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 2007 二零零七年年報

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。

EXECUTIVE DIRECTORS

NG KOK HONG
NG KOK TAI
NG KOK YANG

INDEPENDENT NON-EXECUTIVE DIRECTORS

SEE TAK WAH
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)
WU WAI CHUNG MICHAEL
SEE TAK WAH

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

AUDITOR

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

TRICOR ABACUS LIMITED
26TH FLOOR, TESBURY CENTRE,
28 QUEEN'S ROAD EAST,
WANCHAI, HONG KONG

MAJOR OPERATING COMPANIES

FIRST MOBILE GROUP HOLDINGS LIMITED

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)

RETAIL

MOBILE CITY (HONG KONG) LIMITED
(HONG KONG)

EXQUISITE MODEL SDN. BHD.
(MALAYSIA)

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.

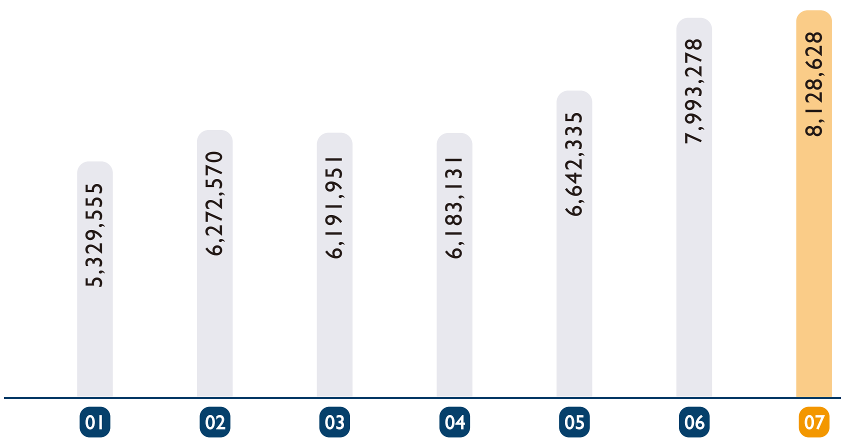
MISSION

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.

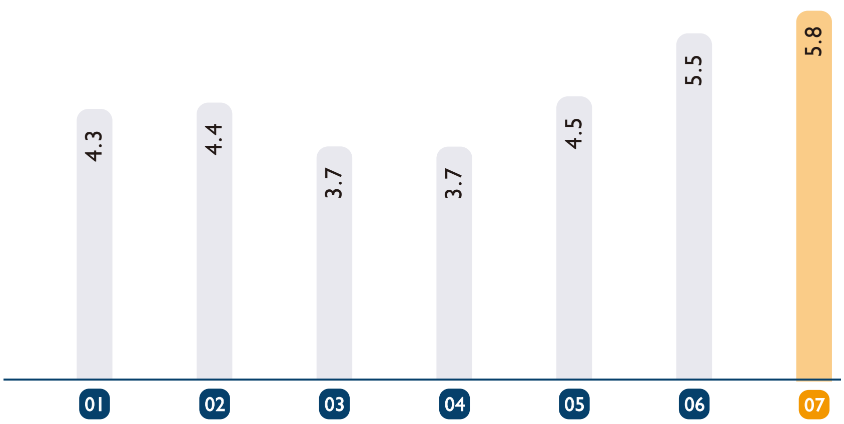
AT THE VANGUARD OF OUR INDUSTRY

"With the progressive management of the Group, turnover for the fiscal year 2007 exceeded US$1.04 billion, which marked another record year in the Group's history."

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



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



On behalf of the Board of Directors of First Mobile Group Holdings Limited (the "Company") and its subsidiaries (the "Group"), I am much honoured to present the annual report for the year ended 31st December, 2007.

First Mobile Group is a leading mobile phone and accessory trading and distribution enterprise in the Asia Pacific region with the distributorship of several renowned brands. With the Group's extensive network, we offer comprehensive value-added solutions throughout the supply chain, from manufacturers, operators and dealers to end-users.

The Group has evolved alongside the dynamic regional market over the last few years. During this period, the Group had further strengthened its position as market leader.

The Group's turnover and sales volume has grown steadily year-on-year and in 2007, the Group's turnover reached US$1.04 billion on the sales of 5.8 million units.

Profit attributable to shareholders increased 56% to HK$63.5 million for the year. In addition to the interim dividend of HK0.5 cent per share declared and paid during the year, the Board recommends a final dividend of HK0.5 cent per share attributable to shareholders whose names are on the register of members of the Company on 29th April, 2008.

LOOKING AHEAD

The Group will remain focused on its core business of mobile phone trading and distribution. We will strive to further strengthen our business in order to maintain the leading position in the mobile phone industry.

We have been experiencing much technological advancement in the previous year with many impressive new applications and technologies, from 3.5G (i.e. HSDPA), digital TV, WiMax, wireless USB, Bluetooth 3.0 to touch screen displays and so on. All these technological breakthroughs work together to speed up replacement rate all across the regions, which have inevitably contributed much to today's booming market. We anticipate the robust market condition will continue to prevail in the region, and the shortened replacement cycle will definitely benefit the Group in the years to come.

Going forward, the Group will remain focused on sustaining growth of our businesses with an aim to drive for greater profitability.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I would like to express our most sincere thanks to all our shareholders, management team and dedicated staff, manufacturers, bankers, dealers, operators, retailers and also business partners for your continued support and trust.

Ng Kok Hong
Executive Chairman

Hong Kong, 18th March, 2008

BUSINESS REVIEW

HONG KONG

The Group's Hong Kong retail business is operated under the brand "Mobile City". Mobile City has adopted comprehensive marketing strategy throughout 2007 to raise the brand's profile as well as increase sales. The marketing strategy includes a series of tailor-made marketing campaigns in collaboration with globally renowned brands, joint promotion with Hong Kong's established banks and the Hong Kong Tourism Board.

A new retail shop was opened in Sham Shui Po in June 2007 to further expand the geographical coverage of Mobile City. Upon the opening of the shop, a series of marketing and promotional campaigns were organised to maximise publicity and exposure for the Mobile City brand in the Kowloon West district.

The mobile phone replacement market is still showing huge growth potential with the growing popularity of next-generation high speed connectivity and new mobile phone applications, leading to shorter replacement cycle and steady growth of the mobile phone replacement market.

MALAYSIA

The number of mobile phone subscribers had increased to approximately 23 million in 2007, with a penetration rate of approximately 85% while the rate recorded in 2006 was approximately 72%. (source: The Malaysian Communications and Multimedia Commission, March 2008). Our Malaysian subsidiary is the exclusive distributor of Samsung mobile phones in the country. With a market share of approximately 20%, Samsung is the second most popular brand in Malaysia (source: Samsung Malaysia Electronics, December 2007).

During 2007, the Malaysian subsidiary further enriched its product portfolio by acquiring the distribution rights of 20 new Samsung models including SGH-C170, C450, D840, D880, D900i, E950, F200, F210, F300, F330, F500, G600, J200, J600, J610, L760, M610, U600, U700 and Z240, which adds up to a total of 56 models in the Samsung portfolio.

A series of very successful promotional campaigns had been organised in Malaysia to boost sales volume and also enhance First Mobile Group's brand image in the region. These campaigns included a co-marketing promotion with a major network operator in Malaysia to further enhance Samsung's position in the market.

The Malaysian retail business continued to expand its Mobile City retail network with the establishment of a new outlet at The Garden Mid Valley City and sales kiosks in every outlet of Carrefour, one of the largest hypermarket chains in the country, and Best Denki, one of the largest consumer electronics chain stores in the country. There were a total of 91 Mobile City outlets and sales kiosks as at 31st December, 2007.

THE PHILIPPINES

The total number of mobile subscribers in the Philippines had exceeded 46 million in 2007 (source: Asia Pacific Research Group, December 2007) while the penetration rate increased to 53% in a country of 88 million people (source: Philippine Commission on Population, December 2007).

Our subsidiary in the Philippines is the exclusive distributor of Samsung mobile handsets in the country. Samsung is currently the second most popular mobile phone brand in the country, with a market share of approximately 23%.

During the period under review, our subsidiary in the Philippines had acquired the distribution rights of 33 new Samsung models including Samsung SGH-B500, C140, C160, C170, C450, C520, D880, D900i, E200, E210, E570, E840, E950, F200, F210, F300, F500, G600, J200, J600, J610, J750, L600, M600, M610, P930, U300, U600, U700, Z170, Z240, Z370 and Z720, which further enriched its current Samsung product portfolio to a total of 66 models.

FINANCIAL REVIEW

OVERVIEW

The Group recorded a turnover of HK$8,129 million in the financial year of 2007, representing an increase of 1.7% over last year's turnover. Total sales volume reached 5.8 million units in 2007, up by 5% compared to 5.5 million units sold in 2006.

Gross profit margin was maintained at a satisfactory average of 4.7% (2006: 4.9%).

Selling and distribution expenses increased by 25% from HK$54 million in 2006 to HK$68 million for the year under review mainly due to the growth of the Group's distribution networks in existing and new markets.

General and administrative expenses increased marginally by HK$3.4 million, or 1.8% over the previous year.

The Company had issued share options to the Company's employees in July 2007. In accordance with HKFRS 2, share-based payments amounting to HK$9.6 million were recognised and charged against the Company's earnings for the year. The share-based payments are recognised in compliance with HKFRS 2 and does not represent a cash outflow for the Group.

Finance costs did not materially change at HK$68.0 million for 2007 (2006: HK$68.3 million).

For the financial year 2007, profit attributable to equity holders of the Company increased by 56% from HK$40.7 million to HK$63.5 million.

Basic and diluted earnings per share from continuing operations and loss per share from discontinued operation for the year ended 31st December, 2007 were HK3.27 cents (2006: HK2.64 cents) and nil (2006: HK0.55 cent) respectively.

The Group's inventory level reduced to HK$495 million (2006: HK$566 million) mainly due to the faster turnover of inventory. Average inventory turnover days reduced from 30 days to 26 days.

Trade receivables increased from HK$1,357 million as at 31st December, 2006 to HK$1,500 million as at 31st December, 2007, up 10% from the previous year. Average receivables turnover days was 70 days (2006: 67 days).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December, 2007, bank and cash balances of the Group were approximately HK$580 million (2006: HK$532 million), of which approximately HK$455 million (2006: HK$402 million) were pledged for general banking facilities. Total borrowings (excluding bills payable) of the Group amounted to approximately HK$476 million (2006: HK$484 million), comprising long-term bank loans of approximately HK$22 million (2006: HK$47 million), obligations under finance lease of approximately HK$5 million (2006: HK$1 million), and short-term bank loans and overdrafts of approximately HK$449 million (2006: HK$436 million). The gearing ratio (total borrowings/total assets) of the Group as at 31st December, 2007 was 17% (2006: 18%).

Investment property, freehold properties and certain leasehold land and buildings of the Group with carrying values of approximately HK$54 million (2006: HK$55 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, 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, 2007, the Group had approximately HK$10 million (2006: HK$29 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, 2007.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31st December, 2007.

EMPLOYEES

As at 31st December, 2007, the Group had 681 (2006: 708) employees. The total of employee remuneration, including that of the Directors, for the year ended 31st December, 2007 amounted to approximately HK$108 million (2006: HK$94 million). The Group remunerates its employees based on their performance, experience and the prevailing industry practice. In addition, the Group has a share option scheme for its employees, details of which are disclosed in note 29 to the accounts.

STRATEGIES FOR 2008

With the robust growth of the mobile phone industry globally in recent years, we expect this upward trend to continue well into 2008 with a year-on-year growth forecast of 8.8% (source: Strategy Analytics, January 2008). As one of the leading regional distributors in the market, the Group stands to benefit from this growing demand for handsets and related accessories.

The Group has emerged stronger in recent years and we have further consolidated our position in the market. Building on this strong foundation, we will continue to focus on enhancing shareholder value and increasing the Group's profitability.


TEAMWORK
Working Together Towards a Common Goal

EXECUTIVE DIRECTORS

MR. NG KOK HONG

Aged 44, 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 47, 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 40, 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 44, 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 58, 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 75, 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 38, 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 60, Group Treasurer. Mdm. Eng is also a director and Chief Financial Officer of First Mobile Group Sdn. Bhd. in Malaysia and has more than 35 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.

MR. KHOO CHAN LENG

Aged 36, 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 13 years and is currently a member of the accountancy bodies in Australia, Malaysia and Hong Kong.

MR. MAH KWONG CHEE DYLAND

Aged 40, 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 17 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 49, 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 23 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 32, 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 48, 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 52, 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 24 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 40, Senior 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, 2007.

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 37 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 24.

An interim dividend of HK0.5 cent per share was declared and paid on 19th September, 2007.

The Directors recommended the payment of a final dividend of HK0.5 cent per share for the year ended 31st December, 2007.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 30 to the accounts.

DONATIONS

Charitable and other donations made by the Group during the year amounted to approximately HK$77,000.

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 78.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31st December, 2007, 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 Tai and Mr. Wong Tin Sang Patrick 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 12 to 13.

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, 2007, the maximum amount of discretionary bonus that the executive Directors would have been entitled to was approximately HK$6,350,000 (2006: HK$4,000,000). For the year ended 31st December, 2007, the executive Directors were entitled to a discretionary bonus of HK$3,000,000 (2006: HK$1,200,000).

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 SCHEME

Details of Share Option Scheme of the Company are set out in note 29 to the accounts.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 31st December, 2007, 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

	Number of Shares of HK$0.10 each				
Name of Director	**Personal interests**	**Family interests** (note (i))	**Corporate interests** (note (ii))	**Total**	**Percentage of issued share capital**
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.

Save as disclosed above, as at 31st December, 2007 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, 2007, 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	5.7%
– five largest customers combined	13.3%

Purchases

– the largest supplier	69.8%
– five largest suppliers combined	82.1%

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.

CORPORATE GOVERNANCE

The Company's Corporate Governance Report is set out on pages 19 to 22.

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, 18th March, 2008

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, 2007. The Directors are, collectively and individually, aware of their responsibilities to the shareholders. The Directors' profiles are set out on page 12. The three executive Directors are brothers.

The Board members as at 31st December, 2007 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 2007, five board meetings were held. The Directors' attendance at Board meetings held during the year is set out below:

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of Chairman and Chief Executive Officer are segregated and their positions are 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 2007, 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 at Audit Committee meetings held during the year is set out below:

	Attendance/ No. of meeting held
Mr. See Tak Wah (Committee Chairman)	4/4
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 18th February, 2008 to consider the remuneration of executive Directors and senior management for the year 2008 and submitted their recommendations to the Board for approval. Attendance of the members at Remuneration Committee meetings held during the year is set out below:

	Attendance/ No. of meeting held
Mr. Wong Tin Sang Patrick (Committee Chairman)	1/1
Mr. Wu Wai Chung Michael	1/1
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 modeled 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, 2007.

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, 2007, the external auditor provided the following services to the Group:

	2007 **HK$'000**
Audit services	**3,195**
Taxation advisory services	**55**
Audit-related services	**24**
	3,274

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 accounts of First Mobile Group Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as set out on pages 24 to 77, which comprise the consolidated and company balance sheets as at 31st December, 2007, 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 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 accounts based on our audit, and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the 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 accounts give a true and fair view of the state of affairs of the Company and the Group as at 31st December, 2007 and of the profit and cash flows of the Group 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, 18th March, 2008

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST DECEMBER, 2007

	Note	**2007 HK$'000**	2006 HK$'000
Continuing operations			
Revenues	4	**8,132,158**	7,998,793
Cost of sales	5	**(7,751,796)**	(7,608,334)
Gross profit		**380,362**	390,459
Selling and distribution expenses		**(67,625)**	(53,957)
General and administrative expenses		**(191,549)**	(188,199)
Other income	4	**18,678**	6,697
Other expenses		**(3,586)**	(10,089)
Operating profit	6	**136,280**	144,911
Finance income	7	**18,831**	13,429
Finance costs	7	**(68,007)**	(68,267)
Profit before taxation		**87,104**	90,073
Taxation	8	**(23,573)**	(38,727)
Profit from continuing operations		**63,531**	51,346
Discontinued operation			
Loss from discontinued operation	9	**–**	(10,935)
Profit for the year		**63,531**	40,411
Attributable to:			
Equity holders of the Company	10	**63,543**	40,715
Minority interests		**(12)**	(304)
		63,531	40,411
Basic and diluted earnings/(loss) per share	11		
– from continuing operations		**HK 3.27 cents**	HK 2.64 cents
– from discontinued operation		**–**	HK(0.55) cent
Dividend	12	**19,456**	–

CONSOLIDATED PROFIT AND LOSS ACCOUNT

CONSOLIDATED BALANCE SHEET

AS AT 31ST DECEMBER, 2007

	Note	2007 HK$'000	2006 HK$'000
Non-current assets			
Intangible assets	15	–	1,381
Investment property	16	**9,221**	8,814
Leasehold land	17	**23,607**	23,162
Fixed assets	18	**49,439**	37,638
Deferred tax assets	32	**20,796**	13,211
		103,063	84,206
Current assets			
Inventories	21	**494,770**	566,017
Financial assets at fair value through profit or loss	22	**673**	729
Trade receivables	23	**1,500,445**	1,356,600
Other receivables and prepayments		**160,267**	188,194
Tax recoverable		**17,484**	9,094
Derivative financial instruments	26	**95**	483
Bank balances and cash	24		
– pledged		**455,495**	402,253
– not pledged		**124,279**	130,145
		2,753,508	2,653,515
Current liabilities			
Trade payables	25	**1,039,184**	882,006
Bills payables		**255,764**	379,269
Other payables and accrued charges		**122,551**	98,371
Current portion of long-term liabilities	31	**20,411**	25,235
Taxation payable		**13,519**	17,197
Bank loans and overdrafts	27		
– secured		**438,068**	428,256
– unsecured		**10,648**	7,956
		1,900,145	1,838,290
Net current assets		**853,363**	815,225
Total assets less current liabilities		**956,426**	899,431

CONSOLIDATED BALANCE SHEET

AS AT 31ST DECEMBER, 2007

	Note	2007 HK$'000	2006 HK$'000
Capital and reserves attributable to the Company's equity holders			
Share capital	28	**194,570**	194,570
Reserves	30	**752,779**	680,376
		947,349	874,946
Minority interests		**–**	12
Total equity		**947,349**	874,958
Non-current liabilities			
Long-term liabilities	31	**7,115**	22,684
Deferred tax liabilities	32	**1,962**	1,789
		956,426	899,431

Ng Kok Hong
Director

Ng Kok Yang
Director

BALANCE SHEET

AS AT 31ST DECEMBER, 2007

	Note	2007 HK$'000	2006 HK$'000
Non-current assets			
Investments in subsidiaries	20	**175,204**	168,280
Current assets			
Amount due from a subsidiary	20	**363,032**	408,866
Other receivables		**178**	178
Bank balances and cash		**38**	35
		363,248	409,079
Current liabilities			
Other payables and accrued charges		**1,171**	1,306
Current portion of long-term liability	31	**18,375**	24,500
Financial guarantee liabilities		**6,924**	2,012
		26,470	27,818
Net current assets		**336,778**	381,261
Total assets less current liabilities		**511,982**	549,541
Capital and reserves attributable to the Company's equity holders			
Share capital	28	**194,570**	194,570
Reserves	30	**317,412**	336,596
Total equity		**511,982**	531,166
Non-current liability			
Long-term liability	31	**–**	18,375
		511,982	549,541

Ng Kok Hong
Director

Ng Kok Yang
Director

FOR THE YEAR ENDED 31ST DECEMBER, 2007

		Attributable to equity holders of the Company				
		Share capital	**Other reserves**	**Retained earnings**	**Minority interests**	**Total**
	Note	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1st January, 2007		**194,570**	**156,672**	**523,704**	**12**	**874,958**
Exchange differences	30	**–**	**18,072**	**–**	**–**	**18,072**
Profit for the year		**–**	**–**	**63,543**	**(12)**	**63,531**
Share-based payments	30	**–**	**9,644**	**–**	**–**	**9,644**
2007 interim dividend paid		**–**	**–**	**(9,728)**	**–**	**(9,728)**
Release of reserves upon disposal of subsidiaries	30	**–**	**(9,128)**	**–**	**–**	**(9,128)**
Balance at 31st December, 2007		**194,570**	**175,260**	**577,519**	**–**	**947,349**
Balance at 1st January, 2006		194,570	139,725	482,989	355	817,639
Exchange differences	30	–	19,290	–	31	19,321
Profit for the year		–	–	40,715	(304)	40,411
Release of reserve upon disposal of subsidiaries	30	–	(352)	–	(140)	(492)
Release of reserve upon disposal of available-for-sale financial asset	30	–	(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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER, 2007

	Note	**2007 HK$'000**	2006 HK$'000
Cash flows from operating activities			
Net cash generated from operations	33(a)	**171,471**	48,048
Hong Kong profits tax paid		**(28,094)**	(22,131)
Hong Kong profits tax refund		**293**	70
Overseas taxation paid		**(16,046)**	(20,193)
Overseas taxation refund		**1,970**	66
Interest received		**18,075**	12,707
Interest paid		**(51,458)**	(44,620)
Bank and other charges paid		**(15,235)**	(24,499)
Net cash from/(used in) operating activities		**80,976**	(50,552)
Cash flows from investing activities			
Purchase of fixed assets		**(14,131)**	(4,501)
Purchase of leasehold land		**(1,024)**	–
Sale of fixed assets		**1,395**	875
Sale of available-for-sale financial asset		**–**	10,000
Sale of financial assets at fair value through profit or loss		**219**	–
Purchase of investment property		**–**	(8,904)
Disposal of subsidiaries, net of cash disposed	33(e)	**(627)**	(65)
Increase in pledged bank deposits		**(53,242)**	(14,561)
Net cash used in investing activities		**(67,410)**	(17,156)
Cash flows from financing activities	33(b)		
Dividend paid		**(9,728)**	–
Interest element of finance lease payments		**(133)**	(147)
Capital element of finance lease payments		**(940)**	(874)
Drawdown of long-term bank loans		**–**	4,264
Repayment of long-term bank loans		**(24,867)**	(6,543)
Increase/(decrease) in short-term bank loans		**9,812**	(104,611)
Capital contribution from a minority shareholder		**–**	70
Net cash used in financing activities		**(25,856)**	(107,841)
Effect of foreign exchange rate changes		**3,732**	1,779
Net decrease in cash and cash equivalents		**(8,558)**	(173,770)
Cash and cash equivalents at beginning of year		**122,189**	295,959
Cash and cash equivalents at end of year	33(d)	**113,631**	122,189

First Mobile Group Holdings Limited (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").

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

These accounts are presented in thousands of Hong Kong dollars ("HK$'000"), unless otherwise stated. These accounts have been approved for issue by the Board of Directors on 18th March, 2008.

1 SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The accounts have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"). The 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 accounts are disclosed in note 3.

(b) Amendments to published standards

In 2007, the Group adopted the new/revised standards, amendments and interpretations of HKFRSs below, which are relevant to its operations. The applicable HKFRSs are set out below:

(i) HKFRS 7, Financial Instruments: Disclosures, and a complementary Amendment to HKAS 1, Presentation of Financial Statements – Capital Disclosures

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. 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 are sensitivity analysis to market risk and the capital disclosures required by the amendment to HKAS 1.

(ii) HK(IFRIC)-Int 8, Scope of HKFRS 2

This new interpretation requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued, to establish whether or not they fall within the scope of HKFRS 2. This interpretation does not have any financial impact on the Group's financial results.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(iii) HK(IFRIC)-Int 10, Interim Financial Reporting and Impairment

This new interpretation 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. This interpretation does not have any financial impact on the Group's financial results.

(iv) New/revised standards, amendments and interpretations that are not yet effective

Certain new/revised standards, amendments and interpretations are relevant to and mandatory for the Group's accounting periods beginning on or after 1st March, 2007 or later periods but which the Group has not early adopted, as follows:

(1) HK(IFRIC)-Int 11 – HKFRS 2, Group and Treasury Share Transactions (effective from 1st March, 2007)

This interpretation provides guidance on whether share-based transactions involving treasury shares or involving Group entities should be accounted for as equity-settled or cash-settled share-based payments transactions in the stand-alone accounts of the parent and Group companies. This interpretation does not have any financial impact on the Group's financial results.

(2) HKAS 23 (Revised), Borrowing Costs (effective from 1st January, 2009)

The revised standard requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply HKAS 23 (Revised) from 1st January, 2009 but is currently not applicable to the Group as there are no qualifying assets.

(3) HKFRS 8, Operating Segments (effective from 1st January, 2009)

HKFRS 8 replaces HKAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, "Disclosures about Segments of an Enterprise and Related Information". The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply HKFRS 8 from 1st January, 2009. The expected impact is still being assessed in detail by management.

(4) HKAS 1 (Revised), Presentation of Financial Statements (effective from 1st January, 2009)

HKAS 1 (Revised) "Presentation of Financial Statements" will be effective for the Group's accounting periods beginning on or after 1st January, 2009. This standard affects the presentation of owner changes in equity and of comprehensive income and does not change the recognition, measurement or disclosure of specific transactions and other events required by other HKFRSs.

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 carried in the balance sheet.

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 dividend income.

(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 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 of monetary assets and liabilities denominated in foreign currencies at exchange rates ruling at the balance sheet date 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 recognised as part of the fair value gain or loss.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Foreign currencies translation *(Continued)*

(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 exchange rate ruling 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 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 exchange rate ruling at the balance sheet date.

(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. 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.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the Group, is classified as 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 profit and loss account 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.

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.

(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 or 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 costs 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 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.

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.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Assets held under finance leases

Leases that substantially transfer to the Group 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.

(k) Financial assets

The Group classifies its financial assets in the categories of financial assets at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(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 are included in current assets, except for maturities greater than twelve months after the balance sheet date. These are classified as non-current assets.

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. 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 including interest and dividend income are included in the profit and loss account under other income/ expenses in the financial period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the profit and loss account as part of other income when the Group's right to receive payment is established.

The translation differences on monetary securities are recognised in profit or loss; translation differences on non-monetary securities are recognised in equity.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Financial assets *(Continued)*

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.

(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 receivables. 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.

(m) Impairment of non-financial assets

Assets that have an indefinite useful life or not yet available for use are not subject to amortisation and tested annually for impairment. 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.

(o) Trade payables

Trade payables are 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 financial period 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.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Current and deferred taxation

The current income taxation is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be payable to the tax authorities.

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 taxation asset is realised or the deferred taxation liability is settled.

Deferred taxation 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.

(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 twelve months and are measured at the amounts expected to be settled.

(iii) Pension obligations

Pursuant to the relevant regulations of the governments in Malaysia, 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.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Employee benefits *(Continued)*

(iii) Pension obligations (Continued)

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

(iv) Share-based compensation

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. 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 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 twelve months after the balance sheet date. Borrowing costs are charged to the profit and loss account in the financial period in which they are incurred.

(u) Pre-operating costs

Pre-operating costs are expensed in the financial period 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 or 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 receivables, 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 taxation payable, deferred tax liabilities and certain corporate borrowings. Capital expenditure comprises additions to intangible assets, investment property, leasehold land 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.

(y) Income/revenue recognition

Revenue comprises the fair value of the consideration 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. 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.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(z) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the financial period in which the dividends become legal or constructive obligations of the Company.

2 FINANCIAL RISK MANAGEMENT

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

Risk management is carried out by 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.

(a) Financial risk factors

(i) Market risk

(1) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Malaysian Ringgit ("RM"), US Dollar ("USD"), Philippines Peso ("PHP") and Euro ("EUR"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. Translation exposure arising on consolidation of the net assets of entities denominated in foreign currencies is accounted for in the exchange reserve.

To manage foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group use forward contracts to hedge against such risk. Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

At 31st December, 2007, if USD had weakened or strengthened by 5% (2006: 5%) against RM, with all other variables held constant, pre-tax profit for the year would have been HK$2,902,000 (2006: HK$12,308,000) higher or lower, mainly as a result of foreign exchange gains or losses on translation of USD-denominated bank balances and cash, trade payables and bills payables in relation to the operation in Malaysia. Profit is less sensitive to movement in USD/RM exchange rates in 2007 than 2006 because of the decreased amount of USD-denominated trade payables and bills payables.

At 31st December, 2007, if USD had weakened or strengthened by 5% (2006: 5%) against PHP, with all other variables held constant, pre-tax profit for the year would have been HK$18,283,000 (2006: HK$13,174,000) higher or lower, mainly as a result of foreign exchange gains or losses on translation of USD-denominated bank balances and cash and trade payables in relation to the operation in Philippines. Profit is more sensitive to movement in USD/PHP exchange rates in 2007 than 2006 because of the increased amount of USD-denominated trade payables.

At 31st December, 2007, if HK$ had weakened or strengthened by 5% (2006: 5%) against EUR, with all other variables held constant, pre-tax profit for the year would have been HK$1,524,000 lower or higher (2006: HK$1,341,000 higher or lower), mainly as a result of foreign exchange gains or losses on translation of EUR-denominated trade receivables and trade payables in relation to the operation in Hong Kong. Profit is more sensitive to movement in HK$/EUR exchange rates in 2007 than 2006 because of the increased amount of EUR-denominated trade payables.

2 FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factors *(Continued)*

(i) Market risk (Continued)

(2) Interest rate risk

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

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

At the balance sheet date, if interest rates had been increased or decreased by 50 basis points (2006: 50 basis points) and all other variables were held constant, the pre-tax profit of the Group would decrease or increase by approximately HK$1,048,000 (2006: HK$1,955,000) mainly as a result of higher or lower interest expense on floating rate borrowings. Profit is less sensitive to movement of interest rates in 2007 than 2006 because of the decreased borrowings with variable interest rates.

(ii) Credit risk

The Group is exposed to credit risk mainly in relation to its trade receivables and cash deposits with banks and the maximum exposure of credit risk equal the carrying amounts of these financial assets.

The Group has no significant concentration of credit risk with respect to trade receivables as the Group has a large number of customers that are internationally dispersed. It has policies in place to ensure that sales of products are made to customers with an appropriate credit history. The Group reviews the recoverable amount of the debtors on a regular basis and provision for doubtful debts is made in accordance with the Group's policies. In addition, the Group has taken out credit insurance policy to cover specific credit risk as appropriate.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Trade receivables

	2007 **HK$'000**	2006 HK$'000
Counterparties without external credit rating		
Group 1	**79,889**	44,336
Group 2	**1,014,159**	1,108,171
Group 3	**564**	1,173
	1,094,612	1,153,680

Group 1 – new customers (less than 12 months).

Group 2 – existing customers (more than 12 months) with no defaults in the past.

Group 3 – existing customers (more than 12 months) with some defaults in the past. All defaults were fully recovered or provided for.

2 FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factors *(Continued)*

(ii) Credit risk (Continued)

Bank balances and cash

	2007 HK$'000	2006 HK$'000
AA	**121,546**	96,511
A	**237,529**	242,784
BAA	**203,442**	176,138
B	**7,519**	725
Others	**9,738**	16,240
	579,774	532,398

Note: Credit ratings of deposit agencies has been made by reference to Moody's rating. Others represent financial institutions which have not been rated by any rating agency.

(iii) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its current obligations when they fall due.

The Group measures and monitors its liquidity through the maintenance of prudent ratios relating to the liquidity structure of the overall assets, liabilities, loans and commitments of the Group.

The Group also maintains a conservative level of liquid assets to ensure the availability of sufficient cash flow to meet any unexpected and material cash requirements in the course of ordinary business. In addition, standby facilities are established to provide contingency liquidity support.

The following table details the contractual maturity of the Group for its financial liabilities. The table has been drawn up based on the undiscounted cash flow of financial liabilities based on the earliest date on which the Group can be required to pay. The amounts represent both interest and principal cash flow.

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
At 31st December, 2007					
Borrowings and bank overdrafts	**469,927**	**2,026**	**3,351**	**2,127**	**477,431**
Trade payables	**1,039,184**	**–**	**–**	**–**	**1,039,184**
Bills payables	**255,764**	**–**	**–**	**–**	**255,764**
Other payables	**122,551**	**–**	**–**	**–**	**122,551**
Total	**1,887,426**	**2,026**	**3,351**	**2,127**	**1,894,930**

2 FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factors *(Continued)*

(iii) Liquidity risk (Continued)

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
At 31st December, 2006					
Borrowings and bank overdrafts	464,011	19,570	1,265	2,513	487,359
Trade payables	882,006	–	–	–	882,006
Bills payables	379,269	–	–	–	379,269
Other payables	98,371	–	–	–	98,371
Total	1,823,657	19,570	1,265	2,513	1,847,005

(b) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 31, and equity attributable to equity holders of the Company, comprising share capital and reserves. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares as well as increase or decrease the level of borrowings.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as debt to total assets. Debt is calculated as total borrowings (including current and non-current borrowings but excluding bills payables, as shown in the consolidated balance sheet).

The gearing ratios at 31st December, 2007 and 2006 were as follows:

	2007 HK$'000	2006 HK$'000
Total borrowings	**476,242**	484,131
Total assets	**2,856,571**	2,737,721
Gearing ratio	**17%**	18%

The decrease in the gearing ratio during the relevant periods resulted primarily from the increase in net profit and corresponding cash inflows from operating activities.

2 FINANCIAL RISK MANAGEMENT *(Continued)*

(c) 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 or expenses.

(d) Fair value estimation

The fair value of financial instruments traded in active markets 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 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 of trade receivables and payables and other receivables and payables are a reasonable approximation of their fair values. The fair value of financial liabilities 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 period are discussed below.

(a) 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 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 payable and provision for deferred taxation in the financial period in which such determination is made.

(b) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated 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.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(c) Trade and other receivables

The 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

	2007 HK$'000	2006 HK$'000
Revenues		
Turnover from sales of mobile phones and accessories, net	**8,128,628**	7,993,278
Rental income		
– investment property	**736**	481
– others	**2,601**	3,583
Repair service income, net	**193**	1,451
Total revenues	**8,132,158**	7,998,793
Other income		
Gain on derivative financial instruments at fair value	**–**	3,630
Compensation from insurance claim	**585**	2,502
Exchange gains, net	**17,033**	–
Gain on disposal of fixed assets	**688**	–
Gain on disposal of financial assets at fair value through profit or loss	**74**	–
Fair value gain on financial assets at fair value through profit or loss	**25**	39
Others	**273**	526
	18,678	6,697

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 insignificant size to be reported separately. The analysis of the Group's segment information for the year ended 31st December, 2007 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	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
Turnover before inter-segment sales	**7,845,083**	7,700,978	**398,613**	446,786	**8,243,696**	8,147,764	**–**	13,397
Inter-segment sales	**(78,052)**	(80,561)	**(37,016)**	(73,925)	**(115,068)**	(154,486)	**–**	–
Turnover	**7,767,031**	7,620,417	**361,597**	372,861	**8,128,628**	7,993,278	**–**	13,397
Unallocated revenues					**3,530**	5,515		
Revenues					**8,132,158**	7,998,793		
Segment results	**195,981**	168,994	**(35,925)**	(9,227)	**160,056**	159,767	**–**	(10,914)
Unallocated income and expenses, net					**(23,776)**	(14,856)	**–**	–
Operating profit/(loss)					**136,280**	144,911	**–**	(10,914)
Finance income					**18,831**	13,429	**–**	13
Finance costs					**(68,007)**	(68,267)	**–**	(34)
Profit/(loss) before taxation					**87,104**	90,073	**–**	(10,935)
Taxation					**(23,573)**	(38,727)	**–**	–
Profit/(loss) for the year					**63,531**	51,346	**–**	(10,935)

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	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
Segment assets	**2,599,026**	2,440,227	**194,190**	174,334	**2,793,216**	2,614,561	**–**	–
Unallocated assets					**63,355**	123,160		
Total assets					**2,856,571**	2,737,721		
Segment liabilities	**(1,814,505)**	(1,713,493)	**(56,939)**	(85,184)	**(1,871,444)**	(1,798,677)	**–**	–
Unallocated liabilities					**(37,778)**	(64,086)		
Total liabilities					**(1,909,222)**	(1,862,763)		
Capital expenditure	**14,345**	3,397	**5,840**	1,284	**20,185**	4,681	**–**	–
Unallocated capital expenditure					**–**	8,904		
Total capital expenditure					**20,185**	13,585		
Depreciation and amortisation	**7,513**	9,509	**2,395**	1,409	**9,908**	10,918	**–**	873
Unallocated depreciation and amortisation					**182**	87		
Total depreciation and amortisation					**10,090**	11,005		
Impairment/(reversal of impairment) of trade receivables	**15,932**	47,770	**(1,564)**	1,886	**14,368**	49,656	**–**	28
(Reversal of impairment)/ impairment of inventories	**(15,683)**	3,376	**5,691**	2,642	**(9,992)**	6,018	**–**	–

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 three 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.

	Revenues HK$'000	**Total assets** HK$'000	**Capital expenditure** HK$'000
2007			
Hong Kong	**6,548,507**	**2,189,497**	**9,842**
Malaysia	**667,230**	**526,570**	**8,641**
The Philippines	**46,596**	**39,669**	**1,163**
Other countries	**869,825**	**37,480**	**539**
	8,132,158	**2,793,216**	**20,185**
Unallocated assets		**63,355**	
Total assets/capital expenditure		**2,856,571**	**20,185**
2006			
Hong Kong	6,699,606	1,767,235	1,248
Malaysia	771,823	670,144	11,959
The Philippines	74,039	36,539	163
Other countries	453,325	140,643	215
	7,998,793	2,614,561	13,585
Unallocated assets		123,160	
Total assets/capital expenditure		2,737,721	13,585

5 COST OF SALES

	2007 HK$'000	2006 HK$'000
Cost of sales comprises:		
Cost of inventories sold	**7,715,302**	7,551,148
Other direct costs	**46,486**	51,168
(Reversal of impairment)/impairment of inventories	**(9,992)**	6,018
	7,751,796	7,608,334

6 OPERATING PROFIT

Operating profit is stated after charging the following:

	2007 HK$'000	2006 HK$'000
Amortisation of intangible assets #	**1,424**	3,198
Amortisation of leasehold land	**579**	573
Auditor's remuneration		
– provision for the year	**3,373**	2,679
– under provision in prior years	**320**	320
Depreciation		
– owned fixed assets	**6,925**	6,398
– leased fixed assets	**980**	749
– investment property	**182**	87
Direct operating expenses arising from investment property that generates rental income	**242**	206
Exchange losses, net #	**–**	207
Loss on derivative financial instruments at fair value #	**373**	–
Loss on disposal of available-for-sale financial asset #	**–**	5,009
Loss on disposal of fixed assets #	**–**	1,131
Net loss on disposal of subsidiaries #	**215**	–
Operating leases		
– land and buildings	**22,827**	20,780
– office equipment	**306**	422
Pre-operating costs	**–**	418
Impairment of trade receivables	**14,368**	49,656
Staff costs (including Directors' remuneration and retirement benefit costs)	**107,798**	94,149

These are included in other expenses

7 FINANCE INCOME/COSTS

	2007 HK$'000	2006 HK$'000
Bank interest income	**18,831**	13,429
Interest expenses on:		
– bank loans, overdrafts and finance leases wholly repayable within five years	**52,514**	44,070
– bank loan not wholly repayable within five years	**258**	112
Bank and other charges	**15,235**	24,085
	68,007	68,267

8 TAXATION

	2007 HK$'000	2006 HK$'000
Hong Kong profits tax (note (i))	**24,127**	25,939
Overseas taxation (note (ii))	**13,166**	14,451
(Over)/under provision in prior years	**(6,955)**	854
Deferred taxation (note 32)	**(6,765)**	(2,517)
	23,573	38,727

(i) Hong Kong profits tax has been provided at the rate of 17.5% (2006: 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.

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:

	2007 HK$'000	2006 HK$'000
Profit before taxation	**87,104**	90,073
Calculated at a tax rate of 17.5% (2006: 17.5%)	**15,243**	15,763
Effect of different taxation rates in other countries	**2,549**	4,464
Income not subject to taxation	**(8,725)**	(5,394)
Expenses not deductible for taxation purposes	**16,401**	16,096
Utilisation of previously unrecognised tax losses	**(1,381)**	(73)
(Over)/under provision in prior years	**(6,955)**	854
Tax losses not recognised	**6,441**	7,017
Taxation charge	**23,573**	38,727

9 LOSS FROM DISCONTINUED OPERATION

For the year ended 31st December, 2006, the Group disposed of its 70% equity interest in Chi Tel Investments Limited, which is involved in VoIP business, to a third party for a consideration of HK$1. The disposal of the VoIP business was reported in the accounts as a discontinued operation.

10 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS

The loss attributable to equity holders of the Company is dealt with in the accounts of the Company to the extent of HK$19,100,000 (2006: profit of HK$4,448,000).

11 EARNINGS PER SHARE

The calculation of the basic and diluted earnings/(loss) per share is based on the following data:

	2007	2006
Profit for the year from continuing operations attributable to equity holders of the Company for the purpose of calculating basic and diluted earnings per share	**HK$63,543,000**	HK$51,398,000
Loss for the year from discontinued operation attributable to equity holders of the Company for the purpose of calculating basic loss per share	**–**	HK$(10,683,000)
	Number of shares	Number of shares
Weighted average number of ordinary shares in issue for the purpose of calculating basic and diluted earnings/(loss) per share	**1,945,696,565**	1,945,696,565

The Company's share options do not have a dilutive effect on earnings per share as at 31st December, 2007 (2006: None).

12 DIVIDEND

	2007 **HK$'000**	2006 HK$'000
Interim, paid, HK0.5 cent per share	**9,728**	–
Final, proposed, HK0.5 cent per share	**9,728**	–
	19,456	–

The Directors have recommended a final dividend of HK0.5 cent per share payable to members subject to approval of such final dividend at the forthcoming Annual General Meeting to be held on 29th April, 2008. If the dividend is approved at the said Annual General Meeting, such dividend will be payable on 17th June, 2008 to members whose names are on the register of members of the Company on 29th April, 2008.

The proposed final dividend is not reflected as a dividend payable in the financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31st December, 2008.

13 RETIREMENT BENEFIT COSTS

	2007 **HK$'000**	2006 HK$'000
Retirement benefit costs	**5,932**	5,938

The retirement benefit costs represent gross contributions 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$1,013,000 (2006: HK$897,000) payable to the Retirement Schemes at the balance sheet date are included in other payables and accrued charges.

14 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The remuneration of each Director for the year ended 31st December, 2007 is set out below:

Name of Director	**Fees** HK$'000	**Salary** HK$'000	**Discretionary bonuses** HK$'000	**Other benefits** HK$'000	**Retirement benefit costs** HK$'000	**Total** HK$'000
Mr. Ng Kok Hong	**–**	**4,030**	**1,000**	**1,091**	**12**	**6,133**
Mr. Ng Kok Tai	**–**	**2,159**	**1,000**	**–**	**147**	**3,306**
Mr. Ng Kok Yang	**–**	**2,470**	**1,000**	**639**	**12**	**4,121**
Mr. See Tak Wah	**200**	**–**	**–**	**–**	**–**	**200**
Mr. Wu Wai Chung Michael	**300**	**–**	**–**	**–**	**–**	**300**
Mr. Wong Tin Sang Patrick	**300**	**–**	**–**	**–**	**–**	**300**
	800	**8,659**	**3,000**	**1,730**	**171**	**14,360**

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

(a) Directors' emoluments *(Continued)*

The remuneration of each 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	Retirement benefit costs 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 quarters provided to two executive Directors are included as part of their emoluments.

(b) Five highest paid individuals

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

	2007 HK$'000	2006 HK$'000
Directors	**13,560**	11,665
Employees	**4,863**	3,479
	18,423	15,144

Details of the aggregate emoluments to the employees are as follows:

	2007 HK$'000	2006 HK$'000
Salaries, allowances and benefits-in-kind	**3,494**	3,261
Share options	**1,270**	–
Bonuses	**75**	194
Retirement benefit costs	**24**	24
	4,863	3,479

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

(b) Five highest paid individuals *(Continued)*

The emoluments of employees fell within the following bands:

	Number of individuals	
	2007	2006
HK$1,000,001 to HK$1,500,000	**–**	–
HK$1,500,001 to HK$2,000,000	**–**	2
HK$2,000,001 to HK$2,500,000	**1**	–
HK$2,500,001 to HK$3,000,000	**1**	–
	2	2

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

15 INTANGIBLE ASSETS

	Group		
	Goodwill (note (i)) HK$'000	**Distribution right** (note (ii)) HK$'000	**Total** HK$'000
Cost			
At 1st January, 2007	**–**	**13,257**	**13,257**
Exchange differences	**–**	**895**	**895**
At 31st December, 2007	**–**	**14,152**	**14,152**
Accumulated amortisation			
At 1st January, 2007	**–**	**11,876**	**11,876**
Exchange differences	**–**	**852**	**852**
Charge for the year	**–**	**1,424**	**1,424**
At 31st December, 2007	**–**	**14,152**	**14,152**
Net book value			
At 31st December, 2007	**–**	**–**	**–**

15 INTANGIBLE ASSETS *(Continued)*

	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

(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, the goodwill was written off to the consolidated profit and loss account for the year ended 31st December, 2006.

(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	
	2007	2006
	HK$'000	HK$'000
Cost		
At 1st January	**8,904**	–
Exchange differences	**602**	–
Addition	**–**	8,904
At 31st December	**9,506**	8,904
Accumulated depreciation		
At 1st January	**90**	–
Exchange differences	**13**	3
Charge for the year	**182**	87
At 31st December	**285**	90
Net book value		
At 31st December	**9,221**	8,814

(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, 2007 was HK$15,589,000 (2006: HK$10,685,000) which was determined based on recent market transactions.

(ii) The investment property with a carrying value of HK$9,221,000 (2006: HK$8,814,000) was pledged to secure the Group's banking facilities (note 31(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	
	2007	2006
	HK$'000	HK$'000
In Hong Kong and held on leases of between 10 to 50 years	**23,607**	23,162

Bank borrowings are secured on leasehold land for the carrying amount of HK$22,164,000 (2006: HK$22,726,000) (note 31(vii)).

17 LEASEHOLD LAND *(Continued)*

	Group 2007 HK$'000	Group 2006 HK$'000
At 1st January	**23,162**	23,735
Additions	**1,024**	–
Amortisation	**(579)**	(573)
At 31st December	**23,607**	23,162

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, 2007	**11,654**	**19,580**	**8,338**	**12,068**	**33,559**	**85,199**
Exchange differences	**814**	**–**	**121**	**514**	**1,515**	**2,964**
Additions	**–**	**3,633**	**5,049**	**6,931**	**3,548**	**19,161**
Disposals	**–**	**–**	**(756)**	**(5,227)**	**(432)**	**(6,415)**
Disposal of subsidiaries	**–**	**–**	**–**	**(428)**	**(401)**	**(829)**
At 31st December, 2007	**12,468**	**23,213**	**12,752**	**13,858**	**37,789**	**100,080**
Accumulated depreciation and impairment losses						
At 1st January, 2007	**147**	**6,496**	**6,174**	**10,628**	**24,116**	**47,561**
Exchange differences	**22**	**–**	**141**	**455**	**1,094**	**1,712**
Charge for the year	**76**	**818**	**1,894**	**1,244**	**3,873**	**7,905**
Disposals	**–**	**–**	**(455)**	**(4,944)**	**(309)**	**(5,708)**
Disposal of subsidiaries	**–**	**–**	**–**	**(428)**	**(401)**	**(829)**
At 31st December, 2007	**245**	**7,314**	**7,754**	**6,955**	**28,373**	**50,641**
Net book value						
At 31st December, 2007	**12,223**	**15,899**	**4,998**	**6,903**	**9,416**	**49,439**

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, 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

(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**	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
In Hong Kong				
Leases between 10 to 50 years	**–**	–	**15,899**	13,084
Outside Hong Kong				
Freehold	**12,223**	11,507	**–**	–
At 31st December	**12,223**	11,507	**15,899**	13,084

18 FIXED ASSETS *(Continued)*

(b) The net book value of assets under finance leases is HK$6,572,000 (2006: HK$1,057,000).

(c) At 31st December, 2007, freehold property and certain buildings on leasehold land with an aggregate net book value of approximately HK$23,049,000 (2006: HK$23,045,000) have been pledged to banks to secure the Group's banking facilities (note 31(vii)).

19 AVAILABLE-FOR-SALE FINANCIAL ASSET

	Group	
	2007	2006
	HK$'000	HK$'000
Unlisted Investment		
At 1st January	**–**	65,000
Disposal	**–**	(65,000)
At 31st December	**–**	–

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. The investment was disposed of in December 2006.

20 INVESTMENTS IN SUBSIDIARIES

	Company	
	2007	2006
	HK$'000	HK$'000
Unlisted shares, at cost (note (i))	**175,204**	168,280
Amount due from a subsidiary (note (ii))	**363,032**	408,866

(i) Particulars of principal subsidiaries are set out in note 37 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	
	2007	2006
	HK$'000	HK$'000
Merchandises, at cost	**552,808**	632,188
Provision for impairment	**(58,038)**	(66,171)
	494,770	566,017

22 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2007	2006
	HK$'000	HK$'000
Equity securities, at fair value		
– listed outside Hong Kong	**–**	144
Money market fund, at fair value		
– unlisted	**673**	585
	673	729
Market value of listed securities	**–**	144

The above financial assets are held for trading. Equity securities listed outside Hong Kong are denominated in RM and unlisted money market fund is denominated in Euro.

23 TRADE RECEIVABLES

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, 2007, the ageing analysis of the trade receivables was as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
1-30 days	**328,024**	440,376
31-60 days	**412,914**	349,222
61-90 days	**353,674**	364,082
91-120 days	**360,596**	111,791
Over 120 days	**109,880**	210,614
Less: provision for impairment	**(64,643)**	(119,485)
	1,500,445	1,356,600

Receivables that were past due but not considered impaired relate to a number of customers that have a good track record with the Group. The directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in the credit quality of those customers and that the balances are considered fully recoverable.

As of 31st December, 2007, the ageing analysis of net trade receivables, which is past due but not impaired, is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
91-120 days	**330,581**	109,551
Over 120 days	**75,252**	93,369
	405,833	202,920

As at 31st December, 2007, trade receivables of the Group amounted to HK$64,643,000 (2006: HK$119,485,000) were impaired, all of which are aged over 90 days. The individually impaired receivables mainly related to customers that have prolonged their repayment due to unexpected financial difficulties.

23 TRADE RECEIVABLES *(Continued)*

Movements on the provision for impairment of trade receivables are as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
At 1st January	**119,485**	64,113
Provision made	**14,368**	49,656
Released due to disposal of a subsidiary	**(73,267)**	–
Exchange difference	**4,057**	5,716
At 31st December	**64,643**	119,485

The creation and release of provision for impaired receivables have been included in "general and administrative expenses" in the profit and loss account. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The gross amounts of the Group's trade receivables are denominated in the following currencies:

	Group	
	2007	2006
	HK$'000	HK$'000
HK$	**1,409,207**	1,124,567
RM	**70,598**	97,638
US$	**51,442**	92,814
EUR	**14,631**	–
PHP	**16,615**	12,886
RMB	**–**	138,217
Others	**2,595**	9,963
	1,565,088	1,476,085

24 BANK BALANCES AND CASH

(a) Bank balances and cash as at 31st December, 2007 denominated in Renminbi ("RMB"), RM, New Taiwan Dollar and Indian Rupees were HK$Nil (2006: HK$2,142,000), HK$191,948,000 (2006: HK$190,929,000), HK$268,000 (2006: HK$726,000) and HK$354,000 (2006: HK$436,000) 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, 2007 of HK$455,495,000 (2006: HK$402,253,000) 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:

	2007			2006		
	HK$	**RM**	**US$**	HK$	RM	US$
Bank deposits	**2.8%**	**3.3%**	**4.4%**	3.9%	3.7%	4.8%

25 TRADE PAYABLES

The ageing analysis of the trade payables was as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
1-30 days	**539,400**	674,520
31-60 days	**335,991**	89,710
61-90 days	**93,313**	73,502
91-120 days	**38,174**	15,292
Over 120 days	**32,306**	28,982
	1,039,184	882,006

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	Group	
	2007	2006
	HK$'000	HK$'000
HK$	**1,769**	6,402
RM	**56,961**	15,296
US$	**859,477**	735,913
EUR	**120,317**	123,476
PHP	**528**	739
Others	**132**	180
	1,039,184	882,006

26 DERIVATIVE FINANCIAL INSTRUMENTS

	Group	
	2007 **HK$'000**	2006 HK$'000
Forward foreign exchange contracts	**95**	483

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 profit and loss account.

27 BANK LOANS AND OVERDRAFTS

	Group	
	2007 **HK$'000**	2006 HK$'000
Short term bank loans, secured	**438,068**	428,256
Bank overdrafts, unsecured	**10,648**	7,956
	448,716	436,212

(i) Except for short term bank loans with carrying amount of HK$Nil (2006: HK$19,987,000) denominated in RMB, trust receipts of HK$69,635,000 denominated in US$ (2006: HK$36,190,000 denominated in EUR) and bank overdrafts of HK$4,083,000 (2006: HK$Nil) denominated in RM, all other short term 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:

	2007			2006		
	HK$	**RM**	**RMB**	HK$	RM	RMB
Short term bank loans	**5.3%**	**–**	**–**	6.1%	–	5.9%
Bank overdrafts	**7.5%**	**7.9%**	**–**	8.5%	8.3%	–

(iv) At 31st December, 2007, freehold property, certain leasehold land and buildings and investment property of the Group with an aggregate net book value of approximately HK$54,434,000 (2006: HK$54,585,000) have been pledged to banks to secure the Group's banking facilities (notes 16, 17, 18 and 31).

(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, 2007 and 2006	**3,000,000,000**	**300,000**
Issued and fully paid:		
At 31st December, 2007 and 2006	**1,945,696,565**	**194,570**

There was no movement in share capital of the Company for the years ended 31st December, 2007 and 2006.

29 SHARE OPTION SCHEME

At the annual general meeting held on 29th April, 2003, the shareholders of the Company approved the adoption of a share option scheme (the "Share Option Scheme") and the termination of the operation of the 2000 Share Option Scheme.

Under the 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 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 highest 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 Share Option Scheme must not exceed 10% of the total number of Shares in issue as at the date of approval of the Share Option Scheme and as refreshed by members in general meeting in accordance with the terms of the 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 Share Option Scheme and any other share option scheme of the Company shall not exceed 30% of the total number of Shares in issue from time to time.

On 11th July, 2007, share options to subscribe for a total of 190,200,000 Shares, representing approximately 9.78% of the issued share capital of the Company, were granted to certain employees of the Group at an exercise price of HK$0.265 per Share. The closing price immediately before the date of grant was HK$0.260 per Share.

29 SHARE OPTION SCHEME *(Continued)*

The following share options were outstanding under the Share Option Scheme during the year:

Category of participant	At 1st January 2007	Granted during the year	Exercised during the year	Forfeited during the year	At 31st December 2007	Date of grant of share options	Exercise period of share options	Exercise price of share options HK$ per share
Employees:								
In aggregate	–	92,000,000	–	–	92,000,000	11 July 2007	11 July 2007 to 10 January 2011	0.265
	–	79,600,000	–	–	79,600,000	11 July 2007	11 October 2007 to 10 January 2011	0.265
	–	18,600,000	–	(300,000)	18,300,000	11 July 2007	11 November 2007 to 10 January 2011	0.265
	–	190,200,000	–	(300,000)	189,900,000			
Exercisable at the end of the year					69,031,500			

(i) The Group had charged share-based payments of HK$9.6 million against earnings for the year ended 31st December, 2007.

(ii) The aggregate fair value of options granted in 2007, measured at the date of grant, amounted to approximately HK$14 million. The fair value of the options were derived from Binomial option pricing model by applying the following bases and assumptions:

Expected volatility:	53%
Expected life:	3.5 years
Risk-free interest rate:	4.38%
Early exercise assumption:	When the share price is at least 1.5 times of the exercise price
Expected dividend yield:	1.735%
Staff exit rate:	25% for general staff and zero for senior management

The expected volatility of the options was determined with reference to the average weekly volatility of the share price of the Company over the previous three years.

The risk-free interest rate has been made by reference to the yield of Exchange Fund Notes as at grant date.

A professional valuer was appointed to perform the valuation of the share options.

(iii) If the options are forfeited before they expire or lapse, the related share option reserve will be transferred directly to retained earnings.

(iv) The values of the options are subject to the limitation of the Binomial option pricing model and a number of assumptions which are subjective and difficult to ascertain. Changes in the subjective input assumptions could materially affect the fair value estimate.

(v) The outstanding options as at 31st December, 2007 had remaining contractual life of 3.03 years.

30 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$'000	Share option reserve HK$'000	Retained earnings HK$'000	Total HK$'000
Balance at 1st January, 2007	**127,258**	**3,989**	**4,872**	**20,553**	**–**	**–**	**523,704**	**680,376**
Exchange differences	**–**	**–**	**–**	**18,072**	**–**	**–**	**–**	**18,072**
Profit attributable to equity holders of the Company	**–**	**–**	**–**	**–**	**–**	**–**	**63,543**	**63,543**
Share-based payments	**–**	**–**	**–**	**–**	**–**	**9,644**	**–**	**9,644**
Release of reserves upon disposal of subsidiaries	**–**	**(7)**	**(4,872)**	**(4,249)**	**–**	**–**	**–**	**(9,128)**
2007 interim dividend paid	**–**	**–**	**–**	**–**	**–**	**–**	**(9,728)**	**(9,728)**
Balance at 31st December, 2007	**127,258**	**3,982**	**–**	**34,376**	**–**	**9,644**	**577,519**	**752,779**
Retained by:								
Company and subsidiaries	**127,258**	**3,982**	**–**	**34,376**	**–**	**9,644**	**577,519**	**752,779**
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

30 RESERVES *(Continued)*

	Company			
	Share premium (note (ii)) HK$'000	Share option reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1st January, 2007	**287,000**	**–**	**49,596**	**336,596**
Loss for the year	**–**	**–**	**(19,100)**	**(19,100)**
Share-based payments	**–**	**9,644**	**–**	**9,644**
2007 interim dividend paid	**–**	**–**	**(9,728)**	**(9,728)**
At 31st December, 2007	**287,000**	**9,644**	**20,768**	**317,412**
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

(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 an amount of not less than 10% of the amount of profit after taxation (based on the statutory accounts). If the accumulated total of the reserve reaches 50% of the registered capital of the PRC subsidiary, the enterprise will not be required to make any further appropriation. The reserve may be used to reduce any losses incurred by the PRC subsidiary and was released upon disposal of the PRC subsidiary.

(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, 2007, 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$307,768,000 (2006: HK$336,596,000).

31 LONG-TERM LIABILITIES

(i) The analysis of long-term liabilities is as follows:

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank loans				
Wholly repayable within five years	**20,426**	44,632	**18,375**	42,875
Not wholly repayable within five years	**2,127**	2,513	**–**	–
	22,553	47,145	**18,375**	42,875
Obligations under finance leases				
Wholly repayable within five years	**4,973**	774	**–**	–
	4,973	774	**–**	–
	27,526	47,919	**18,375**	42,875
Current portion of long-term liabilities	**(20,411)**	(25,235)	**(18,375)**	(24,500)
	7,115	22,684	**–**	18,375

(ii) At 31st December, 2007, the bank loans are payable as follows:

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**18,729**	24,792	**18,375**	24,500
In the second year	**380**	18,704	**–**	18,375
In the third to fifth year	**1,317**	1,136	**–**	–
After the fifth year	**2,127**	2,513	**–**	–
	22,553	47,145	**18,375**	42,875

(iii) At 31st December, 2007, the obligations under finance leases are payable as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Within one year	**1,875**	516
In the second year	**1,646**	260
In the third to fifth year	**2,034**	128
	5,555	904
Future finance charges on finance leases	**(582)**	(130)
Present value of finance lease liabilities	**4,973**	774

31 LONG-TERM LIABILITIES *(Continued)*

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

	2007 HK$'000	2006 HK$'000
Within one year	**1,682**	443
In the second year	**1,481**	225
In the third to fifth year	**1,810**	106
	4,973	774

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

	Group		Company	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
HK$	**21,061**	43,025	**18,375**	42,875
RM	**6,089**	4,858	**–**	–
US$	**138**	–	**–**	–
PHP	**238**	36	**–**	–
	27,526	47,919	**18,375**	42,875

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

	2007				2006			
	HK$	**RM**	**US$**	**PHP**	HK$	RM	US$	PHP
Bank loans	**7.6%**	**5.8%**	**–**	**–**	7.6%	5.8%	–	–
Obligation under finance leases	**3.1%**	**2.5%**	**7.0%**	**4.9%**	3.5%	3.7%	–	11.8%

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

(vii) At 31st December, 2007, freehold property, certain leasehold land and buildings and investment property of the Group with an aggregate net book value of approximately HK$54,434,000 (2006: HK$54,585,000) have been pledged to banks to secure the Group's banking facilities (notes 16, 17 and 18).

(viii) At 31st December, 2007, other receivables of the Group amounting to HK$45,529,000 (2006: HK$Nil) has been pledged to banks to secure the Group's banking facilities.

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

32 DEFERRED TAXATION

	Group 2007 HK$'000	Group 2006 HK$'000
At 1st January	**11,422**	8,227
Credited to profit and loss account, continuing operations (note 8)	**6,765**	2,517
Disposal of subsidiaries	**106**	80
Exchange differences	**541**	598
At 31st December	**18,834**	11,422

Deferred 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$83,084,000 (2006: HK$50,115,000) 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 depreciation		Tax losses		Others		Total	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
At 1st January	**16,226**	11,704	**(719)**	(832)	**-**	551	**(4,085)**	(3,196)	**11,422**	8,227
Credited/(charged) to profit and loss account	**5,223**	4,968	**65**	107	**1,477**	(383)	**-**	(2,175)	**6,765**	2,517
Disposal of subsidiaries	**-**	–	**106**	80	**-**	–	**-**	–	**106**	80
Exchange differences	**1,333**	(446)	**(71)**	(74)	**52**	(168)	**(773)**	1,286	**541**	598
At 31st December	**22,782**	16,226	**(619)**	(719)	**1,529**	–	**(4,858)**	(4,085)	**18,834**	11,422

32 DEFERRED TAXATION *(Continued)*

	Group 2007 HK$'000	Group 2006 HK$'000
Deferred tax assets	**20,796**	13,211
Deferred tax liabilities	**(1,962)**	(1,789)
	18,834	11,422

The amounts shown in the balance sheet include the following:

	Group 2007 HK$'000	Group 2006 HK$'000
Deferred tax assets to be recovered after more than 12 months	**20,796**	13,211
Deferred tax liabilities to be settled after more than 12 months	**(1,962)**	(1,789)

33 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2007 HK$'000	2006 HK$'000
Operating profit/(loss)		
– continuing operations	**136,280**	144,911
– discontinued operation	**–**	(10,914)
Depreciation of investment property, fixed assets and amortisation of leasehold land	**8,666**	8,680
Amortisation of intangible assets	**1,424**	3,198
(Gain)/loss on disposal of fixed assets	**(688)**	1,131
Gain on disposal of financial assets at fair value through profit and loss	**(74)**	–
Fair value gain on financial assets at fair value through profit or loss	**(25)**	(39)
Impairment of intangible assets	**–**	7,754
Loss/(gain) on disposal of subsidiaries	**215**	(20)
Loss on disposal of available-for-sale financial asset	**–**	5,009
Share-based payments	**9,644**	–
Operating profit before working capital changes	**155,442**	159,710
Decrease/(increase) in inventories	**82,947**	(173,548)
Increase in trade and other receivables and prepayments	**(149,589)**	(256,387)
(Decrease)/increase in bills payables	**(123,505)**	134,132
Increase in trade and other payables and accrued charges	**205,788**	187,771
Decrease/(increase) in derivative financial instruments	**388**	(3,630)
Net cash generated from operations	**171,471**	48,048

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

(b) Analysis of changes in financing

	Share capital (including share premium)		Minority interests		Bank loans and obligations under finance leases	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
At 1st January	**321,828**	321,828	**12**	355	**476,175**	583,541
Exchange differences	**–**	–	**–**	31	**384**	218
Minority's share of loss and exchange reserves	**–**	–	**(12)**	(304)	**–**	–
Disposal of subsidiaries	**–**	–	**–**	(140)	**–**	–
Contribution from a minority shareholder	**–**	–	**–**	70	**–**	–
Inception of finance lease (note (c))	**–**	–	**–**	–	**5,030**	180
Net cash outflow from financing	**–**	–	**–**	–	**(15,995)**	(107,764)
At 31st December	**321,828**	321,828	**–**	12	**465,594**	476,175

(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$5,030,000 (2006: HK$180,000).

(d) Analysis of balances of cash and cash equivalents

	2007 HK$'000	2006 HK$'000
Bank balances and cash, not pledged	**124,279**	130,145
Unsecured bank overdrafts	**(10,648)**	(7,956)
	113,631	122,189

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

(e) Disposal of subsidiaries

	2007 HK$'000	2006 HK$'000
Net assets disposed		
Fixed assets	**–**	7,531
Trade and other receivables	**48,428**	8,063
Bank balances and cash	**627**	65
Trade and other payables	**(25,612)**	(15,154)
Tax recoverable	**6**	47
Deferred tax liabilities	**(106)**	(80)
Reserves	**(9,128)**	(352)
Minority interests	**–**	(140)
	14,215	(20)
(Loss)/gain on disposal of subsidiaries	**(215)**	20
	14,000	–
Satisfied by consideration receivable	**14,000**	–
Analysis of the net outflow in respect of the disposal of subsidiaries:		
Net outflow of cash and cash equivalents	**(627)**	(65)

34 CONTINGENT LIABILITIES

The Group and the Company did not have any significant contingent liabilities as at 31st December, 2007.

35 COMMITMENTS

(a) Commitments under operating leases

(i) At 31st December, 2007, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings		Office equipment	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
Not later than one year	**17,845**	18,870	**59**	71
Later than one year and not later than five years	**6,344**	10,205	**113**	156
	24,189	29,075	**172**	227

(ii) At 31st December, 2007, the Group had future aggregate minimum lease income receivable under non-cancellable operating leases as follows:

	Land and buildings		Office equipment	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
Not later than one year	**2,559**	1,008	**71**	–
Later than one year and not later than five years	**3,021**	1,175	**–**	–
	5,580	2,183	**71**	–

(b) Other commitments

At 31st December, 2007, the Group had notional amounts of approximately HK$9,809,000 (2006: HK$29,393,000) outstanding forward exchange contracts to hedge against outstanding purchase orders denominated in foreign currencies.

36 RELATED PARTY TRANSACTIONS

Key management compensation

	Group	
	2007 HK$'000	2006 HK$'000
Salaries and other short-term employee benefits	**27,342**	20,810
Retirement benefit costs	**523**	524
	27,865	21,334

37 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, 2007.

Company	Country/ place of incorporation/ registration	Place of operation	Issued and fully paid up share capital/ registered capital	Group's equity interest		Principal activities
				2007	2006	
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%	Trading and distribution of mobile phones
East-Tel International Limited	Hong Kong	Hong Kong	20,000 shares of HK$1 each	**100%**	100%	Trading of mobile phones
Exquisite Model Sdn. Bhd.	Malaysia	Malaysia	1,000,000 ordinary shares of RM1 each	**100%**	100%	Trading and retailing of mobile phones
Evertech (H.K.) Limited	Hong Kong	Hong Kong	2 shares of HK$1 each	**100%**	100%	After sales service for mobile phones
First Asia Mobile Inc.	Republic of the Philippines	Republic of the Philippines	12,500,000 shares of PHP1 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%	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

37 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
				2007	2006	
Lets Do Mobile Philippines Inc.	Republic of the Philippines	Republic of the Philippines	85,000,000 shares of PHP1 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	TWD 5,000,000	**100%**	100%	Trading and distribution of mobile phones
Mobile Concept Limited	Hong Kong	Hong Kong	2 shares of HK$1 each	**100%**	100%	Trading and distribution of mobile phones
Mobile Distribution (M) Sdn. Bhd.	Malaysia	Malaysia	200,000 ordinary shares of RM 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%	Trading and distribution of mobile phones

[1] *Subsidiaries not audited by PricewaterhouseCoopers*

CONSOLIDATED RESULTS

	2003 HK$'000	2004 HK$'000	Restated 2005 HK$'000	2006 HK$'000	**2007 HK$'000**
Revenues	6,191,951	6,183,131	6,652,004	7,998,793	**8,132,158**
Operating profit	117,048	124,348	73,778	144,911	**136,280**
Finance income	–	–	9,063	13,429	**18,831**
Finance costs	(33,051)	(32,796)	(44,751)	(68,267)	**(68,007)**
Share of loss of jointly controlled entities	(166)	–	–	–	**–**
Profit before taxation	83,831	91,552	38,090	90,073	**87,104**
Taxation	(26,243)	(40,098)	(31,651)	(38,727)	**(23,573)**
Profit from continuing operations	57,588	51,454	6,439	51,346	**63,531**
Loss from discontinued operation	–	–	(116)	(10,935)	**–**
Profit for the year	57,588	51,454	6,323	40,411	**63,531**
Minority interests	(2,144)	7,114	2,175	304	**12**
Profit attributable to equity holders of the Company	55,444	58,568	8,498	40,715	**63,543**
Dividend	–	9,728	–	–	**19,456**

CONSOLIDATED ASSETS AND LIABILITIES

	2003 HK$'000	2004 HK$'000	2005 HK$'000	2006 HK$'000	**2007 HK$'000**
Non-current assets	113,285	110,280	159,299	84,206	**103,063**
Current assets	1,805,026	2,067,437	2,324,598	2,653,515	**2,753,508**
Current liabilities	1,151,628	1,358,931	1,615,505	1,838,290	**1,900,145**
Non-current liabilities	10,016	5,773	50,753	24,473	**9,077**
Shareholders' funds/total equity	749,395	813,013	817,639	874,958	**947,349**

The above financial summary as of and for the years ended 31st December, 2006 and 2007 have been extracted from the audited accounts of the Group as set out on pages 24 to 26 of the annual report.

The financial summary of 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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