tax rate of 17.5% (2005: 17.5%)	**15,763**	6,666
Effect of different taxation rates in other countries	**4,464**	1,520
Income not subject to taxation	**(5,394)**	(1,140)
Expenses not deductible for taxation purposes	**16,096**	9,620
Utilisation of previously unrecognised tax losses	**(73)**	–
Under/(over) provision of taxation in prior years	**854**	(144)
Tax losses not recognised	**7,017**	15,129
Taxation charge	**38,727**	31,651

9 LOSS FROM DISCONTINUED OPERATION

On 3rd July, 2006, the Group disposed of its 70% equity interest in Chi Tel Investments Limited, which is involved in VoIP business, to China Huge International Limited for a consideration of HK$1 (note 35(b)). The disposal of the VoIP business is reported in the consolidated accounts as a discontinued operation. The revenues, results and cash flows of the VoIP business were as follows:

	From 1st January, 2006 to 3rd July, 2006 **HK$'000**	Year ended 31st December, 2005 HK$'000
Revenues	**13,397**	76,085
Cost of sales and expenses	**(16,598)**	(82,093)
Impairment of goodwill	**(7,754)**	–
Gain on disposal of subsidiaries	**20**	3,673
Loss before tax	**(10,935)**	(2,335)
Taxation (note)	**–**	2,219
Loss for the year	**(10,935)**	(116)

9 LOSS FROM DISCONTINUED OPERATION *(Continued)*

	From 1st January, 2006 to 3rd July, 2006 HK$'000	Year ended 31st December, 2005 HK$'000
Operating cash flows	**(1,057)**	(4,092)
Investing cash flows	**296**	6,368
Financing cash flows	**298**	(2,364)
Total cash flows	**(463)**	(88)

Note:

The profits tax and deferred tax for the year ended 31st December, 2005 amounted to HK$2,179,000 (credit) and HK$40,000 (credit) respectively.

10 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$4,448,000 (Restated 2005: HK$6,248,000).

11 EARNINGS PER SHARE

Basic earnings per share for the year is calculated based on the profit from continuing operations and loss from discontinued operation attributable to equity holders of the Company of HK$51,398,000 (2005: HK$7,284,000) and HK$10,683,000 (2005: profit of HK$1,214,000) respectively and on the weighted average of 1,945,696,565 (2005: 1,945,696,565) shares in issue during the year.

The Company has no dilutive potential shares as at 31st December, 2006 (2005: None).

12 DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31st December, 2006 (2005: Nil).

13 RETIREMENT BENEFIT COSTS

	2006 HK$'000	Restated 2005 HK$'000
Retirement benefit costs	**5,938**	5,451

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$897,000 (2005: HK$222,000) payable to the Retirement Schemes at the year end are included in other payables and accrued charges.

14 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The remuneration of every Director for the year ended 31st December, 2006 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	400	1,104	12	5,546
Mr. Ng Kok Tai	–	2,082	400	–	138	2,620
Mr. Ng Kok Yang	–	2,470	400	617	12	3,499
Mr. See Tak Wah	200	–	–	–	–	200
Mr. Wu Wai Chung Michael	300	–	–	–	–	300
Mr. Wong Tin Sang Patrick	300	–	–	–	–	300
	800	8,582	1,200	1,721	162	12,465

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

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

(a) Directors' emoluments *(Continued)*

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 26,425,000 Shares lapsed during the year ended 31st December, 2006 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.

(b) Five highest paid individuals

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

	2006 HK$'000	2005 HK$'000
Directors	**11,665**	11,398
Employees	**3,479**	2,930
	15,144	14,328

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

	2006 HK$'000	2005 HK$'000
Salaries, allowances and benefits-in-kind	**3,261**	2,712
Bonuses	**194**	194
Retirement benefit costs	**24**	24
	3,479	2,930

The emoluments of employees fell within the following bands:

	Number of individuals	
Emolument bands	2006	2005
HK$1,000,001 to HK$1,500,000	**–**	1
HK$1,500,001 to HK$2,000,000	**2**	1
HK$2,000,001 to HK$2,500,000	**–**	–
HK$2,500,001 to HK$3,000,000	**–**	–
	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.

15 INTANGIBLE ASSETS

	Group		
	Goodwill (note (i)) HK$'000	Distribution right (note (ii)) HK$'000	Total HK$'000
Cost			
At 1st January, 2006	7,754	12,383	20,137
Exchange differences	–	874	874
Impairment	(7,754)	–	(7,754)
At 31st December, 2006	**–**	**13,257**	**13,257**
Accumulated amortisation			
At 1st January, 2006	–	7,998	7,998
Exchange differences	–	680	680
Charge for the year	–	3,198	3,198
At 31st December, 2006	**–**	**11,876**	**11,876**
Net book value			
At 31st December, 2006	**–**	**1,381**	**1,381**
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

Notes:

(i) It represented goodwill arising from the acquisition of Chi Telecom Pty Ltd. Following the Group's disposal of its equity interest in Chi Tel Investments Limited on 3rd July, 2006, the goodwill was regarded as fully impaired and written off 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.

16 INVESTMENT PROPERTY

	Group	
	2006	2005
	HK$'000	HK$'000
Cost		
At 1st January	**–**	–
Addition	**8,904**	–
At 31st December	**8,904**	–
Accumulated depreciation		
At 1st January	**–**	–
Exchange differences	**3**	–
Charge for the year	**87**	–
At 31st December	**90**	–
Net Book value		
At 31st December	**8,814**	–

Notes:

(i) The investment property is freehold and located at Suite 3A-5, Level 5, Block 3A, Plaza Sentral, Jalan Stesen Sentral 5, 50470 Kuala Lumpur, Malaysia. Fair value as at 31st December, 2006 was HK$10,685,000 which was determined based on recent market transactions.

(ii) The investment property with a carrying value of HK$8,814,000 (2005: Nil) was pledged to secure the Group's banking facilities (note 30(vii)).

(iii) The Group had no unprovided contractual obligations for future repairs and maintenance.

17 LEASEHOLD LAND

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

	Group	
	2006	2005
	HK$'000	HK$'000
In Hong Kong and held on leases of between 10 to 50 years	**23,162**	23,735

Bank borrowings are secured on leasehold land for the carrying amount of HK$22,726,000 (2005: HK$23,288,000) (note 30(vii)).

	Group	
	2006	2005
	HK$'000	HK$'000
At 1st January	**23,735**	24,307
Amortisation	**(573)**	(572)
At 31st December	**23,162**	23,735

18 FIXED ASSETS

	Group					
	Freehold property HK$'000	Buildings on leasehold land HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Furniture, fixtures and equipment HK$'000	Total HK$'000
Cost						
At 1st January, 2006	10,807	19,580	8,719	12,605	47,730	99,441
Exchange differences	847	–	53	470	886	2,256
Additions	–	–	1,059	219	3,403	4,681
Disposals	–	–	(1,493)	(950)	(1,523)	(3,966)
Disposal of subsidiaries	–	–	–	(276)	(16,937)	(17,213)
At 31st December, 2006	**11,654**	**19,580**	**8,338**	**12,068**	**33,559**	**85,199**
Accumulated depreciation and impairment losses						
At 1st January, 2006	59	5,713	5,351	10,119	28,977	50,219
Exchange differences	17	–	97	353	497	964
Charge for the year	71	783	1,285	1,113	4,768	8,020
Disposals	–	–	(559)	(735)	(666)	(1,960)
Disposal of subsidiaries	–	–	–	(222)	(9,460)	(9,682)
At 31st December, 2006	**147**	**6,496**	**6,174**	**10,628**	**24,116**	**47,561**
Net book value						
At 31st December, 2006	**11,507**	**13,084**	**2,164**	**1,440**	**9,443**	**37,638**

18 FIXED ASSETS *(Continued)*

	Group					
	Freehold property HK$'000	Buildings on leasehold land HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Furniture, fixtures and equipment HK$'000	Total HK$'000
Cost						
At 1st January, 2005	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	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

18 FIXED ASSETS *(Continued)*

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

	Group			
	Freehold property		Buildings on leasehold land	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
In Hong Kong				
Leases between 10 to 50 years	**–**	–	**13,084**	13,867
Outside Hong Kong				
Freehold	**11,507**	10,748	**–**	–
At 31st December	**11,507**	10,748	**13,084**	13,867

(b) The net book value of assets under finance leases is HK$1,057,000 (2005: HK$1,623,000).

(c) At 31st December, 2006, freehold property and certain buildings on leasehold land with an aggregate net book value of approximately HK$23,045,000 (2005: HK$22,999,000) have been pledged to banks to secure the Group's banking facilities (note 30(vii)).

19 AVAILABLE-FOR-SALE FINANCIAL ASSET

	Group	
	2006	2005
	HK$'000	HK$'000
At 1st January	**65,000**	–
Addition	**–**	63,009
Disposal	**(65,000)**	–
Revaluation surplus recognised in equity	**–**	1,991
At 31st December	**–**	65,000
Representing:		
Unlisted investment	**–**	65,000

Available-for-sale financial asset represented the Group's 19.9% equity interest in Ace River Investments Limited, an investment holding company which holds a 100% equity interest in Advanced Wireless Group Limited ("AWG"), and was carried at fair value as at 31st December, 2005. The investment was subsequently disposed of in December 2006 for HK$58,000,000 which led to a loss on disposal of HK$5,009,000 (note 6) and a release of the available-for-sale financial asset revaluation reserve of HK$1,991,000 (note 29).

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.

20 INVESTMENTS IN SUBSIDIARIES

	Company	
		Restated
	2006	2005
	HK$'000	HK$'000
Unlisted shares, at cost (note (i))	**168,280**	166,268
Amount due from a subsidiary (note (ii))	**408,866**	412,739

Notes:

(i) Particulars of principal subsidiaries are set out in note 36 to the accounts.

(ii) The amount due from a subsidiary is unsecured, interest free and has no fixed terms of repayment. The carrying value of balance due from a subsidiary approximates its fair value.

21 INVENTORIES

	Group	
	2006	2005
	HK$'000	HK$'000
Merchandises, at cost	**632,188**	437,695
Provision for impairment	**(66,171)**	(60,713)
	566,017	376,982

22 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2006	2005
	HK$'000	HK$'000
Equity securities, at fair value		
– listed outside Hong Kong	**144**	116
Money market fund, at fair value		
– unlisted	**585**	511
	729	627
Market value of listed securities	**144**	116

The above financial assets are held for trading. Equity securities listed outside Hong Kong are denominated in Malaysian Ringgit ("RM") 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 32(a)). Changes in fair value of financial assets at fair value through profit or loss are reflected in other income in the consolidated profit and loss account (note 6).

23 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, 2006, the ageing analysis of the trade receivable was as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
1-30 days	**440,376**	529,019
31-60 days	**349,222**	375,436
61-90 days	**364,082**	167,709
91-120 days	**111,791**	11,943
Over 120 days	**210,614**	116,246
Less: provision for impairment	**(119,485)**	(64,113)
	1,356,600	1,136,240

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

24 BANK BALANCES AND CASH

(a) Bank balances and cash as at 31st December, 2006 of approximately HK$2,142,000 (2005: HK$52,982,000), HK$10,397,000 (2005: HK$347,887,000), HK$726,000 (2005: HK$817,000) and HK$436,000 (2005: HK$552,000) were denominated in RMB, RM, 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, 2006 of approximately HK$402,253,000 (2005: HK$387,692,000) 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.

(d) The effective interest rates of bank deposits at the balance sheet date were as follows:

	2006			2005		
	HK$	**RM**	**US$**	HK$	RM	US$
Bank deposits	**3.9%**	**3.7%**	**4.8%**	3.5%	3.7%	4.4%

25 TRADE PAYABLE

At 31st December, 2006, the ageing analysis of the trade payable was as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
1-30 days	**674,520**	260,815
31-60 days	**89,710**	86,159
61-90 days	**73,502**	287,081
91-120 days	**15,292**	6,452
Over 120 days	**28,982**	60,959
	882,006	701,466

26 DERIVATIVE FINANCIAL INSTRUMENTS

	Group	
	2006	2005
	HK$'000	HK$'000
Forward foreign exchange contracts (assets/(liabilities))	**483**	(3,147)

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 the consolidated profit and loss account.

27 BANK LOANS AND OVERDRAFTS

	Group	
	2006	2005
	HK$'000	HK$'000
Short term bank loans, secured	**428,256**	532,867
Bank overdrafts, unsecured	**7,956**	8,891
	436,212	541,758

Notes:

(i) Except for short term bank loans with carrying amount of HK$19,987,000 (2005: HK$17,991,000) denominated in RMB and trust receipts of HK$36,190,000 (2005: Nil) denominated in EUR, all other bank loans and overdrafts are denominated in HK$.

(ii) 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.

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

	2006		2005	
	HK$	**RMB**	HK$	RMB
Short term bank loans	**6.1%**	**5.9%**	5.8%	2.3%
Bank overdrafts	**8.5%**	**–**	3.0%	–

(iv) At 31st December, 2006, freehold property, certain leasehold land and buildings and investment property of the Group with an aggregate net book value of approximately HK$54,585,000 (2005: HK$46,287,000) have been pledged to banks to secure the Group's banking facilities (notes 16, 17, 18 and 30).

(v) The exposure of the Group's short-term bank loans and overdrafts to interest-rate changes and the contractual repricing dates is less than 6 months.

28 SHARE CAPITAL

	Company	
	Number of shares of HK$0.10 each	HK$'000
Authorised:		
At 31st December, 2006 and 2005	**3,000,000,000**	**300,000**
Issued and fully paid:		
At 31st December, 2006 and 2005	**1,945,696,565**	**194,570**

There was no movement in share capital of the Company for the years ended 31st December, 2006 and 2005.

Notes:

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 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, 2006, no options under this scheme had been granted.

28 SHARE CAPITAL *(Continued)*

Notes: *(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. The final expiry date to exercise the options under the terms of the Pre-Listing Share Option Plan is 30th June, 2006.

Movements in the share options during the year were as follows:

		Number of options				
	Exercise price	Outstanding at 1st January 2006	Lapsed during the year	Outstanding at 31st December 2006	Vested percentage at 31st December 2006	Vested percentage at 31st December 2005
Directors						
Mr. Ng Kok Hong	HK$0.82	9,450,000	(9,450,000)	–	0%	100%
Mr. Ng Kok Tai	HK$0.82	8,400,000	(8,400,000)	–	0%	100%
Mr. Ng Kok Yang	HK$0.82	8,575,000	(8,575,000)	–	0%	100%
Senior management staff	HK$0.82	700,000	(700,000)	–	0%	100%
Other employees	HK$0.82	505,750	(505,750)	–	0%	100%
		27,630,750	(27,630,750)	–		

No options (2005: Nil) had been exercised or cancelled during the year ended 31st December, 2006.

29 RESERVES

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

	Group						
	Share premium HK$'000	Merger reserve HK$'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, 2006	127,258	3,989	4,872	1,615	1,991	482,989	622,714
Exchange differences	–	–	–	19,290	–	–	19,290
Profit attributable to equity holders of the Company	–	–	–	–	–	40,715	40,715
Release of reserve upon disposal of subsidiaries	–	–	–	(352)	–	–	(352)
Release of reserve upon disposal of available-for-sale financial asset (note 19)	–	–	–	–	(1,991)	–	(1,991)
Balance at 31st December, 2006	**127,258**	**3,989**	**4,872**	**20,553**	**–**	**523,704**	**680,376**
Retained by:							
Company and subsidiaries	127,258	3,989	4,872	20,553	–	523,704	680,376
Balance at 1st January, 2005	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

29 RESERVES *(Continued)*

	Company		
	Share premium (note (ii)) HK$'000	Retained earnings Restated HK$'000	Total Restated HK$'000
At 1st January, 2006	287,000	45,148	332,148
Profit for the year	–	4,448	4,448
At 31st December, 2006	**287,000**	**49,596**	**336,596**
At 1st January, 2005	287,000	48,628	335,628
Profit for the year	–	6,248	6,248
2004 final dividend	–	(9,728)	(9,728)
At 31st December, 2005	287,000	45,148	332,148

Notes:

(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, 2006, 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$336,596,000 (Restated 2005: HK$332,148,000).

30 LONG-TERM LIABILITIES

	Group 2006 HK$'000	Group 2005 HK$'000	Company 2006 HK$'000	Company 2005 HK$'000
Secured bank loans (note (ii) and (iv))	**47,145**	49,274	**42,875**	49,000
Obligations under finance leases (note (iii))	**774**	1,400	**–**	–
	47,919	50,674	**42,875**	49,000
Current portion of long-term liabilities	**(25,235)**	(897)	**(24,500)**	–
	22,684	49,777	**18,375**	49,000

Notes:

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

	Group 2006 HK$'000	Group 2005 HK$'000	Company 2006 HK$'000	Company 2005 HK$'000
Bank loans				
Wholly repayable within five years	**44,632**	49,274	**42,875**	49,000
Not wholly repayable within five years	**2,513**	–	**–**	–
	47,145	49,274	**42,875**	49,000
Obligations under finance leases				
Wholly repayable within five years	**774**	1,196	**–**	–
Not wholly repayable within five years	**–**	204	**–**	–
	774	1,400	**–**	–
Total	**47,919**	50,674	**42,875**	49,000
Current portion of long-term liabilities	**(25,235)**	(897)	**(24,500)**	–
	22,684	49,777	**18,375**	49,000

30 LONG-TERM LIABILITIES *(Continued)*

Notes: *(Continued)*

(ii) At 31st December, 2006, the bank loans were repayable as follows:

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**24,792**	274	**24,500**	–
In the second year	**18,704**	24,500	**18,375**	24,500
In the third to fifth year	**1,136**	24,500	**–**	24,500
After the fifth year	**2,513**	–	**–**	–
	47,145	49,274	**42,875**	49,000

(iii) At 31st December, 2006, the outstanding obligations under finance leases were repayable as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Within one year	**516**	752
In the second year	**260**	503
In the third to fifth year	**128**	414
After the fifth year	**–**	34
	904	1,703
Future finance charges on finance leases	**(130)**	(303)
Present value of finance lease liabilities	**774**	1,400

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

	2006	2005
	HK$'000	HK$'000
Within one year	**443**	623
In the second year	**225**	428
In the third to fifth year	**106**	320
After the fifth year	**–**	29
	774	1,400

30 LONG-TERM LIABILITIES *(Continued)*

Notes: *(Continued)*

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

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
HK$	**43,025**	49,329	**42,875**	49,000
RM	**4,858**	1,237	**–**	–
Philippines Peso ("P$")	**36**	108	**–**	–
	47,919	50,674	**42,875**	49,000

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

	2006			2005		
	HK$	**RM**	**P$**	HK$	RM	P$
Bank loans	**7.6%**	**5.8%**	**–**	5.8%	–	–
Obligations under finance leases	**3.5%**	**3.7%**	**11.8%**	7.0%	3.8%	8.0%

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

(vii) At 31st December, 2006, freehold property, certain leasehold land and buildings and investment property of the Group with an aggregate net book value of approximately HK$54,585,000 (2005: HK$46,287,000) have been pledged to banks to secure the Group's banking facilities (notes 16, 17 and 18).

(viii) The exposure of the Group's long-term liabilities to interest-rate changes and the contractual repricing dates is less than 6 months.

31 DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2005: 17.5%).

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

	Group 2006 HK$'000	Group Restated 2005 HK$'000
At 1st January	**8,227**	5,166
Deferred taxation credited to consolidated profit and loss account (note 8)		
– continuing operations	**2,517**	2,903
– discontinued operation	**–**	40
Disposal of subsidiaries	**80**	79
Exchange differences	**598**	39
At 31st December	**11,422**	8,227

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. Subject to agreement with the tax authorities, the Group has unrecognised tax losses of HK$50,115,000 (2005: HK$16,990,000) to carry forward against future taxable income.

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	
	2006 HK$	2005 HK$	**2006 HK$**	2005 HK$	**2006 HK$**	2005 HK$	**2006 HK$**	2005 HK$	**2006 HK$**	2005 HK$
At 1st January	**11,704**	7,549	**(832)**	(1,026)	**551**	132	**(3,196)**	(1,489)	**8,227**	5,166
Charged/(credited) to consolidated profit and loss account	**4,968**	4,133	**107**	73	**(383)**	416	**(2,175)**	(1,679)	**2,517**	2,943
Disposal of subsidiaries	**–**	(11)	**80**	90	**–**	–	**–**	–	**80**	79
Exchange differences	**(446)**	33	**(74)**	31	**(168)**	3	**1,286**	(28)	**598**	39
At 31st December	**16,226**	11,704	**(719)**	(832)	**–**	551	**(4,085)**	(3,196)	**11,422**	8,227

31 DEFERRED TAXATION *(Continued)*

	2006 HK$'000	2005 HK$'000
Deferred tax assets	**13,211**	9,203
Deferred tax liabilities	**(1,789)**	(976)
	11,422	8,227

The amounts shown in the balance sheet include the following:

	2006 HK$'000	2005 HK$'000
Deferred tax assets to be recovered after more than 12 months	**13,211**	9,203
Deferred tax liabilities to be settled after more than 12 months	**(1,789)**	(976)

32 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2006 HK$'000	Restated 2005 HK$'000
Operating profit/(loss)		
– continuing operations	**144,911**	73,778
– discontinued operation	**(10,914)**	(1,750)
Depreciation of investment property, fixed assets and amortisation of leasehold land	**8,680**	13,059
Amortisation of intangible assets	**3,198**	3,089
Loss on disposal of fixed assets	**1,131**	1,171
Fair value gain on financial assets at fair value through profit or loss	**(39)**	(12)
Impairment of intangible assets	**7,754**	–
Gain on disposal of subsidiaries	**(20)**	(3,673)
Loss on disposal of available-for-sale financial asset	**5,009**	–
Operating profit before working capital changes	**159,710**	85,662
(Increase)/decrease in inventories	**(173,548)**	14,266
Increase in trade and other receivables and prepayments	**(256,387)**	(186,033)
Increase in bills payable	**134,132**	36,088
Increase in trade and other payables and accrued charges	**187,771**	253,675
(Increase)/decrease in derivative financial instruments	**(3,630)**	1,498
Cash generated from operations	**48,048**	205,156

32 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(b) Analysis of changes in financing during the year

	Share capital (including share premium)		Minority interests		Loans and obligations under finance leases	
	2006	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 1st January	**321,828**	321,828	**355**	376	**583,541**	558,015
Exchange differences	**–**	–	**31**	742	**218**	(68)
Minority's share of loss and exchange reserves	**–**	–	**(304)**	(2,175)	**–**	–
Disposal of subsidiaries	**–**	–	**(140)**	1,412	**–**	–
Contribution from a minority shareholder	**–**	–	**70**	–	**–**	–
Inception of finance leases (note (c))	**–**	–	**–**	–	**180**	234
Net cash (outflow)/inflow from financing	**–**	–	–	–	**(107,764)**	25,360
At 31st December	**321,828**	321,828	**12**	355	**476,175**	583,541

(c) Major non-cash transactions

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$180,000 (2005: HK$234,000).

(d) Analysis of balances of cash and cash equivalents

	2006	2005
	HK$'000	HK$'000
Bank balances and cash – not pledged	**130,145**	304,850
Unsecured bank overdrafts	**(7,956)**	(8,891)
	122,189	295,959

32 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(e) Acquisition of subsidiaries

There was no acquisition of subsidiary during the year ended 31st December, 2006.

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 to 31st December, 2005. If the acquisition had occurred on 1st January, 2005, Group revenue would have been HK$115 million, and loss for that 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 in 2005		
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 in 2005	3,006	3,006

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

	2006 HK$'000	2005 HK$'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

32 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(f) Disposal of subsidiaries

	2006 HK$'000	2005 HK$'000
Net assets disposed		
Goodwill	–	1,938
Fixed assets	**7,531**	2,534
Inventories	–	61
Trade and other receivables	**8,063**	9,199
Bank balances and cash	**65**	133
Trade and other payables	**(15,154)**	(15,807)
Taxation recoverable/payable	**47**	(644)
Bank loan	–	(68)
Deferred tax liabilities	**(80)**	(79)
Reserves	**(352)**	(12)
Minority interests	**(140)**	1,412
	(20)	(1,333)
Gain on disposal of subsidiaries	**20**	3,673
	–	2,340
Satisfied by consideration receivable	–	2,340
Analysis of the net outflow in respect of the disposal of subsidiaries:		
Net outflow of cash and cash equivalents	**(65)**	(133)

33 CONTINGENT LIABILITIES

The Group and the Company did not have any significant contingent liabilities as at 31st December, 2006.

34 COMMITMENTS

(a) Commitments under operating leases

(i) At 31st December, 2006, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings		Office equipment	
	2006 HK$'000	2005 HK$'000	**2006 HK$'000**	2005 HK$'000
Not later than one year	**18,870**	11,571	**71**	70
Later than one year and not later than five years	**10,205**	6,271	**156**	236
Later than five years	**–**	–	**–**	24
	29,075	17,842	**227**	330

(ii) At 31st December, 2006, the Group had future aggregate minimum lease income receivable under non-cancellable operating leases as follows:

	Land and buildings	
	2006 HK$'000	2005 HK$'000
Not later than one year	**1,008**	152
Later than one year and not later than five years	**1,175**	–
	2,183	152

(b) Other commitments

At 31st December, 2006, the Group had notional amounts of approximately HK$29,393,000 (2005: HK$61,225,000) outstanding forward exchange contracts to hedge against outstanding purchase orders denominated in foreign currencies.

35 RELATED PARTY TRANSACTIONS

(a) Key management compensation

	Group	
	2006 HK$'000	2005 HK$'000
Salaries and other short-term employee benefits	**20,810**	21,590
Post-employment benefit	**524**	561
	21,334	22,151

35 RELATED PARTY TRANSACTIONS *(Continued)*

(b) On 3rd July, 2006, First E-Pro Limited, 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 Investments Limited ("CTI"), an indirect subsidiary of the Company, for a consideration of HK$1 paid in cash upon completion of the transaction. The Purchaser is a substantial shareholder of CTI.

36 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 as at 31st December, 2006.

Company	Country/ place of incorporation/ registration	Place of operation	Issued and fully paid up share capital/ registered capital	Group's equity interest		Principal activities
				2006	2005	
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] 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

36 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 2006	Group's equity interest 2005	Principal activities
First Asia Mobile, Inc.	Republic of the Philippines	Republic of the Philippines	12,500,000 shares of P$1 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 P$1 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%**	100%	Retailing of mobile phones and related products
[1] Mobile Concept International Limited	Taiwan	Taiwan	TWD5,000,000	**100%**	100%	Trading and distribution of mobile phones

36 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		Principal activities
				2006	2005	
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 P$1 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 4.7%, 4.7% and -36%(2005: 14.1%, 4.1% and -172%) of the Group's net assets, turnover and profit before taxation respectively.

37 APPROVAL OF ACCOUNTS

The accounts were approved by the Board of Directors on 20th March, 2007.

FINANCIAL SUMMARY

CONSOLIDATED RESULTS

	2002 HK$'000	2003 HK$'000	2004 HK$'000	Restated 2005 HK$'000	**2006** **HK$'000**
Revenues	6,272,570	6,191,951	6,183,131	6,652,004	**7,998,793**
Operating profit	176,909	117,048	124,348	73,778	**144,911**
Finance income	–	–	–	9,063	**13,429**
Finance costs	(31,643)	(33,051)	(32,796)	(44,751)	**(68,267)**
Share of profit/(loss) of jointly controlled entities	190	(166)	–	–	**–**
Profit before taxation	145,456	83,831	91,552	38,090	**90,073**
Taxation	(36,832)	(26,243)	(40,098)	(31,651)	**(38,727)**
Profit from continuing operations	108,624	57,588	51,454	6,439	**51,346**
Loss from discontinued operation	–	–	–	(116)	**(10,935)**
Profit for the year	108,624	57,588	51,454	6,323	**40,411**
Minority interests	(155)	(2,144)	7,114	2,175	**304**
Profit attributable to equity holders of the Company	108,469	55,444	58,568	8,498	**40,715**
Dividends	38,914	–	9,728	–	**–**

CONSOLIDATED ASSETS AND LIABILITIES

	2002 HK$'000	2003 HK$'000	2004 HK$'000	2005 HK$'000	**2006** **HK$'000**
Non-current assets	97,396	113,285	110,280	159,299	**84,206**
Current assets	1,696,529	1,805,026	2,067,437	2,324,598	**2,653,515**
Current liabilities	1,035,183	1,151,628	1,358,931	1,615,505	**1,838,290**
Non-current liabilities	40,406	10,016	5,773	50,753	**24,473**
Shareholders' funds/total equity	713,651	749,395	813,013	817,639	**874,958**

Notes:

The above financial summary as of and for the years ended 31st December, 2005 and 2006 have been extracted from the audited accounts of the Group as set out on pages 30 to 32 of the annual report.

The financial summary of 2002, 2003 and 2004 have not been restated following the adoption of the new and revised Hong Kong Financial Reporting Standards in 2005.

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