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

Stock code : 865
股票編號 : 865

MASTERING THE MOBILE ARENA

ANNUAL REPORT 2008 二零零八年年報

TABLE OF CONTENTS

CORPORATE INFORMATION

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

P.O. BOX 309, UGLAND HOUSE,
GRAND CAYMAN,
KY1-1104 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

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, GRAND CAYMAN,
KY1-1107 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)

CORPORATE PROFILE AND MISSION

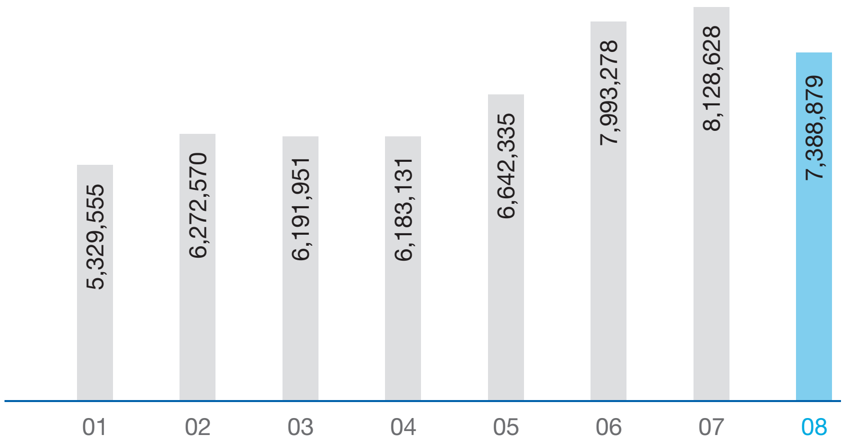
PROFILE

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

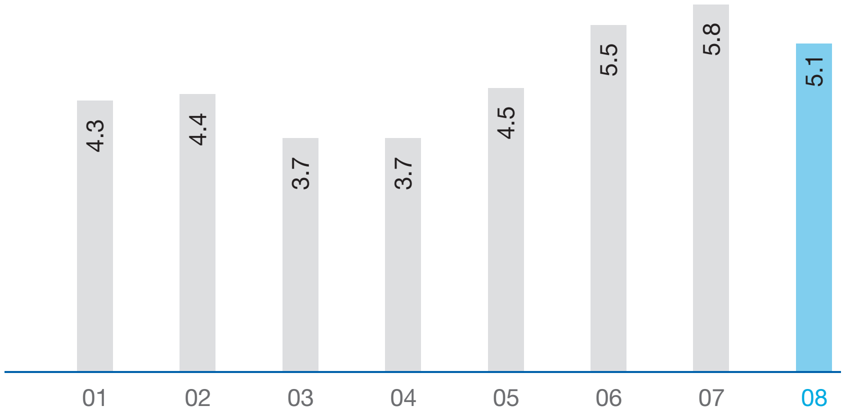
MISSION

To sustain FMG'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.

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 (collectively, the "Group" or "FMG"), it gives me much honour to present the Annual Report for the financial year ended 31st December, 2008.

FMG is a leading mobile phone and accessories trading and distribution organisation in the region and is one of the largest independent distributor of Samsung mobile phones. Being one of the pioneers in the mobile handset distribution business since 1989, FMG is the go-to distributor of choice, with presence in major global markets.

On 6th November, 2008, the Company successfully migrated from the Growth Enterprise Market to the Main Board of The Stock Exchange of Hong Kong Limited. This marks yet another milestone in the Company's long list of achievements and it is my hope that this will become the springboard for further successes in the years to come.

The Group recorded a turnover of $7,389 million for the financial year ended 31st December, 2008, representing a decrease of 9% from the previous year. Profit attributable to equity holders was $41 million, a reduction of 36% over the corresponding year. Despite the reduction, I believe these results are satisfactory under this difficult business climate.

The current global economic slowdown is affecting every industry and sector all across the world. The mobile handset industry is not immune to the downturn. However, the industry is feeling more bullish than most in these tough economic times as mobile phones are now so much a part of people's lives. Accordingly, I have every reason to believe that our industry is more robust and resilient than other parts of the economy.

One key uniqueness of our industry is that demand is driven not just by handset manufacturers but also by network operators. Manufacturers, operators and even chipset manufacturers are working in sync to drive consumer interest in mobile spending.

Most analysts and industry players predict a challenging first half of 2009, but a better second half in 2009. Overall, the industry is expected to see a slight decline in forecasted sales in 2009, followed by a return to growth in 2010. This is not a sunset industry by far.

We have been in this business for well over 20 years. During this period, I believe we have crafted and built ourselves a robust and sustainable business model which can withstand key economic stress and ride the growth of the industry. Our key success factors that makes us stand out can be attributed to the following:

- FMG is in a unique position. We are not a single-country distributor, and operate in multiple regions to avoid any concentration of market risks. We have a wide customer spread to ensure there is no concentration of single-customer credit risk;

- We enjoy a special relationship with Samsung which allows us various competitive advantages in the market;

- We are able to source for products across multiple regions, resulting in foreign exchange and pricing advantages, and access to a wide variety and portfolio of models;

- We own and operate a mature and truly global distribution network which is built on good and solid business reputation;

- We have a strong and seasoned management team who truly understand the industry and the intricacies of the various markets;

- Our ability to accurately read the markets and trends, and insight into future products and timeline, translates and result in first mover advantage;

- We operate an efficient logistical backbone that ensures fast & effective delivery to our customers globally; and

- We have built a strong partnership with key bankers and business partners who understands and supports our business wholeheartedly.

These are our pillars of strength that drives our success and drives our ability to withstand all hurdles and competition, current and in the future. As I have said earlier, in the process of building up our business over the past 20 years, I strongly believe we have a resilient and strong business model which can withstand the current global economic crisis and eventually emerge stronger and on a firmer footing for future growth.

LOOKING AHEAD

The Group will remain focused on its core business of mobile phone trading and distribution. We will continue to build upon our strengths and competencies as we steer through these trying times.

Since the second quarter of 2008, we began distributing mobile phones under our own brand éTouch. As the major brands shift away from the low-end phone segment, this has created a large vacuum in the low-end market. This move has allowed Chinese-made products to fill the void. We recognised this huge potential and moved quickly to establish our foothold in this market.

Today, China is the world's largest manufacturer of mobile handsets in the world. The growing handset-platform stability, maturing production capabilities, form factor, feature set and product quality have bolstered consumer confidence in these China-made handsets.

Chinese handset's market share in emerging markets is significant and growing rapidly. The weakening global economy has also helped change consumers' mindset towards Chinese products; they offer a value-for-money proposition to a market that is relatively brand indifferent. At a similar price point, Chinese handsets offer better specifications and features than their branded counterpart.

éTouch handsets are now sold in Malaysia, Vietnam, Indonesia, Philippines and India. The business offers a high profit margin and quick turnaround times with a relatively low capital outlay. We expect éTouch's contribution to the Group's profitability and cashflow to grow significantly through 2009 and beyond.

In 2009, the Group commenced its inbox accessories design and supply business, targeted at major manufacturers of mobile handsets. This business is potentially very lucrative and highly profitable, capable of generating strong cashflow and an attractive return on capital. This business is spearheaded by a team led by industry veterans with the know-how and know-who.

We envisage great opportunities with these new businesses and are very confident they will contribute positively and significantly to the Group.

ACKNOWLEDGEMENT

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

Ng Kok Hong
Executive Chairman

Hong Kong, 17th April, 2009

We have built ourselves a robust and sustainable business model which can withstand key economic stress and ride the growth of the industry.

BUSINESS REVIEW

HONG KONG

The Group's Hong Kong retail business is operated under the brand "Mobile City". With effective marketing strategy throughout 2008, Mobile City has raised the brand's profile among consumers. The marketing strategy includes implementation of a series of tailor-made marketing campaigns in collaboration with globally renowned brands, and joint promotion with Hong Kong's reputable banks in the year-round programs to gain regular brand exposure.

During the year, Mobile City opened three new outlets in Tai Po, Kwun Tong and Tung Chung to expand its geographical coverage. At the end of the year, the Group operated seven outlets spread over the main residential districts and shopping areas of Kowloon and the New Territories.

MALAYSIA

The number of mobile phone subscribers in Malaysia rose to 27 million with a penetration rate of 96.8% at the end of 2008, increasing by 11.7% compared to the end of 2007 (source: The Malaysian Communications and Multimedia Commission, March 2009). Over the next five years, it is anticipated that the compound annual growth rate for mobile subscribers in Malaysia will grow by 4% from 2008 to 2012 (source: IDC, Feb 2009).

The Group's Malaysian subsidiary is the exclusive distributor of Samsung mobile phones in the country. With the market share of 22% at the end of 2008, Samsung maintained its second position in terms of market share.

During the year under review, the Malaysian subsidiary enriched its product portfolio by acquiring the distribution rights of 19 new Samsung models, namely SGH-B110, F480, G400, G810, i450, i550, i8510, i900, L170, L700, M620, M3510, M8800, P520, S3600, S7330, U800, U900 and Z810.

THE PHILIPPINES

The mobile phone penetration rate in the Philippines rose to 75% at the end of 2008, an increase of 22% compared to that of 2007 (source: ICT Statistics, March 2009).

The Group's subsidiary in the Philippines is the distributor of Samsung mobile handsets in the country. Samsung was the second most popular mobile phone brand in the country, with a market share of 23% at the end of 2008.

In 2008, the Philippines' subsidiary acquired the distribution rights of 33 new Samsung models including SGH-B100, B110, B130, B200, B220, B300, B310, B520, D780, E251, F250, F400, F480, G400, G810, i450, i550w, i780, i8510, i900, J700, J800, L170, L700, L770, M110, M120, M150, M620, P520, S7330, U800 and U900.

FINANCIAL REVIEW

OVERVIEW

The Group recorded a turnover of HK$7,389 million in the financial year ended 31st December, 2008, representing a decrease of 9% over the previous year. Total sales volume was 5.1 million units, down from 5.8 million units the year before. The decrease in turnover and sales volume is mainly due to the downturn in the global economy and the generally weak market sentiment.

Gross profit margin remained stable at a satisfactory 4.8% (2007: 4.7%).

Selling and distribution expenses decreased 11% from HK$67.6 million in 2007 to HK$60.4 million for the year, in line with the decrease in turnover.

General and administrative expenses reduced by HK$42.8 million, or 22% mainly due to various cost-cutting measures put in place by the Group during the year to cushion the impact of the ongoing global financial crisis and the decrease in share-based payments charged against earnings in relation to share options issued to the Company's employees during 2007 in compliance with HKFRS 2.

During the year, the foreign exchange rates of currencies in which the Group dealt with fluctuated significantly. This had led to exchange losses and loss on derivative financial instruments of HK$23.6 million for the year, comprising realised losses of HK$18.4 million and unrealised losses of HK$5.2 million. These losses have been classified under other expenses.

Finance income decreased by HK$7.3 million compared to the previous year due to lower interest rates offered on the Group's cash deposits.

There were no material changes in the finance cost for the year.

Basic earnings per share for the year ended 31st December, 2008 was HK2.11 cents (2007: HK3.27 cents).

Inventory level rose to HK$552 million (2007: HK$495 million) while average inventory turnover days increased slightly from 26 days to 30 days year-on-year. These are well within manageable levels.

Trade receivable increased by HK$138 million to HK$1,638 million as at 31st December, 2008 while average trade receivable turnover days was 84 days (2007: 70 days). The temporary slowdown in collection is symptomatic of the ongoing global economic crisis, but are within manageable levels.

Other receivables and prepayments decreased by HK$53 million or 33% year on year mainly due to the subsequent receipt of cash in transit and proceeds from assets disposed in 2008.

Other payables and accrued charges reduced by HK$27 million or 22% mainly due to the decrease in various expense accruals and write back of provisions no longer required.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December, 2008, bank balances and cash of the Group were approximately HK$507 million (2007: HK$580 million), of which approximately HK$409 million (2007: HK$455 million) were pledged for general banking facilities. Total borrowings (excluding bills payables) of the Group amounted to approximately HK$725 million (2007: HK$476 million), comprising long-term bank loans of approximately HK$6 million (2007: HK$23 million), obligations under finance lease of approximately HK$6 million (2007: HK$5 million), and short-term bank loans and overdrafts of approximately HK$713 million (2007: HK$449 million). The gearing ratio (total borrowings/total assets) of the Group as at 31st December, 2008 was 25% (2007: 17%).

Investment property, freehold property and certain leasehold land and buildings of the Group with carrying values of approximately HK$56 million (2007: HK$54 million) are pledged as security for the Group's general banking facilities.

In addition, the management of the Group continuously monitors forecast and actual cash flows and matches the maturity profiles of financial assets and liabilities.

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, 2008, the Group had approximately HK$38 million (2007: HK$10 million) of outstanding forward exchange contracts and six outstanding target accrual redemption forward contracts to manage the foreign exchange risk. 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, 2008 and 2007.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31st December, 2008 and 2007.

EMPLOYEES

As at 31st December, 2008, the Group had 726 (2007: 681) employees. The total employee remuneration, including that of Directors, for the year ended 31st December, 2008 amounted to approximately HK$102 million (2007: HK$108 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 Directors and employees.

STRATEGIES FOR 2009

The Group will remain focused on its core business of mobile phone trading and distribution and continue to build upon our strengths and competencies.

As elaborated in the Chairman's Statement, we will continue to expand our éTouch distribution and inbox accessories businesses in 2009. These businesses have proven to be very profitable and is a quick positive cashflow contributor to the Group. We expect their contribution to the Group's profitability and cashflow to grow significantly through 2009 and beyond.

Building on our existing strong foundation, and with a clear corporate strategy in place and a growing confidence in our new businesses, we expect to continue enhancing shareholders' value in the current year and for the years to come.

FMG is a unique multiple-country distributor with the ability to source globally. We own and operate a mature global distribution network built on a solid business reputation.

EXECUTIVE DIRECTORS

Mr. NG Kok Hong, aged 45, 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 48, 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. He is the husband of Ms. Siew Ai Lian.

Mr. NG Kok Yang, aged 41, 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 Malaysia. 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 45, 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 59, 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 Tradelink Electronic Commerce Limited.

Mr. WONG Tin Sang Patrick, aged 76, 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 39, 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 61, Group Treasurer. Mdm. Eng is also a director and Chief Financial Officer of First Mobile Group Sdn. Bhd. in Malaysia and has more than 36 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 37, 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 14 years and is currently a member of the accountancy bodies in Australia, Malaysia and Hong Kong.

Mr. MAH Kwong Chee Dyland, aged 41, 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 18 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 50, Executive Vice President (Sales and Marketing) 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 24 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 33, Senior Vice President (International Department) 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 49, 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. WONG Wai Hoe, aged 41, 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, 2008.

The Company had successfully transferred from the Growth Enterprise Market ("GEM") to the Main Board of The Stock Exchange of Hong Kong Limited (the "Exchange") on 6th November, 2008.

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 34 to the accounts.

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated profit and loss account on page 25.

The Directors do not recommend the payment of a final dividend for the year ended 31st December, 2008.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 28 to the accounts.

DONATIONS

Charitable and other donations made by the Group during the year amounted to approximately HK$56,000.

INVESTMENT PROPERTY, LEASEHOLD LAND AND FIXED ASSETS

Details of the movements in investment property, leasehold land and fixed assets are set out in notes 15, 16 and 17 to the accounts respectively.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 26 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, 2008, 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 in office 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

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

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

A profile of the Directors and senior management are set out on pages 14 to 15.

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, 2008, the maximum amount of discretionary bonus that executive Directors would have been entitled to was approximately HK$4,000,000 (2007: HK$6,350,000). The executive Directors have decided to waive their discretionary bonus for the year ended 31st December, 2008 (2007: HK$3,000,000).

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 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 27 to the accounts.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 31st December, 2008, the interests and short positions of the Directors and chief executive of the Company in the shares of the Company (the "Shares"), underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO were as follows:

Shares in the Company

Name of Director	Number of Shares of HK$0.10 each				Percentage of issued share capital
	Personal interests	Family interests *(note (i))*	Corporate interests *(note (ii))*	Total	
Mr. Ng Kok Hong	596,766,389	9,088,625	—	605,855,014	31.14%
Mr. Ng Kok Tai	—	—	596,766,389	596,766,389	30.67%
Mr. Ng Kok Yang	146,944,889	—	—	146,944,889	7.55%
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, 2008, 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, 2008, 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 had an interest in a business 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	5.6%
– five largest customers combined	16.6%
Purchases	
– the largest supplier	66.6%
– five largest suppliers combined	85.8%

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 20 to 23.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

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, 17th April, 2009

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.

The Company has complied with the code provisions as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Exchange (the "Listing Rules") throughout the financial year ended 31st December, 2008.

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, 2008. The Directors are, collectively and individually, aware of their responsibilities to the shareholders. The Directors' profiles are set out on page 14. The three executive Directors are brothers.

All the independent non-executive Directors are appointed for a specific term. The Board evaluates the independence of all independent non-executive Directors on an annual basis and has received written confirmation from each independent non-executive Director regarding his independence. During the year ended 31st December, 2008, the Board is satisfied that all such Directors are in full compliance with the independence guideline as laid down in the Listing Rules.

The Board members as at 31st December, 2008 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 2008, 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)*	1/5
Mr. Ng Kok Yang *(Chief Executive Officer)*	0/5
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 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 17th April, 2009 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.

In 2008, 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 21st January, 2009 to consider the remuneration of executive Directors and senior management for the year 2009 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 Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. Subsequent to the Company's transfer from GEM to the Main Board of the Exchange in November 2008, the Company revised and approved its Code of Conduct (the "New Code") on 18th December, 2008 to govern securities transactions by its Directors modeled on terms no less exacting than the required standard as set out in Appendix 10 of the Listing Rules, as amended from time to time.

Having made specific enquiry, all Directors have confirmed compliance with the Code of Conduct and the New Code throughout the year ended 31st December, 2008.

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, 2008, the external auditor provided the following services to the Group:

	2008 ***HK$'000***
Audit services	**2,778**
Taxation advisory services	**52**
	2,830

INVESTOR RELATIONS

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF FIRST MOBILE GROUP HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated accounts of First Mobile Group Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as set out on pages 25 to 77, which comprise the consolidated and company balance sheets as at 31st December, 2008, 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, 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 17th April, 2009

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST DECEMBER, 2008

	Note	2008 *HK$'000*	2007 *HK$'000*
Revenues	4	**7,395,139**	8,132,158
Cost of sales	5	**(7,040,742)**	(7,751,796)
Gross profit		**354,397**	380,362
Selling and distribution expenses		**(60,352)**	(67,625)
General and administrative expenses		**(148,718)**	(191,549)
Other income	4	**4,388**	18,678
Other expenses		**(23,767)**	(3,586)
Operating profit	6	**125,948**	136,280
Finance income	7	**11,573**	18,831
Finance costs	7	**(67,787)**	(68,007)
Share of loss of an associated company		**(75)**	—
Profit before taxation		**69,659**	87,104
Taxation	8	**(28,620)**	(23,573)
Profit for the year		**41,039**	63,531
Attributable to:			
Equity holders of the Company	9	**40,953**	63,543
Minority interests		**86**	(12)
		41,039	63,531
Basic and diluted earnings per share	10	**HK2.11 cents**	HK3.27 cents
Dividend	11	**—**	19,456

CONSOLIDATED BALANCE SHEET

AS AT 31ST DECEMBER, 2008

	Note	2008 HK$'000	2007 HK$'000
Non-current assets			
Investment in an associated company	14	**2,331**	—
Investment property	15	**8,650**	9,221
Leasehold land	16	**23,009**	23,607
Fixed assets	17	**47,702**	49,439
Deferred tax assets	30	**14,254**	20,796
		95,946	103,063
Current assets			
Inventories	19	**551,687**	494,770
Financial assets at fair value through profit or loss	20	**614**	673
Trade receivables	21	**1,637,999**	1,500,445
Other receivables and prepayments		**106,797**	160,267
Tax recoverable		**17,377**	17,484
Derivative financial instruments	24	**1,425**	95
Bank balances and cash	22		
— pledged		**409,427**	455,495
— not pledged		**97,983**	124,279
		2,823,309	2,753,508
Current liabilities			
Trade payables	23	**810,725**	1,039,184
Bills payables	23	**303,805**	255,764
Other payables and accrued charges		**96,028**	122,551
Current portion of long-term liabilities	29	**4,157**	20,411
Taxation payable		**6,696**	13,519
Bank loans and overdrafts	25		
— secured		**707,634**	438,068
— unsecured		**5,693**	10,648
		1,934,738	1,900,145
Net current assets		**888,571**	853,363
Total assets less current liabilities		**984,517**	956,426

CONSOLIDATED BALANCE SHEET

AS AT 31ST DECEMBER, 2008

	Note	**2008** **HK$'000**	2007 HK$'000
Capital and reserves attributable to the Company's equity holders			
Share capital	26	**194,570**	194,570
Reserves	28	**778,525**	752,779
		973,095	947,349
Minority interests		**171**	—
Total equity		**973,266**	947,349
Non-current liabilities			
Long-term liabilities	29	**7,365**	7,115
Deferred tax liabilities	30	**3,886**	1,962
		984,517	956,426

Ng Kok Hong
Director

Ng Kok Yang
Director

BALANCE SHEET

AS AT 31ST DECEMBER, 2008

	Note	2008 HK$'000	2007 HK$'000
Non-current asset			
Investments in subsidiaries	18	**233,433**	175,204
Current assets			
Amount due from a subsidiary	18	**340,967**	363,032
Other receivables		**245**	178
Bank balances and cash		**59**	38
		341,271	363,248
Current liabilities			
Other payables and accrued charges		**1,533**	1,171
Current portion of long-term liability	29	**—**	18,375
Financial guarantee liabilities		**58,229**	6,924
		59,762	26,470
Net current assets		**281,509**	336,778
Total assets less current liabilities		**514,942**	511,982
Capital and reserves attributable to the Company's equity holders			
Share capital	26	**194,570**	194,570
Reserves	28	**320,372**	317,412
Total equity		**514,942**	511,982

Ng Kok Hong
Director

Ng Kok Yang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST DECEMBER, 2008

		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, 2008		**194,570**	**175,260**	**577,519**	**—**	**947,349**
Exchange differences	*28*	**—**	**(8,372)**	**—**	**(7)**	**(8,379)**
Profit for the year		**—**	**—**	**40,953**	**86**	**41,039**
Share-based payments	*28*	**—**	**2,893**	**—**	**—**	**2,893**
2007 final dividend paid		**—**	**—**	**(9,728)**	**—**	**(9,728)**
Contribution from a minority shareholder		**—**	**—**	**—**	**92**	**92**
Balance at 31st December, 2008		**194,570**	**169,781**	**608,744**	**171**	**973,266**
Balance at 1st January, 2007		194,570	156,672	523,704	12	874,958
Exchange differences	*28*	—	18,072	—	—	18,072
Profit for the year		—	—	63,543	(12)	63,531
Share-based payments	*28*	—	9,644	—	—	9,644
2007 interim dividend paid		—	—	(9,728)	—	(9,728)
Release of reserve upon disposal of subsidiaries	*28*	—	(9,128)	—	—	(9,128)
Balance at 31st December, 2007		194,570	175,260	577,519	—	947,349

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER, 2008

	Note	2008 HK$'000	2007 HK$'000
Cash flows from operating activities			
Net cash (used in)/generated from operations	31(a)	**(227,540)**	171,471
Hong Kong profits tax paid		**(19,590)**	(28,094)
Hong Kong profits tax refund		**407**	293
Overseas taxation paid		**(14,170)**	(16,046)
Overseas taxation refund		**6,099**	1,970
Interest received		**12,707**	18,075
Interest paid		**(45,488)**	(51,458)
Bank and other charges paid		**(21,782)**	(15,235)
Net cash (used in)/from operating activities		**(309,357)**	80,976
Cash flows from investing activities			
Investment in an associated company		**(2,404)**	—
Purchase of fixed assets		**(4,841)**	(14,131)
Purchase of leasehold land		**—**	(1,024)
Sale of fixed assets		**1,339**	1,395
Sale of financial assets at fair value through profit or loss		**—**	219
Disposal of subsidiaries, net of cash received/(disposed)	31(e)	**14,000**	(627)
Decrease/(increase) in pledged bank deposits		**46,068**	(53,242)
Net cash from/(used in) investing activities		**54,162**	(67,410)
Cash flows from financing activities	31(b)		
Dividend paid		**(9,728)**	(9,728)
Interest element of finance lease payments		**(244)**	(133)
Capital element of finance lease payments		**(2,607)**	(940)
Drawdown of long-term bank loans		**3,255**	—
Repayment of long-term bank loans		**(19,649)**	(24,867)
Increase in short-term bank loans		**269,566**	9,812
Capital contribution from a minority shareholder		**92**	—
Net cash from/(used in) financing activities		**240,685**	(25,856)
Effect of foreign exchange rate changes		**(6,831)**	3,732
Net decrease in cash and cash equivalents		**(21,341)**	(8,558)
Cash and cash equivalents at beginning of year		**113,631**	122,189
Cash and cash equivalents at end of year	31(d)	**92,290**	113,631

First Mobile Group Holdings Limited (the "Company") is a limited liability company incorporated in the Cayman Islands. The address of its registered office is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104 Cayman Islands.

The 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 dollar ("HK$'000"), unless otherwise stated. These accounts have been approved for issue by the Board of Directors on 17th April, 2009.

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.

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.

New/revised standards, amendments and interpretations

(a) Amendments and interpretations effective in 2008

HKAS 39 (Amendment), Financial Instruments: Recognition and Measurement and HKFRS 7 (Amendment), Financial Instruments: Disclosures (effective from 1st July, 2008)

HKAS 39 Amendment permits reclassification of certain financial assets out of the held-for-trading and available-for-sale categories if specified conditions are met. HKFRS 7 Amendments introduces disclosure requirements with respect to financial assets reclassified out of the held-for-trading and available-for-sale categories. These amendments do not have any impact to the Group, as the Group has not reclassified any financial assets.

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 payment 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.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

New/revised standards, amendments and interpretations *(Continued)*

(b) New/revised standards, amendments and interpretations that are not yet effective for the year ended 31st December, 2008

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued the following new or revised HKFRSs, amendments, interpretations or improvements to existing standards which are not yet effective for the year ended 31st December, 2008, relevant to the Group's operations but have not been early adopted by the Group:

New or revised standards, amendments and interpretations		Effective for accounting periods beginning on or after
HKAS 1 (Revised)	Presentation of Financial Statements	1st January, 2009
HKAS 23 (Revised)	Borrowing Costs	1st January, 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements	1st July, 2009
HKFRS 1 and HKAS 27 Amendments	Cost of an Investment in a Subsidiary, Jointly Controlled Entity and Associate	1st January, 2009
HKFRS 2 Amendment	Share-based Payment Vesting Condition and Cancellations	1st January, 2009
HKFRS 3 (Revised)	Business Combinations	1st July, 2009
HKFRS 8	Operating Segments	1st January, 2009
HKFRSs (Amendment)	Improvements to HKFRSs	1st January, 2009

The Group will apply the above standards, amendments and interpretations from 1st January, 2009 or later period. The Group has already commenced an assessment of the related impact to the Group. The Group is not yet in a position to state whether any substantial changes to the Group's significant accounting policies and presentation of the financial information will result therefrom.

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 consolidated profit and loss account.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Consolidation *(Continued)*

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 with any unamortised goodwill carried in the consolidated 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.

Investment in an associated company

Associated company is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20 per cent and 50 per cent of the voting rights. Investment in an associated company is accounted for using the equity method of accounting and is initially recognised at cost.

The Group's share of its associated company's post-acquisition profits or losses is recognised in the consolidated profit and loss account, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

Unrealised gains on transactions between the Group and its associated company are eliminated to the extent of the Group's interest in the associated company. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated company have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses in associated company are recognised in the consolidated profit and loss account.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies translation

(a) 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 the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. 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 consolidated profit and loss account, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss.

(c) 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:

(i) assets and liabilities for each balance sheet presented are translated at the exchange rate ruling at the date of that balance sheet;

(ii) 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

(iii) 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 consolidated 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.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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 consolidated 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%.

The gain 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 consolidated profit and loss account.

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 are expensed in the consolidated profit and loss account during the financial period in which they are incurred.

Freehold land is not subject to amortisation while other fixed assets are depreciated at rates sufficient to write off their cost to residual values over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

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

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fixed assets *(Continued)*

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 determined as the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the consolidated profit and loss account.

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 liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in long-term liabilities. The interest element of the finance cost is charged to the consolidated profit and loss account over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

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.

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.

(a) 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.

(b) 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.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets *(Continued)*

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 consolidated 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 consolidated 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 consolidated 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.

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.

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 consolidated profit and loss account. The amount of the provision is recognised in the consolidated profit and loss account.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of investments in subsidiaries, associated companies and non-financial assets

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

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.

Trade payables

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

Advertising and promotion costs

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

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 consolidated profit and loss account on a straight-line basis over the lease periods.

Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated profit and loss account, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity.

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 paid to the tax authorities.

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

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Current and deferred taxation *(Continued)*

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

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

Employee benefits

(a) 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.

(b) 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 paid when they are settled.

(c) 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 Schemes are defined contribution schemes. The only obligation of the Group with respect to the Schemes is to pay the ongoing required contributions under the Schemes. Contributions under the Schemes are charged to the profit and loss account as incurred.

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

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

(d) 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. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable based on the non-market vesting conditions. It recognises the impact of the revision of original estimates, if any, in the consolidated profit and loss account, and a corresponding adjustment to equity over the remaining vesting period.

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

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 consolidated profit and loss account over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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 consolidated profit and loss account in the financial period in which they are incurred.

Pre-operating costs

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

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)*

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 tax recoverable and deferred tax assets. Segment liabilities comprise operating liabilities and exclude items such as taxation payable, borrowings and deferred tax liabilities. Capital expenditure comprises additions to 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.

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.

Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 and after eliminating sales within the Group. Income/revenue is recognised as follows:

(a) 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.

(b) Repair service income

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

(c) Rental income

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

(d) Interest income

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

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the consolidated accounts 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, bank balances and cash, 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.

Financial risk factors

(a) Market risk

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar ("USD") 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.

2 FINANCIAL RISK MANAGEMENT *(Continued)*

Financial risk factors *(Continued)*

(a) Market risk *(Continued)*

Foreign exchange risk *(Continued)*

Pursuant to Hong Kong's Linked Exchange Rate System under which HK$ is pegged to USD, management considers there are no significant foreign exchange risks arising from the Group's operation in Hong Kong with respect to transactions denominated in USD.

At 31st December, 2008, if USD had weakened or strengthened by 5% (2007: 5%) against RM, with all other variables held constant, pre-tax profit for the year would have been HK$6,854,000 (2007: HK$2,902,000) higher or lower, mainly as a result of foreign exchange gains or losses on translation of USD-denominated trade receivables, bank balances and cash, trade payables and bills payables in relation to the operation in Malaysia.

At 31 December 2008, if HK$ had weakened or strengthened by 5% (2007: 5%) against EUR, with all other variables held constant, pre-tax profit for the year would have been HK$3,469,000 (2007: HK$1,524,000) lower or higher, mainly as a result of foreign exchange gains or losses on translation of EUR-denominated trade receivables, derivative financial instruments, trade payables and short term bank loans in relation to the operation in Hong Kong.

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 which involves close monitoring of interest rate movements and replacing and entering into new banking facilities when favorable pricing opportunities arise.

At the balance sheet date, if interest rates had been increased or decreased by 50 basis points (2007: 50 basis points) and all other variables were held constant, the pre-tax profit of the Group would decrease or increase by approximately HK$2,999,000 (2007: HK$1,048,000) mainly as a result of higher or lower interest expense on floating rate borrowings. Profit is more sensitive to movement of interest rates in 2008 than 2007 because of the increased borrowings with variable interest rates.

(b) Credit risk

The Group is exposed to credit risk mainly in relation to its trade and other receivables, cash deposits with banks and derivative financial instruments and the maximum exposure of credit risk is equal to the carrying amounts of these financial assets. Derivative and cash transactions counter parties are limited to financial institutions with good credit rating.

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 trade and other receivables 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 which is beyond the Group's tolerance level. The credit insurance policy does not cover all trade receivables at the balance sheet date.

2 FINANCIAL RISK MANAGEMENT *(Continued)*

Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

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

	2008	2007
	HK$'000	*HK$'000*
Counterparties without external credit rating		
Group 1	**64,340**	79,889
Group 2	**1,084,132**	1,014,159
Group 3	**859**	564
	1,149,331	1,094,612

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.

Bank Balances and Cash

	2008	2007
	HK$'000	*HK$'000*
AA	**126,651**	121,546
A	**202,083**	237,529
BAA	**167,693**	203,442
BA	**78**	—
B	**1,407**	7,519
Other	**9,498**	9,738
	507,410	579,774

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

(c) 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.

2 FINANCIAL RISK MANAGEMENT *(Continued)*

Financial risk factors *(Continued)*

(c) Liquidity risk *(Continued)*

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	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31st December, 2008					
Borrowings and bank overdrafts	**722,360**	**3,372**	**2,893**	**1,501**	**730,126**
Trade payables	**810,725**	**—**	**—**	**—**	**810,725**
Bills payables	**303,805**	**—**	**—**	**—**	**303,805**
Other payables	**96,028**	**—**	**—**	**—**	**96,028**
Total	**1,932,918**	**3,372**	**2,893**	**1,501**	**1,940,684**
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

There is also a concentration risk by supplier as approximately 67% (2007: 70%) and 86% (2007: 82%) of total purchases during 2008 were related to the Group's largest supplier and five largest suppliers respectively. Liquidity of the Group depends on level of market acceptance and rate of realisation of inventories purchased from these suppliers.

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 29, 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.

2 FINANCIAL RISK MANAGEMENT *(Continued)*

Capital risk management *(Continued)*

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, 2008 and 2007 were as follows:

	2008	2007
	HK$'000	*HK$'000*
Total borrowings	**724,849**	476,242
Total assets	**2,919,255**	2,856,571
Gearing ratio	**25%**	17%

The increase in the gearing ratio during the year resulted primarily from the increase in total borrowings to finance the working capital of the Group.

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 consolidated profit and loss account under other income/expenses.

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 provision 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 year 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 audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax payable and deferred tax provisions 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.

(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

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

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

	2008	2007
	HK$'000	*HK$'000*
Revenues		
Turnover from sales of mobile phones and accessories, net	**7,388,879**	8,128,628
Rental income		
— investment property	**1,473**	736
— others	**2,769**	2,601
Repair service income	**2,018**	193
Total	**7,395,139**	8,132,158
Other income		
Unrealised gain on derivative financial instruments	**1,330**	—
Compensation from insurance claim	**754**	585
Exchange gains, net	**—**	17,033
Gain on disposal of fixed assets	**598**	688
Gain on financial assets at fair value through profit or loss	**—**	99
Others	**1,706**	273
Total	**4,388**	18,678

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

Primary reporting format – business segments

The Group's segment revenues, expenses, results, assets and liabilities are primarily attributable to trading and distribution of mobile phones and accessories and retail sales of mobile phones and accessories.

Other operations of the Group include the provision of repair services for mobile phones and holding of properties, all of which are of insufficient size to be reported separately. The analysis of the Group's segment information for the year ended 31st December, 2008 by business segment is as follows:

	Trading and distribution of mobile phones and accessories		**Retail sales of mobile phones and accessories**		**Consolidated**	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover before inter-segment sales	**7,213,831**	7,845,083	**316,849**	398,613	**7,530,680**	8,243,696
Inter-segment sales	**(103,200)**	(78,052)	**(38,601)**	(37,016)	**(141,801)**	(115,068)
Turnover	**7,110,631**	7,767,031	**278,248**	361,597	**7,388,879**	8,128,628
Unallocated revenues					**6,260**	3,530
Revenues					**7,395,139**	8,132,158
Segment results	**157,327**	195,981	**(12,506)**	(35,925)	**144,821**	160,056
Unallocated income and expenses, net					**(18,873)**	(23,776)
Operating profit					**125,948**	136,280
Finance income					**11,573**	18,831
Finance costs					**(67,787)**	(68,007)
Share of loss of an associated company					**(75)**	–
Profit before taxation					**69,659**	87,104
Taxation					**(28,620)**	(23,573)
Profit for the year					**41,039**	63,531

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

Primary reporting format – business segments *(Continued)*

	Trading and distribution of mobile phones and accessories		Retail sales of mobile phones and accessories		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**2,737,096**	2,599,026	**147,286**	194,190	**2,884,382**	2,793,216
Unallocated assets					**34,873**	63,355
Total assets					**2,919,255**	2,856,571
Segment liabilities	**(1,163,395)**	(1,355,460)	**(41,930)**	(56,155)	**(1,205,325)**	(1,411,615)
Unallocated liabilities					**(740,664)**	(497,607)
Total liabilities					**(1,945,989)**	(1,909,222)
Capital expenditure	**6,384**	14,345	**1,748**	5,840	**8,132**	20,185
Depreciation and amortisation	**6,627**	7,513	**2,021**	2,395	**8,648**	9,908
Unallocated depreciation and amortisation					**189**	182
Total depreciation and amortisation					**8,837**	10,090
Impairment/(reversal of impairment) of trade receivables	**8,527**	15,932	**1,427**	(1,564)	**9,954**	14,368
Impairment of inventories	**3,329**	—	**13**	5,691	**3,342**	5,691

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*
2008			
Hong Kong	**6,256,688**	**2,300,872**	**4,621**
Malaysia	**488,047**	**450,329**	**1,529**
The Philippines	**119,911**	**43,362**	**1,193**
Other countries	**530,493**	**89,819**	**789**
	7,395,139	**2,884,382**	**8,132**
Unallocated assets		**34,873**	
Total assets/capital expenditure		**2,919,255**	**8,132**
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

5 COST OF SALES

	2008 HK$'000	2007 HK$'000
Cost of sales comprises:		
Cost of inventories sold	**6,989,187**	7,699,619
Other direct costs	**48,213**	46,486
Impairment of inventories	**3,342**	5,691
	7,040,742	7,751,796

6 OPERATING PROFIT

Operating profit is stated after charging and (crediting) the following:

	2008 HK$'000	2007 HK$'000
Amortisation of intangible assets#	**—**	1,424
Amortisation of leasehold land	**598**	579
Auditors' remuneration		
— provision for the year	**3,195**	3,373
— under provision in prior years	**61**	320
Depreciation		
— owned fixed assets	**6,193**	6,925
— leased fixed assets	**1,857**	980
— investment property	**189**	182
Direct operating expenses arising from investment property that generates rental income	**249**	242
Exchange losses, net#	**9,845**	—
Loss/(gain) on financial assets at fair value through profit or loss#	**59**	(99)
(Gain)/loss on derivative financial instruments#		
— unrealised	**(1,330)**	373
— realised	**13,749**	—
Loss on disposal of subsidiaries#	**—**	215
Operating leases		
— land and buildings	**20,857**	22,827
— office equipment	**453**	306
Pre-operating costs	**82**	—
Impairment of trade receivables	**9,954**	14,368
Staff costs (including Director's remuneration and retirement benefit costs)	**102,257**	107,798
Write back of other payables and accrued charges	**(12,000)**	—

These are included in other income/expenses

7 FINANCE INCOME/COSTS

	2008 HK$'000	2007 HK$'000
Bank interest income	**11,573**	18,831
Interest expenses on:		
— bank loans, overdrafts and finance leases wholly repayable within five years	**46,005**	52,514
— bank loan not wholly repayable within five years	**—**	258
Bank and other charges	**21,782**	15,235
	67,787	68,007

8 TAXATION

	2008 HK$'000	2007 HK$'000
Hong Kong profits tax *(note (i))*	**15,907**	24,127
Overseas taxation *(note (ii))*	**2,631**	13,166
Under/(over) provision of taxation in prior years	**1,414**	(6,955)
Deferred taxation *(note 30)*	**8,668**	(6,765)
	28,620	23,573

Notes:

(i) Hong Kong profits tax has been provided at the rate of 16.5% (2007: 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:

	2008 HK$'000	2007 HK$'000
Profit before taxation	**69,659**	87,104
Calculated at a tax rate of 16.5% (2007: 17.5%)	**11,494**	15,243
Effect of different taxation rates in other countries	**(1,141)**	2,549
Income not subject to taxation	**(5,961)**	(8,725)
Expenses not deductible for taxation purposes	**18,165**	16,401
Utilisation of previously unrecognised tax losses	**(1,101)**	(1,381)
Under/(over) provision of taxation in prior years	**1,414**	(6,955)
Effect on opening deferred tax assets due to change in tax rate	**337**	—
Tax losses not recognised	**5,413**	6,441
	28,620	23,573

9 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS

The profit attributable to equity holders of the Company is dealt with in the accounts of the Company to the extent of HK$9,795,000 (2007: loss of HK$19,100,000).

10 EARNINGS PER SHARE

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

	2008	2007
Profit for the year attributable to equity holders of the Company for the purpose of calculating basic and diluted earnings per share	**HK$40,953,000**	HK$63,543,000
	Number of shares	Number of shares
Weighted average number of ordinary shares in issue for the purpose of calculating basic and diluted earnings 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, 2008 and 2007.

11 DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31st December, 2008 (2007: interim dividend HK$9,728,000; final dividend HK$9,728,000).

12 RETIREMENT BENEFIT COSTS

	2008	2007
	HK$'000	*HK$'000*
Retirement benefit costs	**5,928**	5,932

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$972,000 (2007: HK$1,013,000) payable to the Retirement Schemes at the balance sheet are included in other payables and accrued charges.

13 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The remuneration of every Director for the year ended 31st December, 2008 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	**–**	**4,014**	**–**	**1,101**	**12**	**5,127**
Mr. Ng Kok Tai	**–**	**2,104**	**–**	**144**	**141**	**2,389**
Mr. Ng Kok Yang	**–**	**2,735**	**–**	**431**	**12**	**3,178**
Mr. See Tak Wah	**292**	**–**	**–**	**–**	**–**	**292**
Mr. Wu Wai Chung Michael	**300**	**–**	**–**	**–**	**–**	**300**
Mr. Wong Tin Sang Patrick	**300**	**–**	**–**	**–**	**–**	**300**
	892	**8,853**	**–**	**1,676**	**165**	**11,586**

The remuneration of every 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

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

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

(b) Five highest paid individuals

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

	2008 HK$'000	2007 HK$'000
Directors	**10,694**	13,560
Employees	**5,363**	4,863
	16,057	18,423

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

	2008 HK$'000	2007 HK$'000
Salaries, allowances and benefits-in-kind	**4,119**	3,494
Share options	**873**	1,270
Bonuses	**347**	75
Retirement benefit costs	**24**	24
	5,363	4,863

The emoluments of employees fell within the following bands:

	Number of individuals	
	2008	2007
HK$1,000,001 to HK$1,500,000	**—**	—
HK$1,500,001 to HK$2,000,000	**—**	—
HK$2,000,001 to HK$2,500,000	**1**	1
HK$2,500,001 to HK$3,000,000	**—**	1
HK$3,000,001 to HK$3,500,000	**1**	—
	2	2

Based on the audited financial results for the year ended 31st December, 2008, the maximum amount of discretionary bonus that executive Directors would have been entitled to was approximately HK$4,000,000 (2007: HK$6,350,000). The executive Directors have decided to waive their discretionary bonus for the year ended 31st December, 2008 (2007: HK$3,000,000).

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.

14 INVESTMENT IN AN ASSOCIATED COMPANY

	Group	
	2008	2007
	HK$'000	*HK$'000*
Share of net assets (including intangible asset)	**2,331**	—

The summarised financial information of the associated company of the Group is set out below.

	2008	2007
	HK$'000	*HK$'000*
Total assets	**2,033**	—
Total liabilities	**(354)**	—
	1,679	—
Revenue	**2,290**	—
Loss for the year	**231**	—

Note:

Particulars regarding the associated company at 31st December, 2008 are set out below:

Name of the associated company	**Place or country of incorporation/ operation**	**Issued share capital**	**Effective percentage of issued capital held by the Company indirectly**	**Principal activities**
Mobile FPX Sdn. Bhd.	Malaysia	RM1,000,000	32.5%	Designing, developing, integrating, producing, distributing and operating the secured mobile payment system/platform and the finished products

15 INVESTMENT PROPERTY

	Group	
	2008	2007
	HK$'000	*HK$'000*
Cost		
At 1st January	**9,506**	8,904
Exchange differences	**(401)**	602
At 31st December	**9,105**	9,506
Accumulated depreciation		
At 1st January	**285**	90
Exchange differences	**(19)**	13
Charge for the year	**189**	182
At 31st December	**455**	285
Net book value		
At 31st December	**8,650**	9,221

Notes:

(i) The investment property is freehold and located at Suite 3A-5, Level 5, Block 3A, Plaza Sentral, Jalan Stesen Sentral 5, 50470 Kuala Lumpur, Malaysia. Fair value as at 31st December, 2008 was HK$17,299,000 (2007: HK$15,589,000) which was determined based on recent market transactions.

(ii) The investment property with a carrying value of HK$8,650,000 (2007: HK$9,221,000) was pledged to secure the Group's banking facilities (note 29(vii)).

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

16 LEASEHOLD LAND

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

	Group	
	2008	2007
	HK$'000	*HK$'000*
In Hong Kong and held on leases of between 10 to 50 years	**23,009**	23,607

Bank borrowings are secured on leasehold land for the carrying amount of HK$22,594,000 (2007: HK$22,164,000) (note 29(vii)).

	Group	
	2008	2007
	HK$'000	*HK$'000*
At 1st January	**23,607**	23,162
Additions	**—**	1,024
Amortisation	**(598)**	(579)
At 31st December	**23,009**	23,607

17 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, 2008	**12,468**	**23,213**	**12,752**	**13,858**	**37,789**	**100,080**
Exchange differences	**(543)**	**–**	**(291)**	**(383)**	**(1,169)**	**(2,386)**
Additions	**–**	**–**	**1,163**	**3,919**	**3,050**	**8,132**
Disposals	**–**	**–**	**(778)**	**(2,696)**	**(1,494)**	**(4,968)**
At 31st December, 2008	**11,925**	**23,213**	**12,846**	**14,698**	**38,176**	**100,858**
Accumulated depreciation and impairment losses						
At 1st January, 2008	**245**	**7,314**	**7,754**	**6,955**	**28,373**	**50,641**
Exchange differences	**(19)**	**–**	**(151)**	**(262)**	**(876)**	**(1,308)**
Charge for the year	**78**	**917**	**1,581**	**2,191**	**3,283**	**8,050**
Disposals	**–**	**–**	**(484)**	**(2,590)**	**(1,153)**	**(4,227)**
At 31st December, 2008	**304**	**8,231**	**8,700**	**6,294**	**29,627**	**53,156**
Net book value						
At 31st December, 2008	**11,621**	**14,982**	**4,146**	**8,404**	**8,549**	**47,702**
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

17 FIXED ASSETS *(Continued)*

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

	Group			
	Freehold property		Buildings on leasehold land	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
In Hong Kong				
Leases between 10 to 50 years	**–**	–	**14,982**	15,899
Outside Hong Kong				
Freehold	**11,621**	12,223	**–**	–
At 31st December	**11,621**	12,223	**14,982**	15,899

(b) The net book value of assets under finance leases is HK$8,824,000 (2007: HK$6,572,000).

(c) At 31st December, 2008, freehold property and certain buildings on leasehold land with an aggregate net book value of approximately HK$25,180,000 (2007: HK$23,049,000) have been pledged to banks to secure the Group's banking facilities (note 29(vii)).

18 INVESTMENTS IN SUBSIDIARIES

	Company	
	2008	2007
	HK$'000	*HK$'000*
Unlisted shares, at cost *(note (i))*	**233,433**	175,204
Amount due from a subsidiary *(note (ii))*	**340,967**	363,032

Notes:

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

19 INVENTORIES

	Group	
	2008	2007
	HK$'000	*HK$'000*
Merchandises, at cost	**588,498**	552,808
Provision for impairment	**(36,811)**	(58,038)
	551,687	494,770

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2008	2007
	HK$'000	*HK$'000*
Money market fund, at fair value		
— unlisted	**614**	673

The unlisted money market fund is denominated in Euro.

21 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 longer credit period may be granted on a case by case basis. At 31st December, 2008, the ageing analysis of the trade receivables was as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
1-30 days	**323,634**	328,024
31-60 days	**386,735**	412,914
61-90 days	**438,962**	353,674
91-120 days	**501,313**	360,596
Over 120 days	**58,372**	109,880
Less: provision for impairment	**(71,017)**	(64,643)
	1,637,999	1,500,445

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.

21 TRADE RECEIVABLES *(Continued)*

As of 31st December, 2008, the ageing analysis of net trade receivables, which is past due but not impaired, is as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
91-120 days	**464,974**	330,581
Over 120 days	**23,694**	75,252
	488,668	405,833

As at 31st December, 2008, trade receivables of the Group amounted to HK$71,017,000 (2007: HK$64,643,000) 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.

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

	Group	
	2008	2007
	HK$'000	*HK$'000*
At 1st January	**64,643**	119,485
Provision made	**9,954**	14,368
Released due to disposal of a subsidiary	**—**	(73,267)
Exchange difference	**(3,580)**	4,057
At 31st December	**71,017**	64,643

The creation and release of provision for impaired receivables have been included in "general and administrative expenses" in the consolidated 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	
	2008	2007
	HK$'000	*HK$'000*
HK$	**1,517,357**	1,409,207
RM	**87,047**	70,598
USD	**56,810**	51,442
EUR	**16,186**	14,631
Philippines Peso ("P$")	**19,443**	16,615
Other	**12,173**	2,595
	1,709,016	1,565,088

22 BANK BALANCES AND CASH

(a) Bank balances and cash are denominated in the following currencies:

	Group	
	2008	2007
	HK$'000	*HK$'000*
USD	**184,550**	174,620
RM	**178,104**	191,948
HK$	**126,561**	198,701
P$	**9,082**	7,876
Singapore Dollar ("S$")	**4,359**	3,332
EUR	**2,901**	826
Other	**1,853**	2,471
	507,410	579,774

(b) Bank balances and cash as at 31st December, 2008 of approximately HK$409,427,000 (2007: HK$455,495,000) 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:

	2008			2007		
	HK$	**RM**	**USD**	HK$	RM	USD
Bank deposits	**1.0%**	**3.3%**	**1.8%**	2.8%	3.3%	4.4%

23 TRADE PAYABLES AND BILLS PAYABLES

At 31st December, 2008, the ageing analysis of the trade payables was as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
1-30 days	**293,367**	539,400
31-60 days	**380,834**	335,991
61-90 days	**126,579**	93,313
91-120 days	**1,285**	38,174
Over 120 days	**8,660**	32,306
	810,725	1,039,184

23 TRADE PAYABLES AND BILLS PAYABLES *(Continued)*

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

	Group	
	2008	2007
	HK$'000	*HK$'000*
HK$	**9,109**	1,769
RM	**181,447**	248,738
USD	**708,038**	923,464
EUR	**214,732**	120,317
P$	**469**	528
Other	**735**	132
	1,114,530	1,294,948

24 DERIVATIVE FINANCIAL INSTRUMENTS

	Group	
	2008	2007
	HK$'000	*HK$'000*
Forward foreign exchange contracts	**1,425**	95

As at 31st December, 2008, the Group has entered into six structured forward contracts with two banks in Hong Kong with contract period ending August and September 2010. Pursuant to these contracts, the Group is obligated to purchase a pre-determined amount of USD at an exchange rate of approximately HK$7.73 per USD1.00 ("Contract Rate") on a monthly basis. Subject to the spot HK$/USD exchange rate at each transaction date, amount of USD the Group is obligated to purchase in years 2009 and 2010 pursuant to these contracts ranged from USD5 million to USD333 million.

Also, these contracts will be knocked out if accumulated profits earned by the Group for each individual contract reached HK$800,000 or the contract resulted in a gain position for the Group for any 12 months during the contract period.

Pursuant to Hong Kong's Linked Exchange Rate System, HK$ is pegged to USD at the rate of approximately HK$7.78 per USD1.00. However, if HK$ is delinked with USD and USD had strengthened or weakened by 5% against HK$, with all other variables held constant, pre-tax profit for the year would have been increased by approximately HK$5.8 million or decreased by approximately HK$65.2 million.

25 BANK LOANS AND OVERDRAFTS

	Group	
	2008	2007
	HK$'000	*HK$'000*
Short-term bank loans, secured	**707,634**	438,068
Bank overdrafts, unsecured	**5,693**	10,648
	713,327	448,716

(i) Except for trust receipts of HK$367,735,000 (2007: HK$69,635,000) denominated in USD, HK$65,917,000 (2007: HK$Nil) denominated in EUR and bank overdrafts of HK$292,000 (2007: HK$4,083,000) denominated in RM, all other short-term bank loans and overdrafts are denominated in HK$.

(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:

	2008				2007			
	HK$	**RM**	**EUR**	**USD**	HK$	RM	EUR	USD
Short-term bank loans	**4.3%**	**—**	**6.2%**	**4.0%**	5.3%	—	—	6.3%
Bank overdrafts	**5.3%**	**7.4%**	**—**	**—**	7.5%	7.9%	—	—

(iv) At 31st December, 2008, freehold property, certain leasehold land and buildings and investment property of the Group with an aggregate net book value of approximately HK$56,424,000 (2007: HK$54,434,000) have been pledged to banks to secure the Group's banking facilities (notes 15, 16, 17 and 29).

(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.

26 SHARE CAPITAL

	Company	
	Number of shares of HK$0.10 each	*HK$'000*
Authorised:		
At 31st December, 2008 and 2007	**3,000,000,000**	**300,000**
Issued and fully paid:		
At 31st December, 2008 and 2007	**1,945,696,565**	**194,570**

There was no movement in share capital of the Company for the years ended 31st December, 2008 and 2007.

27 SHARE OPTION SCHEME

The purpose of the share option scheme ("Scheme") is for the Company to attract, retain and motivate talented participants to strive for the goals of the Group and to provide the Company with a flexible means of giving incentives to, rewarding, remunerating, compensating and/or providing benefits to the participants. Eligible participants include executive directors, non-executive directors, employees, consultants, professional and other advisers of the Group, chief executives, substantial shareholders and its employees, and any associates of directors, chief executives or substantial shareholders of the Company, as absolutely determined by the Board. The Scheme became effective on 29th April, 2003 and unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme must not in aggregate exceed 10% of the shares of the Company in issue at any time. Notwithstanding the foregoing, the shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other option schemes at any time shall not exceed 30% of the shares in issue from time to time.

The maximum number of shares issuable to each participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting. Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share option granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to the issue of a circular by the Company and the shareholders' approval in general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 by the grantee. 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 exercise price of the share options is determined by the Directors, but may not be less than the higher of (i) the closing price of the Shares as stated in the Exchange's daily quotation sheet on the date of offer, which must be a business day; (ii) the average closing price of the Shares as stated in the Exchange's daily quotation sheets for the five business days immediately preceding the date of offer; and (iii) the nominal value of a Share.

During the year, no options were granted, exercised or cancelled. The Group has charged share-based payments of HK$2.9 million (2007: HK$9.6 million) against earnings for the year ended 31st December, 2008. The outstanding options as at 31st December, 2008 have a remaining contractual life of 2.03 years (2007: 3.03 years).

27 SHARE OPTION SCHEME *(Continued)*

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

Category of participant	At 1st January	Granted during the year	Forfeited during the year	At 31st December	Date of grant of share options	Exercise period of share options	Exercise price of share options
Employees in aggregate:							
2008	**92,000,000**	**–**	**–**	**92,000,000**	**11th July, 2007**	**11th July, 2007 to 10th January, 2011**	**HK$0.265**
	79,600,000	**–**	**–**	**79,600,000**	**11th July, 2007**	**11th October, 2007 to 10th January, 2011**	**HK$0.265**
	18,300,000	**–**	**(5,200,000)**	**13,100,000**	**11th July, 2007**	**11th November, 2007 to 10th January, 2011**	**HK$0.265**
	189,900,000	**–**	**(5,200,000)**	**184,700,000**			
Exercisable at the end of the year				**139,004,000**			
2007	–	92,000,000	–	92,000,000	11th July, 2007	11th July, 2007 to 10th January, 2011	HK$0.265
	–	79,600,000	–	79,600,000	11th July, 2007	11th October, 2007 to 10th January, 2011	HK$0.265
	–	18,600,000	(300,000)	18,300,000	11th July, 2007	11th November, 2007 to 10th January, 2011	HK$0.265
	–	190,200,000	(300,000)	189,900,000			
Exercisable at the end of the year				69,031,500			

28 RESERVES

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

	Group						
	Share premium HK$'000	Merger reserve HK$'000	Reserve fund HK$'000	Exchange reserve HK$'000	Share option reserve HK$'000	Retained earnings HK$'000	Total HK$'000
Balance at 1st January, 2008	**127,258**	**3,982**	**–**	**34,376**	**9,644**	**577,519**	**752,779**
Exchange differences	**–**	**–**	**–**	**(8,372)**	**–**	**–**	**(8,372)**
Profit attributable to equity holders of the Company	**–**	**–**	**–**	**–**	**–**	**40,953**	**40,953**
Share-based payments	**–**	**–**	**–**	**–**	**2,893**	**–**	**2,893**
2007 final dividend paid	**–**	**–**	**–**	**–**	**–**	**(9,728)**	**(9,728)**
Balance at 31st December, 2008	**127,258**	**3,982**	**–**	**26,004**	**12,537**	**608,744**	**778,525**
Retained by:							
Company and subsidiaries	**127,258**	**3,982**	**–**	**26,004**	**12,537**	**608,744**	**778,525**
Balance at 1st January, 2007	127,258	3,989	4,872	20,553	–	523,704	680,376
Exchange differences	–	–	–	18,072	–	–	18,072
Profits attributable to equity holders of the Company	–	–	–	–	–	63,543	63,543
Share-based payments	–	–	–	–	9,644	–	9,644
Release of reserve 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

28 RESERVES *(Continued)*

	Company			
	Share premium (note) HK$'000	Share option reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1st January, 2008	**287,000**	**9,644**	**20,768**	**317,412**
Profit for the year	**—**	**—**	**9,795**	**9,795**
Share-based payments	**—**	**2,893**	**—**	**2,893**
2007 final dividend paid	**—**	**—**	**(9,728)**	**(9,728)**
At 31st December, 2008	**287,000**	**12,537**	**20,835**	**320,372**
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

Note: 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, 2008, 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$307,835,000 (2007: HK$307,768,000).

29 LONG-TERM LIABILITIES

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

	Group		Company	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Bank loans				
Wholly repayable within five years	**4,493**	20,426	**—**	18,375
Not wholly repayable within five years	**1,501**	2,127	**—**	—
	5,994	22,553	**—**	18,375
Obligations under finance leases				
Wholly repayable within five years	**5,528**	4,973	**—**	—
	11,522	27,526	**—**	18,375
Current portion of long-term liabilities	**(4,157)**	(20,411)	**—**	(18,375)
	7,365	7,115	**—**	—

29 LONG-TERM LIABILITIES *(Continued)*

(ii) At 31st December, 2008, the bank loans were repayable as follows:

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**1,480**	18,729	**–**	18,375
In the second year	**1,500**	380	**–**	–
In the third to fifth year	**1,513**	1,317	**–**	–
After the fifth year	**1,501**	2,127	**–**	–
	5,994	22,553	**–**	18,375

(iii) At 31st December, 2008, the outstanding obligations under finance leases were repayable as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Within one year	**2,954**	1,875
In the second year	**1,860**	1,646
In the third to fifth year	**1,380**	2,034
	6,194	5,555
Future finance charges on finance leases	**(666)**	(582)
Present value of finance lease liabilities	**5,528**	4,973

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

	Group	
	2008	2007
	HK$'000	*HK$'000*
Within one year	**2,677**	1,682
In the second year	**1,657**	1,481
In the third to fifth year	**1,194**	1,810
	5,528	4,973

29 LONG-TERM LIABILITIES *(Continued)*

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

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
HK$	**5,232**	21,061	**—**	18,375
RM	**5,350**	6,089	**—**	—
USD	**208**	138	**—**	—
P$	**642**	238	**—**	—
Other	**90**	—	**—**	—
	11,522	27,526	**—**	18,375

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

	2008				2007			
	HK$	**RM**	**USD**	**P$**	HK$	RM	USD	P$
Bank loans	**1.7%**	**6.9%**	**—**	**—**	7.6%	5.8%	—	—
Obligation under finance leases	**3.3%**	**4.1%**	**13.4%**	**10.7%**	3.5%	2.5%	7.0%	4.9%

(vi) The carrying amounts of long-term liabilities of the Group approximate their fair value as the long-term liabilities are at variable rates.

(vii) At 31st December, 2008, freehold property, certain leasehold land and buildings and investment property of the Group with an aggregate net book value of approximately HK$56,424,000 (2007: HK$54,434,000) have been pledged to banks to secure the Group's banking facilities (notes 15, 16 and 17).

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

30 DEFERRED TAXATION

	Group	
	2008	2007
	HK$'000	*HK$'000*
At 1st January	**18,834**	11,422
(Charged)/credited to consolidated profit and loss account *(note 8)*	**(8,668)**	6,765
Disposal of subsidiaries	**—**	106
Exchange differences	**202**	541
At 31st December	**10,368**	18,834

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$117,017,000 (2007: HK$83,084,000) to carry forward against future taxable profits, their expiry dates are as follows:

30 DEFERRED TAXATION *(Continued)*

Year	2008 HK$'000	2007 HK$'000
2014	**945**	1,101
2015	**13,797**	13,941
2016	**13,647**	13,790
2017	**2,887**	2,917
2018	**416**	—
	31,692	31,749
Tax losses with no expiry date	**85,325**	51,335
	117,017	83,084

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

	Provisions		Accelerated tax depreciation		Tax losses		Others		Total	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
At 1st January	**22,782**	16,226	**(619)**	(719)	**1,529**	–	**(4,858)**	(4,085)	**18,834**	11,422
(Charged)/credited to consolidated profit and loss account	**(7,455)**	5,223	**248**	65	**(45)**	1,477	**(1,416)**	–	**(8,668)**	6,765
Disposal of subsidiaries	**–**	–	**–**	106	**–**	–	**–**	–	**–**	106
Exchange differences	**(627)**	1,333	**25**	(71)	**(17)**	52	**821**	(773)	**202**	541
At 31st December	**14,700**	22,782	**(346)**	(619)	**1,467**	1,529	**(5,453)**	(4,858)	**10,368**	18,834

	Group	
	2008 HK$'000	2007 HK$'000
Deferred tax assets	**14,254**	20,796
Deferred tax liabilities	**(3,886)**	(1,962)
	10,368	18,834
The amounts shown in the balance sheet include the following:		
Deferred tax assets to be recovered after more than 12 months	**14,254**	20,796
Deferred tax liabilities to be settled after more than 12 months	**(3,886)**	(1,962)

31 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2008	2007
	HK$'000	*HK$'000*
Operating profit	**125,948**	136,280
Depreciation of investment property, fixed assets and amortisation of leasehold land	**8,837**	8,666
Amortisation of intangible assets	**—**	1,424
Gain on disposal of fixed assets	**(598)**	(688)
Loss/(gain) on financial assets at fair value through profit or loss	**59**	(99)
Loss on disposal of subsidiaries	**—**	215
Share-based payments	**2,893**	9,644
Operating profit before working capital changes	**137,139**	155,442
(Increase)/decrease in inventories	**(56,917)**	82,947
Increase in trade and other receivables and prepayments	**(99,218)**	(149,589)
Increase/(decrease) in bills payables	**48,041**	(123,505)
(Decrease)/increase in trade and other payables and accrued charges	**(255,255)**	205,788
(Increase)/decrease in derivative financial instruments	**(1,330)**	388
Net cash (used in)/generated from operations	**(227,540)**	171,471

(b) Analysis of changes in financing during the year

	Share capital (including share premium)		Minority interests		Loans and obligations under finance leases	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
At 1st January	**321,828**	321,828	**–**	12	**465,594**	476,175
Exchange differences	**–**	–	**(7)**	–	**(294)**	384
Minority's share of profit/(loss) and exchange reserves	**–**	–	**86**	(12)	**–**	–
Contribution from a minority shareholder	**–**	–	**92**	–	**–**	–
Inception of finance lease *(note (c))*	**–**	–	**–**	–	**3,291**	5,030
Net cash inflow/(outflow) from financing	**–**	–	**–**	–	**250,565**	(15,995)
At 31st December	**321,828**	321,828	**171**	–	**719,156**	465,594

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

(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$3,291,000 (2007: HK$5,030,000).

(d) Analysis of balances of cash and cash equivalents

	2008	2007
	HK$'000	*HK$'000*
Bank balances and cash, not pledged	**97,983**	124,279
Unsecured bank overdrafts	**(5,693)**	(10,648)
	92,290	113,631

(e) Disposal of subsidiaries

	2008	2007
	HK$'000	*HK$'000*
Net assets disposed		
Trade and other receivables	**–**	48,428
Bank balances and cash	**–**	627
Trade and other payables	**–**	(25,612)
Taxation recoverable	**–**	6
Deferred tax liabilities	**–**	(106)
Reserves	**–**	(9,128)
	–	14,215
Loss on disposal of subsidiaries	**–**	(215)
	–	14,000
Satisfied by consideration receivable	**–**	14,000
Analysis of the net cashflow in respect of the disposal of subsidiaries:		
Net inflow/(outflow) of cash and cash equivalents	**14,000**	(627)

32 CONTINGENT LIABILITIES

The Group and the Company did not have any significant contingent liabilities as at 31st December, 2008 (2007: nil).

33 COMMITMENTS

(a) Commitments under operating leases

(i) At 31st December, 2008, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings		Office equipment	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Not later than one year	**16,048**	17,845	**45**	59
Later than one year and not later than five years	**7,023**	6,344	**70**	113
	23,071	24,189	**115**	172

(ii) At 31st December, 2008, the Group had future aggregate minimum lease income receivable under non-cancellable operating leases as follows:

	Land and buildings		Office equipment	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Not later than one year	**1,686**	2,559	**130**	71
Later than one year and not later than five years	**1,302**	3,021	**–**	–
	2,988	5,580	**130**	71

(b) Other commitments

At 31st December, 2008, the Group had notional amounts of approximately HK$38,057,000 (2007: HK$9,809,000) outstanding forward exchange contracts to hedge against outstanding purchase orders denominated in foreign currencies.

34 PRINCIPAL SUBSIDIARIES

The Directors are of the opinion that complete list of the particulars of all subsidiaries would be of excessive length and therefore the following list contains only the subsidiaries which principally affect the results or assets of the Group as at 31st December, 2008.

Company	Country/ place of incorporation/ registration	Place of operation	Issued and fully paid up share capital/ registered capital	Group's equity interest 2008	Group's equity interest 2007	Principal activities
Direct subsidiary:						
E-Tech Resources Limited	British Virgin Islands	British Virgin Islands	10,000 shares of USD1 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
[1] First Asia Mobile, Inc.	Republic of the Philippines	Republic of the Philippines	12,500,000 shares of P$1 each	**100%**	100%	Trading and distribution of mobile phones
First Mobile Group Sdn. Bhd.	Malaysia	Malaysia	500,000 ordinary shares of RM1 each	**100%**	100%	Trading and distribution of mobile phones
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	**–**	–	

34 PRINCIPAL SUBSIDIARIES *(Continued)*

Company	Country/ place of incorporation/ registration	Place of operation	Issued and fully paid up share capital/ registered capital	Group's equity interest 2008	2007	Principal activities
[1] Generation Mobile Pte. Ltd.	Singapore	Singapore	2 shares of S$1 each	**100%**	100%	Trading and distribution of mobile phones
[1] Lets Do Mobile Philippines Inc.	Republic of the Philippines	Republic of the Philippines	85,000,000 shares of P$1 each	**100%**	100%	Trading and distribution of mobile phones
Mobile City (Hong Kong) Limited	Hong Kong	Hong Kong	1 share of HK$1 each	**100%**	100%	Retailing of mobile phones and related products
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 EUR 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 EUR each	**100%**	100%	Trading of mobile phones
[1] é-Touch Mobile Private Limited	India	India	10,000 shares of Indian Rupees 10 each	**100%**	–	Trading and distribution of mobile phones
[1] PT. Comworks Indonesia	Indonesia	Indonesia	330,000 shares of USD1 each	**100%**	100%	Trading and distribution of mobile phones

[1] *Subsidiaries not audited by PricewaterhouseCoopers*

CONSOLIDATED RESULTS

	2004 *HK$'000*	2005 *HK$'000*	2006 *HK$'000*	2007 *HK$'000*	**2008** ***HK$'000***
Revenues	6,183,131	6,652,004	7,998,793	8,132,158	**7,395,139**
Operating profit	124,348	73,778	144,911	136,280	**125,948**
Finance income	—	9,063	13,429	18,831	**11,573**
Finance costs	(32,796)	(44,751)	(68,267)	(68,007)	**(67,787)**
Share of loss of an associated company	—	—	—	—	**(75)**
Profit before taxation	91,552	38,090	90,073	87,104	**69,659**
Taxation	(40,098)	(31,651)	(38,727)	(23,573)	**(28,620)**
Profit from continuing operations	51,454	6,439	51,346	63,531	**41,039**
Loss from discontinued operation	—	(116)	(10,935)	—	**—**
Profit for the year	51,454	6,323	40,411	63,531	**41,039**
Minority interests	7,114	2,175	304	12	**(86)**
Profit attributable to equity holders of the Company	58,568	8,498	40,715	63,543	**40,953**
Dividend	9,728	—	—	19,456	**—**

CONSOLIDATED ASSETS AND LIABILITIES

	2004 *HK$'000*	2005 *HK$'000*	2006 *HK$'000*	2007 *HK$'000*	**2008** ***HK$'000***
Non-current assets	110,280	159,299	84,206	103,063	**95,946**
Current assets	2,067,437	2,324,598	2,653,515	2,753,508	**2,823,309**
Current liabilities	1,358,931	1,615,505	1,838,290	1,900,145	**1,934,738**
Non-current liabilities	5,773	50,753	24,473	9,077	**11,251**
Shareholders' funds/total equity	813,013	817,639	874,958	947,349	**973,266**

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