1. GENERAL

The Company is an exempted company with limited liability incorporated in Bermuda under The Companies Act 1981 of Bermuda (as amended). The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate holding company is Future 2000 Limited, a company incorporated in the British Virgin Islands. The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

The functional currency of the Company is Renminbi ("RMB"). The consolidated financial statements are presented in Hong Kong dollars ("HK$") for the convenience of the shareholders, as the Company is listed in Hong Kong.

The Company is an investment holding company. The principal activities of its subsidiaries are the distribution and trading of mobile phones and related accessories, computer products and the development of marketing and after-sales service network.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, a number of new standard, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are either effective for accounting periods beginning on or after 1st December, 2005 or 1st January, 2006. The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

3. POTENTIAL IMPACT ARISING ON THE NEW ACCOUNTING STANDARDS/ INTERPRETATIONS NOT YET EFFECTIVE

The Group has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendments and interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKFRS 7	Financial Instruments: Disclosures[1]
HKFRS 8	Operating Segments[2]
HK(IFRIC) – INT 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[3]
HK(IFRIC) – INT 8	Scope of HKFRS 2[4]
HK(IFRIC) – INT 9	Reassessment of Embedded Derivatives[5]
HK(IFRIC) – INT 10	Interim Financial Reporting and Impairment[6]
HK(IFRIC) – INT 11	HKFRS 2 – Group and Treasury Share Transactions[7]
HK(IFRIC) – INT 12	Service Concession Arrangements[8]

[1] Effective for annual periods beginning on or after 1st January, 2007
[2] Effective for annual periods beginning on or after 1st January, 2009
[3] Effective for annual periods beginning on or after 1st March, 2006
[4] Effective for annual periods beginning on or after 1st May, 2006
[5] Effective for annual periods beginning on or after 1st June, 2006
[6] Effective for annual periods beginning on or after 1st November, 2006
[7] Effective for annual periods beginning on or after 1st March, 2007
[8] Effective for annual periods beginning on or after 1st January, 2008

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for investment property and certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Goodwill

Goodwill arising on acquisitions prior to 1st January, 2005

Goodwill arising on an acquisition of a subsidiary for which the agreement date is before 1st January, 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant subsidiary at the date of acquisition. Such goodwill is tested for impairment annually, and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired (see the accounting policy below).

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill *(Continued)*

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the consolidated balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed.

Rental income from investment property under operating leases is recognised on a straight line basis over the term of the relevant lease.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Plant and equipment

Plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of plant and equipment over their estimated useful lives and after taking into account of their estimated residual values, using the straight line method.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment property

On initial recognition, investment property is measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

Impairment losses (other than goodwill)

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Rentals payable under operating leases are charged to profit or loss on a straight line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight line basis.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Club membership

Club membership with indefinite life is carried at cost less any subsequent accumulated impairment losses.

Gains or losses arising from derecognition of the club membership are measured at the difference between the net disposal proceeds and the carrying amount of the club membership and are recognised in the consolidated income statement when the club membership is derecognised.

Club membership is tested for impairment annually by comparing its carrying amount with its recoverable amount, irrespective of whether there is any indication that it may be impaired. If the recoverable amount of club membership is estimated to be less than its carrying amount, the carrying amount of the club membership is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of club membership is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for that club membership in prior years.

Borrowing costs

All borrowing costs are recognised as and included in finance costs in the consolidated income statement in the period in which they are incurred.

Retirement benefit costs

Payments to defined contribution retirement benefit scheme and state-managed retirement benefit scheme are charged as expenses when employees have rendered services entitling them to the contributions.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss, loans and receivables and available-for-sale investments. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprises financial assets held for trading.

At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, bills receivable, pledged bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Available-for-sale investments

Available-for-sale investments are non-derivatives that are either designated or not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss categories.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities

Financial liabilities including trade and other payables, secured bills payable, bank borrowings, secured bank overdrafts and obligations under finance leases are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Equity-settled share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is recognised as an expense over the vesting period with a corresponding increase in equity (share option reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss with a corresponding adjustment to share option reserve.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated profits.

5. KEY SOURCE OF ESTIMATION

The key source of estimation at the balance sheet date, that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, is discussed below.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual cash flows are less than expected, a material impairment loss may arise. As at 31st December, 2006, the carrying amount of goodwill is approximately HK$4,910,000. Details of the recoverable amount calculation are set out in note 17.

6. FINANCIAL INSTRUMENTS

6a. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, bills receivable, held for trading investments, pledged bank deposits, bank balances, trade and other payables, secured bills payable, bank borrowings, secured bank overdrafts and obligations under finance leases. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31st December, 2006 is the carrying amount of trade and other receivables as stated in the consolidated balance sheet. As at 31st December, 2006, the five largest trade receivables accounted for approximately 61% of total trade receivables (net of allowance). In order to minimise the credit risk, the management of the Group reviews the recoverable amount of each individual trade receivable at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Interest rate risk

The Group's cash flow interest rate risk relates to variable-rate bank borrowings (note 29) and bank overdrafts (note 24). The Group's fair value interest rate risk relates primarily to fixed-rate short-term bank deposits (note 24) and bank borrowings (note 29). The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Foreign exchange risk

The Group mainly operates in the People's Republic of China ("PRC") with most of the transactions denominated and settled in Renminbi ("RMB"). RMB is not freely convertible into other currencies and conversion of RMB into other currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government. Because the Group does not have material foreign currency transactions, the directors consider it has no material foreign exchange risk. The directors will continue to monitor the condition and consider any hedging activities should the need arise.

Price risk

The Group's held for trading investments are measured at fair value at each balance sheet date. Therefore, the Group is exposed to equity security price risk. The management manages this exposure by maintaining a portfolio of investments with different risk profiles.

6. FINANCIAL INSTRUMENTS *(Continued)*

6b. Fair values

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

The directors consider that the fair values of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their corresponding carrying amounts.

7. OTHER INCOME

During the year ended 31st December, 2005, other income included a PRC tax refund on capital reinvestment in a subsidiary. Pursuant to an approval by local tax authority, a subsidiary of the Company received a benefit of approximately HK$5,401,000 (equivalent to approximately RMB5,725,000) in respect of its reinvestment made in a subsidiary. The benefit was calculated with reference to certain percentage of the tax paid by the subsidiary.

8. FINANCE COSTS

	2006 **HK$'000**	2005 HK$'000
Interests on:		
Bank borrowings wholly repayable within five years	**27,522**	22,073
Obligations under finance leases	**13**	27
	27,535	22,100

9. INCOME TAX EXPENSE

	2006 **HK$'000**	2005 HK$'000
The charge comprises:		
Current tax:		
Hong Kong Profits Tax calculated at 17.5% (2005: 17.5%) on the estimated assessable profit for the year	**–**	590
PRC Enterprise Income Tax	**7,850**	4,599
	7,850	5,189
Deferred tax (Note 31)	**(1,645)**	(1,052)
	6,205	4,137

PRC Enterprise Income Tax represents taxation charge on the assessable profits of the Company's subsidiaries, Fortune (Shanghai) International Trading Co., Ltd. ("Fortune Shanghai") and 上海遠嘉國際貿易有限公司 ("Shanghai Yuanjia"), established in Shanghai Waigaoqiao Free Trade Zone, the PRC. Fortune Shanghai and Shanghai Yuanjia are entitled to a preferential PRC Enterprise Income Tax rate of 15% which is granted to companies established in Shanghai Waigaoqiao Free Trade Zone.

The charge for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

	2006 **HK$'000**	2005 HK$'000
Profit before taxation	**37,544**	20,344
Tax at the domestic income tax rate of 15% (2005: 15%) *(Note)*	**5,632**	3,052
Tax effect of expenses not deductible for tax purpose	**1,615**	1,175
Tax effect of income not taxable for tax purpose	**(2,397)**	(1,681)
Reversal of tax effect of deductible temporary differences not recognised	**(9)**	(30)
Tax effect of tax losses not recognised	**1,364**	1,537
Effect of different tax rates of companies operating in Hong Kong	**–**	84
Tax expense for the year	**6,205**	4,137

At the balance sheet date, the Group had unused tax losses of approximately HK$64,619,000 (2005: HK$55,528,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. The entire sum of unrecognised tax losses may be carried forward indefinitely.

9. INCOME TAX EXPENSE *(Continued)*

At the balance sheet date, the Group also had deductible temporary differences of approximately HK$2,839,000 (2005: HK$2,899,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Note: The domestic income tax rate represents the preferential PRC Enterprise Income Tax rate where the Group's operations are substantially based.

10. PROFIT FOR THE YEAR

	2006	2005
	HK$'000	HK$'000
Profit for the year has been arrived at after charging:		
Allowance for trade receivables	**5,380**	6,608
Allowance for other receivables	**–**	421
Auditor's remuneration	**989**	997
Bad debts written off	**816**	1,355
Depreciation on		
– owned assets	**401**	690
– assets held under finance leases	**–**	78
Exchange loss	**–**	411
Write down of inventories	**5,393**	4,431
Cost of inventories recognised as expense	**2,928,079**	2,565,187
Impairment loss recognised in respect of club membership	**60**	–
Loss on disposal of plant and equipment	**–**	3
Staff costs		
– directors' emoluments (Note 11)	**3,216**	2,024
– other staff costs	**41,191**	34,273
– share-based payment expenses	**–**	758
– retirement benefit scheme contribution (excluding directors')	**600**	686
	45,007	37,741
and after crediting:		
Bank interest income	**8,515**	7,114
Exchange gain	**2,000**	–
Gain on fair value changes of held for trading investments	**6,185**	–
Rental income on an investment property, net of outgoings of approximately HK$39,000 (2005: HK$12,000)	**273**	260

11. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the eight (2005: eight) directors were as follows:

	Lau Siu Ying HK$'000	Luo Xi Zhi HK$'000	Fung Oi Ip, Alfonso HK$'000	Lo Wing Yat HK$'000	Chang Wing Seng, Victor HK$'000	Wong Lit Chor, Alexis HK$'000	Fok Wai Ming, Eddie HK$'000	Liu Kwok Fai, Alvan HK$'000	Total HK$'000
2006									
Fees	–	–	50	50	66	26	41	66	299
Other emoluments									
Salaries and allowances	1,813	93	–	–	–	–	–	–	1,906
Performance related incentive bonuses *(Note)*	1,000	–	–	–	–	–	–	–	1,000
Retirement benefit scheme contribution	2	9	–	–	–	–	–	–	11
Total emoluments	2,815	102	50	50	66	26	41	66	3,216

	Lau Siu Ying HK$'000	Luo Xi Zhi HK$'000	Tin Ding Hong, William HK$'000	Fung Oi Ip, Alfonso HK$'000	Lo Wing Yat HK$'000	Chang Wing Seng, Victor HK$'000	Liu Kwok Fai, Alvan HK$'000	Fok Wai Ming, Eddie HK$'000	Total HK$'000
2005									
Fees	–	–	–	50	50	60	60	60	280
Other emoluments									
Salaries and allowances	1,489	67	171	–	–	–	–	–	1,727
Retirement benefit scheme contribution	2	12	3	–	–	–	–	–	17
Total emoluments	1,491	79	174	50	50	60	60	60	2,024

Note: The performance related incentive bonuses for the year ended 31st December, 2006 were determined on performance of the Group.

No directors waived any emoluments in both years.

12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, one (2005: one) was a director of the Company whose emolument is included in the disclosures in note 11 above. The emoluments of the remaining four (2005: four) individuals were as follows:

	2006 HK$'000	2005 HK$'000
Salaries and allowances	**3,034**	2,897
Share-based payment expenses *(Note)*	**–**	758
Other long-term benefits	**–**	213
Retirement benefit scheme contribution	**38**	36
	3,072	3,904

Their emoluments were within the following bands:

	2006 Number of employees	2005 Number of employees
Up to HK$1,000,000	**4**	3
HK$1,500,001 to HK$2,000,000	**–**	1

Note: During the year ended 31st December, 2005, the share-based payment expense was determined as the fair value of share option at the grant date.

None of the five highest paid individuals waived any emoluments in both years.

During the year ended 31st December, 2006 and 2005, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss of office.

13. DIVIDEND

	2006 HK$'000	2005 HK$'000
Final dividend recognised as distribution:		
HK1 cent per share for the year ended 31st December, 2005	**3,021**	–
HK3.75 cents per share for the nine-month period ended 31st December, 2004	**–**	11,329
	3,021	11,329

A final dividend of HK1 cent (2005: HK1 cent) per share for the year ended 31st December, 2006 has been proposed by the directors and is subject to approval by the shareholders in the annual general meeting.

14. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the year attributable to equity holders of the parent of HK$31,339,000 (2005: HK$11,380,000) and on 302,100,000 (2005: 302,100,000) ordinary shares in issue during the year.

15. PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST				
At 1st January, 2005	1,224	3,137	2,110	6,471
Exchange adjustments	–	13	9	22
Additions	138	267	131	536
Disposal of subsidiaries	(343)	(1,041)	–	(1,384)
Disposals	–	(189)	–	(189)
At 31st December, 2005	1,019	2,187	2,250	5,456
Exchange adjustments	–	27	20	47
Additions	22	310	–	332
At 31st December, 2006	1,041	2,524	2,270	5,835
DEPRECIATION				
At 1st January, 2005	1,131	2,402	1,603	5,136
Exchange adjustments	–	7	4	11
Provided for the year	224	216	328	768
Eliminated on disposal of subsidiaries	(436)	(775)	–	(1,211)
Eliminated on disposals	–	(186)	–	(186)
At 31st December, 2005	919	1,664	1,935	4,518
Exchange adjustments	–	18	12	30
Provided for the year	43	237	121	401
At 31st December, 2006	962	1,919	2,068	4,949
CARRYING VALUE				
At 31st December, 2006	79	605	202	886
At 31st December, 2005	100	523	315	938

15. PLANT AND EQUIPMENT *(Continued)*

The above items of plant and equipment are depreciated on a straight line basis at the following rates per annum:

Leasehold improvements	20% or over the term of the relevant leases, whichever is shorter
Furniture, fixtures and equipment	25%
Motor vehicles	25%

16. INVESTMENT PROPERTY

	HK$'000
FAIR VALUE	
At 1st January, 2005	9,300
Increase in fair value recognised in the consolidated income statement	200
At 31st December, 2005 and 1st January, 2006	9,500
Increase in fair value recognised in the consolidated income statement	60
At 31st December, 2006	9,560

The fair value of the Group's investment property at 31st December, 2006 has been arrived at on the basis of a valuation carried out on that date by Midland Surveyors Limited, an independent qualified professional valuer not connected with the Group. Midland Surveyors Limited is a member of the Hong Kong Institute of Surveyors ("HKIS") and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to HKIS valuation standards on properties, was arrived at by reference to market evidence of transaction prices for similar properties.

All of the Group's property interests held under operating leases to earn rentals are measured using the fair value model and are classified and accounted for as investment property.

The Group's investment property is held under a long lease in Hong Kong.

The investment property is pledged to a bank to secure general banking facilities granted to a subsidiary.

17. GOODWILL

	HK$'000
COST	
At 1st January, 2005	777
Arising on acquisition of additional interests in subsidiaries	4,910
Eliminated on disposal of subsidiaries	(777)
At 31st December, 2005, 1st January, 2006 and 31st December, 2006	4,910
CARRYING VALUE	
At 31st December, 2006	4,910
At 31st December, 2005	4,910

Goodwill as at 31st December, 2006 represents management expertise in the computer products distribution business of a subsidiary acquired in prior year.

The recoverable amount of the goodwill has been determined based on a value in use calculation of the relevant cash generating unit. That calculation uses cash flow projections based on financial forecasts approved by management covering a 5-year period, and a discount rate of 10%. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the cash generating unit's past performance and management's expectations for the market development. The directors have determined that no impairment of the goodwill has occurred.

18. AVAILABLE-FOR-SALE INVESTMENT

Available-for-sale investment as at 31st December, 2006 comprises:

	2006 & 2005 HK$'000
Unlisted securities:	
Equity securities	918

Available-for-sale investments represents unlisted equity securities issued by a private entity incorporated in Hong Kong. Available-for-sale investment is measured at cost less impairment at each balance sheet date because the range of reasonable fair values estimates is so significant that the directors of the Company are of the opinion that its fair value cannot be measured reliably.

19. CLUB MEMBERSHIP

	2006 HK$'000	2005 HK$'000
Club membership		
Outside Hong Kong	**600**	660

20. INVENTORIES

Inventories represent finished goods held for resale.

21. TRADE, BILLS AND OTHER RECEIVABLES

	2006 HK$'000	2005 HK$'000
Trade receivables	**187,320**	90,426
Less: accumulated allowance	**(16,329)**	(10,949)
	170,991	79,477
Value-added-tax receivables	**66,920**	1,815
Rebates receivables	**62,359**	28,930
Deposits and prepayments	**33,076**	19,878
	333,346	130,100
Bills receivable	**15,845**	–
	349,191	130,100

The Group allows credit period ranged from 30 to 90 days to its trade customers. The following is an aged analysis of the trade and bills receivables (net of allowance) at the reporting date:

	2006 HK$'000	2005 HK$'000
Trade and bills receivables:		
0 to 30 days	**119,415**	46,498
31 to 90 days	**57,360**	30,466
Over 90 days	**10,061**	2,513
	186,836	79,477

22. HELD FOR TRADING INVESTMENTS

At 31st December, 2006, the amount represents unlisted marketable investment funds.

Though the held for trading investments are pledged to a bank to secure general banking facilities granted to a subsidiary, the Group can freely dispose of its investments. Subsequent to the balance sheet date, the Group disposed of the investments, the net proceeds of approximately HK$14,000,000 remained in the investment account as pledged deposits.

23. PLEDGED BANK DEPOSITS

The amount represents deposits pledged to banks to secure banking facilities granted to the Group. Included in the amount is a fixed deposit held at bank with maturity more than three months of approximately HK$9,600,000 (2005: HK$5,769,000). The deposits have been pledged to secure short-term bank borrowings and are therefore classified as current assets.

The deposits carry fixed interest rates ranging from 2.625% to 5.230% (2005: 1.750% to 4.170%) per annum. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

Pledged bank deposits are mainly denominated in United States dollars ("US$"), Renminbi and Hong Kong dollars. Included in pledged bank deposits as at 31st December, 2006 was an amount of US$17,734,000 (2005: US$18,251,000).

24. BANK BALANCES AND CASH/BANK OVERDRAFTS – SECURED

Bank balances and cash

Bank balances and cash comprises cash held by the Group and short-term bank deposits that are interest-bearing at market interest rates ranging from 1.75% to 5.35% (2005: 0.25% to 4.17%) per annum and have maturity of three months or less.

The bank balances and cash of the Group are mainly denominated in Renminbi and Hong Kong dollars. Included in bank balances and cash as at 31st December, 2006 was amount in Renminbi of approximately RMB43,770,000 (2005: RMB180,619,000). Renminbi is not freely convertible into other currencies.

Bank overdrafts – secured

At 31st December, 2006, secured bank overdrafts carried interest at market rates at Prime rate ("P") minus 1% per annum.

25. TRADE AND OTHER PAYABLES

The following is an aged analysis of the trade payables at the balance sheet date:

	2006	2005
	HK$'000	HK$'000
Trade payables:		
0 to 30 days	**40,865**	5,567
31 to 90 days	**12,369**	1,102
Over 90 days	**2,004**	417
	55,238	7,086
Other payables	**53,215**	19,073
	108,453	26,159

26. BILLS PAYABLE – SECURED

At 31st December, 2005, the bills payable bearing interest at 4.2% per annum had a maturity of three months.

27. SHARE CAPITAL OF THE COMPANY

	Number of ordinary shares 2006 & 2005	**Share capital 2006 & 2005**
		HK$'000
Ordinary shares of HK$0.10 each		
Authorised	1,000,000,000	100,000
Issued and fully paid	302,100,000	30,210

28. SHARE OPTIONS

(a) Share options of the Company

The Company adopted a share option scheme on 26th January, 2004 (the "Scheme") which will expire on 26th January, 2014. The primary purpose of the Scheme is to provide incentives to directors, eligible employees and other qualified persons who in the opinion of the board of directors has made or will make contributions which are or may be beneficial to the Group as a whole.

Under the Scheme, the directors of the Company may, subject to certain conditions, grant to any director, employee, suppliers, agents, customers, distributors, business associate or partner, professional or other advisor of, or consultant or contractor to, any member of the Group or any associated company who in the opinion of the board of directors has made or will make contributions which are or may be beneficial to the Group as a whole, options to subscribe for shares of the Company at any price but not less than the higher of (i) nominal value of a share, (ii) the closing price of the shares on the Stock Exchange on the day of grant and (iii) the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the options, subject to a maximum of 10% of the issued share capital of the Company from time to time.

Options granted must be taken up within the time period set out in the offer letter and upon payment of HK$1 for each lot of share option granted.

No options has been granted since the adoption of the Scheme.

(b) Share option of a subsidiary

On 29th December, 2005, the board of directors of the Company approved Synergy Technologies (Asia) Limited ("Synergy Technologies"), a subsidiary of the Company, to grant a share option to a director of Synergy Technologies. The share option is exercisable for a period of two years from 29th December, 2005. The option holder can acquire 11% interest in Synergy Technologies at a consideration of HK$1. The estimated fair value of the option granted on that date was approximately HK$758,000.

The fair value was calculated using the Black-Scholes pricing model. The inputs into the model were as follows:

Exercise price	HK$1
Expected volatility	0.1%
Expected life	2 years
Risk free rate	3.983%
Expected dividend yield	nil

A low volatility was adopted as the shares of Synergy Technologies are not publicly traded. Yield to maturity of 2-Year Hong Kong Exchange Fund Notes was adopted as risk free rate.

During the year ended 31st December, 2005, the Group recognised expenses of approximately HK$758,000 in relation to the share option granted.

During the year ended 31st December, 2006, there was no movement in the share option granted to the director of Synergy Technologies.

29. BANK BORROWINGS

	2006	2005
	HK$'000	HK$'000
Bank borrowings comprise:		
Bank loans	**505,608**	271,692
Trust receipt loans	**170,000**	–
	675,608	271,692

The bank borrowings of the Group are repayable on demand or within one year for both years.

As at 31st December, 2006, bank borrowings of HK$327,000,000 (2005: HK$84,231,000) were secured by the following assets:

– bank deposits amounting to approximately HK$150,567,000 (2005: HK$147,211,000);

– inventories with carrying amounts of approximately HK$170,000,000 (2005: nil);

– investment property with a fair value amounting to HK$9,560,000 (2005: HK$9,500,000); and

– held for trading investments with fair values amounting to HK$12,064,000 (2005: nil).

The exposure of the Group's fixed-rate borrowings and the contractual maturing dates are as follows:

	2006	2005
	HK$'000	HK$'000
Fixed-rate borrowings:		
Within one year	**458,524**	95,192
Effective interest rate:		
Fixed-rate borrowings	**4% to 7.250%**	5.022% to 5.481%

In addition, the Group has variable-rate borrowings amounting to HK$111,500,000 (2005: HK$52,500,000) which carry interest at Hong Kong Interbank Offer Rate ("HIBOR") plus 1% to 1.3% (2005: 1.250% to 1.3%) per annum, except for a borrowing amounting to HK$6,000,000 (2005: nil) which carries interest at P and a syndicated loan with an aggregate amount of HK$99,584,000 (2005: HK$124,000,000) which carries interest at London Interbank Offer Rate plus 1% per annum.

29. BANK BORROWINGS *(Continued)*

The Group's borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	US$'000
As at 31st December, 2006	12,800
As at 31st December, 2005	16,000

At 31st December, 2006, the Group was in breach of certain banking covenants in relation to interest coverage ratio, debt leverage ratio, current ratio and borrowing base ratio. The relevant bank loans at 31st December, 2006 amounted to approximately HK$185.1 million (2005: HK$206.7 million). On discovery of the breach, the directors of the Company informed the lenders and commenced a renegotiation of the terms of the loans with the relevant bankers. In addition, the Group applied for the waiver to strictly comply with the relevant covenants. As at 31st December, 2006, those negotiations were not yet concluded. Accordingly, all loans were classified as current liabilities in the consolidated balance sheet at 31st December, 2006. Up to the date of issue of these consolidated financial statements, the Group obtained the waiver in respect of the syndicated loan with an aggregate amount of HK$99,584,000 on 13th April, 2007. The negotiations of the terms of loans with other lenders are still in progress. The directors of the Company are confident that their negotiations will ultimately reach a successful conclusion. In any event, should the lenders call for immediate repayment of the loan, the directors of the Company believe that adequate sources of finance are available to ensure that the continuing operations of the Group will not be affected.

30. OBLIGATIONS UNDER FINANCE LEASES

It is the Group's policy to lease certain of its motor vehicles under finance leases. The average lease term is 4.5 years. Interest rate was fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The obligations under finance leases are repayable as follows:

	Minimum lease payment		Present value of minimum lease payment	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**–**	113	**–**	100
Less: Future finance charges	**–**	(13)	**–**	–
Present value of lease obligations	**–**	100	**–**	100
Less: Amount due for settlement within 12 months shown under current liabilities			**–**	(100)
Amount due for settlement after 12 months			**–**	–

At 31st December, 2005, the Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

31. DEFERRED TAX ASSETS

The following is the deferred tax assets recognised and movements thereon during the current and prior year:

	Write down of inventories	Allowance for trade and other receivables	Total
	HK$'000	HK$'000	HK$'000
At 1st January, 2005	–	–	–
Credit to consolidated income statement for the year	–	1,052	1,052
At 31st December, 2005 and 1st January, 2006	–	1,052	1,052
Credit to consolidated income statement for the year	841	804	1,645
At 31st December, 2006	841	1,856	2,697

32. DISPOSAL OF SUBSIDIARIES

On 29th December, 2005, the Group disposed of its 46% equity interest in Synergy Pacific (Holding) Limited ("Synergy Pacific") in exchange for 49% additional interest in Synergy Technologies. The remaining 5% equity interest was therefore classified as available-for-sale investments.

The net assets of these disposed subsidiaries at the date of disposal were as follows:

	2005 HK$'000
NET ASSETS DISPOSED OF	
Plant and equipment	173
Inventories	179
Trade and other receivables	1,523
Available-for-sale investments	2
Bank balances and cash	13,472
Trade and other payables	(5,239)
Taxation payables	(192)
	9,918
Minority interests	(4,862)
Attributable goodwill	777
	5,833
Represented by:	
Cash consideration	5
Acquisition of additional interests in subsidiaries	4,910
Available-for-sale investments	918
	5,833
Net cash outflow arising on disposal:	
Cash consideration	5
Bank balances and cash disposed of	(13,472)
	(13,467)

The subsidiaries disposed of during the year ended 31st December, 2005 contributed approximately HK$13,356,000 to the Group's revenue and had profit for that year of approximately HK$8,944,000.

33. OPERATING LEASES

The Group as lessee

During the year, the Group made minimum lease payments under operating leases amounting to approximately HK$1,697,000 (2005: HK$1,957,000).

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable leases in respect of rented premises which fall due as follows:

	2006	2005
	HK$'000	HK$'000
Within one year	**735**	382
In the second year	**5**	49
	740	431

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated and rentals are fixed, for an average term of one to two years.

The Group as lessor

Property rental income earned during the year was approximately HK$312,000 (2005: HK$272,000). The property held has committed tenants for the coming year.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	2006	2005
	HK$'000	HK$'000
Within one year	**208**	312
In the second to fifth year inclusive	**–**	208
	208	520

34. RETIREMENT BENEFIT SCHEMES

The Group operates a Mandatory Provident Fund Scheme (the "Scheme") for all qualifying employees in Hong Kong. The assets of the Scheme are held separately from those of the Group, in funds under the control of trustees. Under the rules of the Scheme, the employer and its employees are required to make contributions to the Scheme at rates specified in the rules. The only obligation of the Group with respect to the Scheme is to make the required contributions under the Scheme.

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the government of the PRC. The subsidiaries are required to contribute a fixed rate of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total cost charged to the consolidated income statement of approximately HK$611,000 (2005: HK$703,000) represents contributions payable to these schemes by the Group in respect of the current accounting period.

35. POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date, the following significant events took place:

(1) On 15th February, 2007, the Company entered into an agreement with Zhuhai Lei Ming Da Telecom Technology Development Company Limited (珠海市雷鳴達通訊技術發展有限公司) ("LMT"), a company incorporated in Zhuhai, the PRC and Kuang Bing Jiu ("KBJ"), a PRC resident, thereby the Company agreed to purchase 23% and 8% equity interest of Zhuhai Lei Ming Da Telecom Equipment Company Limited (珠海市雷鳴達通訊設備有限公司) (the "acquiree") from LMT and KBJ respectively. The transaction will be settled in consideration of the Company's issuance and allotment of 5,930,000 and 2,070,000 shares in the Company to LMT and KBJ respectively. Simultaneously, the Company also agreed to subscribe for 20% equity interest of the acquiree at a subscription price of RMB 2,000,000.

The transaction is expected to be completed by 30th April, 2007, following which the Company will own 51% equity interest in the acquiree.

(2) On 2nd April, 2007, the Company entered into an agreement with Carefree Times International Limited ("Carefree Times"), a company incorporated in the British Virgin Islands, thereby the Company agreed to purchase 50% equity interest of DW Mobile Technology Limited ("DW Mobile Technology"). The transaction will be settled in consideration of the Company's issuance and allotment of 9,000,000 shares in the Company.

The transaction is expected to be completed by 1st June, 2007 ("Completion Date"), following which the Company will own 50% equity interest in DW Mobile Technology. The Company shall, on Completion Date, be granted an option to subscribe 2,183 new shares at par value of USD1.0 each in DW Mobile Technology at the subscription consideration of HK$300,000, at any time after the completion of the transaction. Upon completion of exercise of such option, the Company will hold 51% of the enlarged issued share capital in DW Mobile Technology.

36. RELATED PARTY TRANSACTIONS

(a) On 15th September, 2005 the Company entered into a loan agreement with a syndicate of banks in respect of a US$16,000,000 loan facility which had a tenor of three years from the date of loan agreement. Under the loan agreement, the following conditions were imposed to Mr. Lau Siu Ying ("Mr. Lau"), a director and substantial shareholder of the Company:

(i) Mr. Lau and his associates continues to remain collectively the legal and beneficial owner of the issued share capital of Future 2000 Limited, a company in which Mr. Lau and his associates have beneficial interests;

(ii) Future 2000 Limited continues to be the single largest shareholder of the Company;

(iii) Mr. Lau is either the Chairman or the Chief Executive Officer of the Company; and

(iv) Mr. Lau continues to engage in full-time management of the Company.

(b) On 29th December, 2005, the Company, Well Force International Inc. ("Well Force"), Synergy Pacific and Synergy Technologies completed a restructuring as follows:

– the Company purchased 49% equity interest in Synergy Technologies from Well Force for a consideration of HK$2,032,000; and

– the Company disposed of 46% equity interest in Synergy Pacific to Well Force for a consideration of HK$2,032,349.

Well Force was a 49% shareholder in Synergy Pacific prior to the restructuring.

The restructuring was accounted for as an exchange transaction (see note 32).

(c) Compensation of key management

The remuneration of directors and other members of key management during the year was the follows:

	2006 **HK$'000**	2005 HK$'000
Short-term benefits	**4,869**	4,993
Performance related incentive bonuses	**1,400**	–
Other long-term benefits	**64**	286
Share-based payments	**–**	758
	6,333	6,037

The remuneration of directors and other members of key management was determined by the remuneration committee having regard to the performance of individuals and market trends.

37. SUMMARISED BALANCE SHEET OF THE COMPANY

	2006	2005
	HK$'000	HK$'000
Investments in subsidiaries	**41,148**	43,185
Amounts due from subsidiaries	**375,039**	357,325
Pledged bank deposits	**9,600**	–
Other current assets	**471**	2,780
Amount due to a subsidiary	**(2,020)**	(2,030)
Other current liabilities	**(3,789)**	(3,553)
Bank borrowings	**(171,584)**	(141,000)
	248,865	256,707
Share capital	**30,210**	30,210
Reserves	**218,655**	226,497
	248,865	256,707

38. PARTICULARS OF SUBSIDIARIES

Details of the Company's principal subsidiaries at 31st December, 2006 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company	Principal activity
Express Fortune Holdings Limited	British Virgin Islands	Ordinary US$100	100%	Investment holding
Express Fortune Limited	Hong Kong	Ordinary HK$10 Non-voting deferred HK$5,000,000 *(Note)*	100%	Maintaining the corporate office
Fortune Shanghai	Wholly foreign owned enterprise established in the PRC	US$25,000,000	100%	Trading of mobile phones
Shanghai Yuanjia	Wholly foreign owned enterprise established in the PRC	US$6,000,000	100%	Trading of mobile phones
Synergy Technologies	Hong Kong	Ordinary HK$5,000,000	100%	Trading of computer products
Top Emperor Investments Limited	Hong Kong	Ordinary HK$10,000	100%	Property holding

38. PARTICULARS OF SUBSIDIARIES *(Continued)*

The Company directly holds the interest in Express Fortune Holdings Limited, all other interests shown above are indirectly held by the Company.

The principal activities are carried out in the place of incorporation/establishment except for Express Fortune Holdings Limited which mainly carried out businesses in Hong Kong.

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Note: The deferred shares carry practically no rights to dividends or to receive notice of or to attend or vote at any general meeting of the respective company or to participate in any distribution on winding up.

39. SEGMENT INFORMATION

Revenue represents the net amounts received and receivable for goods sold and services provided by the Group to outside customers during the year.

No segment analysis is provided as substantially all the Group's revenue and contribution to profit for the year were derived from the distribution and trading of mobile phones. In addition, no geographical market analysis is provided as substantially all the Group's revenue and contribution to profit for the year were derived from the PRC (including Hong Kong) and substantially all the assets are located in the PRC (including Hong Kong).