

EBT MOBILE CHINA PLC
(FORMERLY THE TRADING EXCHANGE PLC)

ANNUAL REPORT 2005

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London EC3A 7EE

Presented

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Ref: I-11c

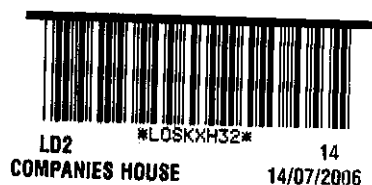


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CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to report on our maiden results as a quoted company for a year where EBT has made significant progress. Also, because this is the first annual report since the reverse acquisition, I want to take the opportunity to not only present the results of our 2005 operations, but also to introduce EBT and to describe its mission and strategy for the future.

Mission

"To Become China's Leading End To End Providers of Mobile Products and Service."

EBT is building a nationwide brand and a physical network of retail stores staffed by some of China's best trained and managed retail sales, marketing and service personnel. Our goals are to:

- Create China's largest and best network of retail stores selling handsets and cellular service agreements
- Create China's largest and best retail distribution platform for selling, marketing, and servicing cellular value-added products and services
- Deliver increasing shareholder value to our investors

Blend of East and West

We believe it is important for our shareholders to appreciate that EBT is truly a blend of East and West. While EBT is first and foremost a Chinese company (EBT's operations are in China; our customers are Chinese; and our employees are Chinese), EBT is also a Western company in that it operates on a Western standard and to Western business practices.

Most of EBT's senior personnel have Western business experience, and most have received advanced degrees from leading Western universities. As detailed in this report, EBT recognises the importance of adopting strict UK corporate governance policies and operates to transparent international financial standards. As retailers and marketers, EBT is striving to adhere to the highest international business standards and governance practices, while integrating Chinese knowledge and talents. We attribute much of our success to date to our blend of East and West.

Management / Personnel

A company, no matter how good its business plans and how strong its capital base, will succeed or fail as a result of the quality of its people. EBT possesses a strong and proven team. Our senior managers were instrumental in converting the business from an underperforming joint venture between a Western company and one of China's largest state-owned enterprises into a dynamic, profit driven, successful enterprise. All of EBT's senior managers have educational and work experience outside of the PRC and are easily conversant in English – a tremendous strength given the growing number of multi-national companies doing business in China.

EBT is considered a desirable employer in the markets in which it operates, and has succeeded in attracting and retaining high-quality personnel at all levels of its business. Training, continuing education, professional development, opportunities for personal growth and creative thinking are hallmarks of EBT's corporate culture. Our staff, middle and senior managers, and senior executives are engaged, excited about, and personally committed to EBT and its success. We are fortunate to have such fine people working so enthusiastically to assure the continued growth and success of EBT.

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Relationships

Relationships are critical in every business and every market, but in China they play a special role. Relationships that yield success are those that are built over time through a process of steps. All relationships are important, but those with China's major players are those that will result in short and long term profits, and sustained investor returns. EBT is pursuing a strategy which we call "Win with Winners." Simply align ourselves and "partner" with the leaders in our industry to create significant competitive advantages.

The Board believes that EBT's management team is succeeding with this strategy, and has achieved relationships of exceptional quality and breadth – with China's leading cellular service providers, cellular telephone manufacturers, real estate managers and operators, and other key industry players. These partnerships have led to significant tangible results in the expansion of our business. We are honoured to be "partnered" with China Mobile; Nokia, Motorola and other leading handset manufacturers; Carrefour, Metro and other leading hypermarket operators, and other industry leaders.

EBT will seek to strengthen, entrench, and expand its network of relationships, both within China and in Europe and the United States.

Corporate Governance

EBT abides by the strict Western standards of corporate governance and financial practices. Specifically, EBT aims to fully comply with the principles and protocols contained in the new Combined Code on corporate governance issued by the Financial Reporting Council in July 2003.

The Board is comprised of five independent and engaged non-executive directors plus EBT's CEO. The individual directors' expertise spans a wide depth of knowledge, including cellular retailing, emerging wireless technologies, finance, accounting and law. The Board comes from a variety of business backgrounds and differing nationalities including Australia, PRC, UK, and USA. The result is that the Board possesses a global perspective and is sensitive to global as well as domestic PRC trends and opportunities.

All directors are actively engaged, bringing their expertise, relationships and years of business experience to management to support EBT's growth and help management build the Company and achieve EBT's mission and goals. We are fortunate to have a group of such dedicated individuals who are investing time and energy far in excess of the typical non-executive director.

Outlook

Looking forward, we believe EBT is well positioned to expand both organically and through opportunities to acquire assets from competitors. The new financial year has started well, and we believe that we can deliver improved performance in our store operations and back-end systems. Growth opportunities abound and the foundation for this expansion has been laid.

Closing

I want to take this opportunity to thank all of our employees, our advisors and our new directors. The strong improvement in our Company's financial position, the successful re-admission of EBT on the AIM market and the 57% increase in the price of our stock from the listing to year end are a testament to the hard work and effort of every individual employee of our company.

We are also grateful for the strong support of our new shareholders who have placed their trust and capital with us, and for whom we will work tirelessly to enhance shareholder value.

Respectfully,

James A. Reiman
Chairman

BUSINESS REVIEW

The 2005 year marks a historic period for the EBT Group, with the successful admission to the AIM market of the London Stock Exchange and the continued significant growth of our retail footprint from 61 to 93 retail stores.

We believe that in 2005 we achieved substantial progress in realising our goal of becoming China's leading end-to-end provider of mobile products and services. Through our listing, our accelerated expansion in both existing and new markets and the establishment of a strong internal infrastructure, which will support future rapid and sustained growth, we believe we have made significant progress this year.

Corporate Restructuring and Private Round of Investment

In April 2005, the EBT Group completed a corporate restructuring, resulting in the consolidation of ownership of EBT's PRC subsidiaries under a Hong Kong-based holding company, EBT Mobile Limited, preparing EBT for its reverse acquisition and the re-admission of EBT to the AIM market in September 2005.

Subsequent to the completion of the restructuring in May 2005, EBT Mobile Limited closed a private round of financing in the amount of US\$1.5 million from Asian and European investors. EBT Mobile Limited used the proceeds of this financing to continue to expand the retail network, to enhance its image in a corporate re-branding campaign and to prepare for EBT's re-admission to the AIM market.

Re-admission to the AIM Market of the London Stock Exchange

On 8 September 2005, EBT was re-admitted to the AIM market in London, the achievement of an important milestone for the EBT Group. EBT was re-admitted following the reverse acquisition of The Trading Exchange plc, an existing AIM-listed company. EBT shareholders were issued 96,364,998 consideration shares in The Trading Exchange plc in consideration of the acquisition. The Trading Exchange plc officially changed its name to "EBT Mobile China plc" at the time of the reverse acquisition. At the same time, EBT closed a round of public financing, raising a total of £4.0 million. Total issued and fully paid shares in the listed entity after the reverse acquisition and placing were 155,780,827.

Network Growth and Strengthening of EBT's Financial Position through EBT's "3W Strategy" (Win with Winners)

Significant Expansion of Retail Footprint

In 2005, EBT significantly expanded its retail footprint, growing from 61 stores at the start of the year to 93 stores by 31 December 2005, an increase of 52%. Additionally, EBT expanded its geographic coverage from 7 to 13 cities by the end of the year, beginning the transformation of EBT from a regional player into a national wireless retail chain.

While strengthening its position in EBT's traditional markets in Shanghai, Jiangsu and Zhejiang Provinces, EBT also made substantial progress in 2005 in extending its footprint to the Central Region. EBT entered the Region Central, with stores in Wuhan (in Hubei Province) and Hefei (in Anhui Province)

The new stores in the Central Region reflect a variety of formats used successfully by EBT in the past. The majority of stores in these new regions are "stores within stores", where EBT operates mobile phone retail stores within leading hypermarkets. This strategy has enabled EBT to enter new cities with a strong local partner at controlled cost. Once these stores are established, EBT leverages the regional infrastructure platform and market knowledge to further expand within the particular city and area. Within the Eastern Region, for example, EBT opened new stores within shopping malls, hypermarkets and with various partners.

EBT expects to continue to expand its network in 2006, both in existing markets and new markets.

Roll-out with New Retail Partners, including Carrefour

In 2005, EBT formed a number of new important relationships with leading Chinese hypermarket chains. Importantly EBT entered into an agreement with Carrefour, one of China's leading hypermarket chains, with approximately 70 large hypermarkets in over 25 cities. To date, EBT has successfully entered 31 Carrefour locations in 11 cities. This business model is especially attractive to EBT, since it provides a efficient way to reach a highly-attractive customer base while also allowing us to support the regional expansion plans of a major international retail partner.

EBT also entered 5 Wumart stores in Eastern Region. Wumart, a Hong-Kong listed company, is a leading Chinese supermarket and hypermarket chain. Additionally, EBT entered 10 RT Marts, as well as one Auchan store.

In 2006, EBT will seek to continue to roll out its network with existing and prospective retail partners.

Strengthen Management Team / Internal Training for Employees

We strongly believe that the key to future success is the service quality of EBT at every level and the experience of the customer at an EBT store. As a result, we spend an enormous amount of energy seeking the most qualified senior management as well as store-level staff. Ultimately, a positive customer experience is what differentiates the "EBT Experience" and builds long term trust with customers. As a result, we take staff development and training very seriously. We have established regular training programmes for all staff - not only in sales skills and product knowledge, but also in general skills such as finance and management. We believe the quality of our team and training will continue to provide a competitive advantage in the market.

Improving the Retail Experience / Enhanced Product Line and Service Offerings

We continue to make progress in improving the quality of the "EBT Experience" as we strive to provide our customers with the best customer service and widest range of product offerings in the industry.

On the store operating level, our Store Supervisor Team focuses on improving overall retail standards and the standardisation of delivery in each store. As a result, in 2005 we saw significant improvement in product merchandising, availability of product, customer service, branding and store decoration. Our efforts have been recognised, with EBT being granted the "Service Integrity Award" in 2005 by the Shanghai Consumer Council, the only dedicated mobile retailer to receive this honour in Shanghai. We recognise, however, that improving the retail experience is a continual process which can be a key differentiating factor for EBT. As much as we have accomplished, we can still do better and we strive every day to increase our standards.

In 2005, we also made substantial efforts to improve our product availability and enhance our product lines, especially through our Direct Retail Purchase ("DRP") relationships with major handset manufacturers, including Nokia and Motorola. Our DRP relationships have enabled us to launch new products earlier and with more available inventory than our competitors. Our ERP system has been directly linked with our key suppliers, in order to enhance our supply chain management and to allow increased flexibility to modify orders and inventory as dictated by market demand.

Joint Marketing Programmes with Service Providers, Manufacturers and Real-Estate Partners

Differentiation will be a key success factor for EBT. To this end, we work closely with the major service providers and handset manufactures to design joint marketing and promotional campaigns that are relevant and exciting to our customer base. Much of the marketing funds dedicated to these programmes are provided by the service providers and manufacturers, which serve to reduce EBT's cost and risk while, at the same time, supporting EBT's corporate branding and marketing efforts. Although price is very sensitive in the Chinese mobile phone market, we believe quality and service offered at the right price – will ultimately differentiate the EBT brand and fuel our continued growth. With a focus on a strong and broad product lines, quality offerings, package plans and unique promotions, customer service and after-sales support, EBT will continue to differentiate itself from the competition. This approach has helped EBT establish a strong trusted brand and allowed us to improve margins by avoiding "price wars" with the competition.

Enhanced Financial Performance

We are pleased with EBT's financial performance in 2005. Revenue increased by 18% , from RMB260,795,000 (£18.7 million^{note 1}) to RMB308,517,000 (£22.2 million^{note 1}) . This performance was achieved despite the fact that the vast majority of EBT's new stores were opened towards the end of the year. Twenty stores — 62% of our total new stores in 2005 — were opened in the 3rd quarter of 2005.

Gross margins increased from 9.5% in 2004 to 11.0% in 2005, a 15.8% increase. This substantial improvement is due to EBT's increasing ability to purchase directly from mobile phone suppliers, as well as our drive to sell higher-margin products in a "higher quality" retail environment.

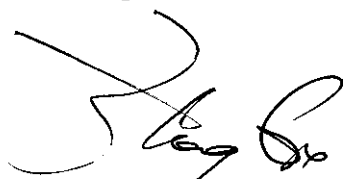
Our net loss increased from RMB1,715,000 (£0.1 million^{note 1}) in 2004 to RMB9,845,000 (£0.7 million^{note 1}), excluding the share-based payment option expense of RMB30,639,000, £2.2million^{note 1}, which are a non-cash item) in 2005. The majority of the loss relates to restructuring, the re-admission of EBT to the AIM market, the reverse acquisition and placing costs. These are largely non-recurring expenses, which will be absent in 2006.

^{note 1} using exchange rate of 13.9122

Outlook for 2006

We are highly confident that the Chinese mobile retail and services market offers significant growth prospects for EBT and that we have built the foundation to take advantage of this opportunity. EBT is firmly committed to continuing its long-term strategy of expanding its existing wireless retail platform by both entrenching our existing position in current markets and expanding into new ones. We will also focus on further strategic alliances with major service providers and, if appropriate, will explore opportunities to acquire additional retail assets. At the same time, EBT will actively pursue investment opportunities from value-added services, so as to diversify further and improve its income base.

On behalf of my executive team and the Board of Directors, we look forward to EBT continuing its growth and performance in 2006.



Zhang Ge
Chief Executive Officer

DIRECTORS' REPORT

The directors present their report, together with the audited financial statements for the year ended 31 December 2005.

Principal activities

The principal activities of EBT Mobile China plc and its subsidiaries ("the Group") comprise the retail sale of mobile phone products and services, including mobile phones, SIM cards, phone cards, mobile phone accessories and mobile phone related value-added services in China.

The subsidiary undertakings principally affecting the profits or net assets of the group in the year are listed in note 13 to the consolidated financial statements.

Business review

A review of the businesses and latest developments is included in the Chairman's Statement and CEO's Business Review, on page 2 and page 5 respectively.

Results and dividends

The results of the Group for the year are shown in the financial statements on page 14. No dividends were paid or are proposed for the financial year.

Directors

The directors, who served throughout the year except as noted, were as follows:

Name of Director	Date Appointed/Resigned
Craig Cooper	appointed on 10 October 2005
Zhang Ge	appointed on 7 September 2005
Martyn Konig	
Roger Mitchell	
James A.Reiman	appointed on 7 September 2005
Daniel Skaff	appointed on 10 October 2005
Graham Twaddle	resigned on 17 May 2005

Mr. James A Reiman was appointed executive director and Chairman in September 2005 and became a non-executive director in December 2005. Mr. Zhang Ge was appointed as an executive director in September 2005 and was appointed Chief Executive Officer on 12 December 2005. (effective 1 January 2006)

Mr. Craig Cooper and Mr. Daniel Skaff were appointed as non-executive directors on 10 October 2005.

Directors' Interests

The directors, who held office during the year, and their interests in the shares and/or options of the Company as at 31 December 2005, are given below.

Name	Number of Shares	Number of Options
Craig Cooper	999,315*	-
Daniel Skaff	-**	-
James A Reiman ¹	69,384,803	1,078,261
Martyn Konig	257,400	1,773,000
Roger Mitchell ²	186,349	1,461,000
Zhang Ge	8,287,324	3,306,735

¹The interests of Mr. Reiman includes the holding of 69,384,803 ordinary shares held by GMAI-Asia.com, Inc., which is 100% owned by China Retail Venture #1, Inc. ("CRV 1"). CRV 1 in turn is 100% owned by Mr. Reiman.

* GMAI-Asia.com, Inc. has committed to transfer to a trust which is connected to Craig Cooper 7,759,962 shares; and

** GMAI-Asia.com, Inc. has granted a trust to which Daniel Skaff is connected an option to purchase 8,759,277 of these shares.

² Mr. Mitchell's holding includes 176,471 ordinary shares subscribed by his daughters, Valentina and Laura Mitchell; Albachiara Limited, a company owned by Mr. Mitchell and his wife, provided consultancy services to the Company from September 2005 to December 2005.

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Supplier payment policy

The Company's policy, which is applied by the Group, is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of and abided by the terms of payment. Trade creditors of the Group at 31 December 2005 were equivalent to 31 (2004: 33) days' purchases, based on the average daily amount invoiced by suppliers during the period.

Political and charitable contributions

The Group has made no political or charitable donations in the period.

Substantial shareholdings

In addition to the directors' interest shown above, the Company was aware of the following substantial interests or holdings exceeding 3% of the Company's ordinary share capital in issue on 12 April 2006:

Shareholders	Number of Shares	% Issued Ordinary Share
Gartmore Investment Management	13,485,6865	8.6%
Artemis Investment Management	8,312,000	5.3%
UBS AG	5,113,731	3.3%
JP Morgan Securities	5,000,000	3.2%

Financial instruments

During the year the Group's financial instruments are comprised of cash, liquid resources and various items such as trade debts and trade credits that arise directly from its operations. The Group's financial assets comprise cash, trade and other debtors. The Group's financial liabilities comprise trade and other creditors. For the coming year, the Group's principal currency exposures are due to the effect of the GBP/RMB exchange rates, as the market expects the RMB to appreciate. Other than this, there is only limited currency exposure. The Group's current policy is not to hedge against foreign exchange movements.

Auditors

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

By the order of the Board



James A. Reiman

Chairman

2 May 2006

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements. The directors have chosen to prepare accounts for the EBT Group in accordance with International Financial Reporting Standards (IFRSs) and for the Company in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP).

In the case of IFRS accounts, International Accounting Standard 1 requires that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's "Framework for the preparation and Presentation of Financial Statements". In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards. Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in International Financial Reporting Standards is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- prepare the accounts on a going concern basis unless, having assessed the ability of the company to continue as a going concern, management either intends to liquidate the entity or to cease trading, or have no realistic alternative but to do so.

In the case of UK GAAP accounts, the directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a directors' report which comply with the requirements of the Companies Act 1985.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EBT MOBILE CHINA PLC

We have audited the group financial statements of EBT Mobile China plc for the year ended 31 December 2005 which comprise the consolidated income statement, the consolidated statement of recognised income and expenses, the consolidated balance sheet, the consolidated cash flow statement and the related notes as set out on pages 13 to 38. These group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the individual company financial statements of EBT Mobile China plc for the year ended 31 December 2005.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted for use in the European Union are set out in the statement of directors' responsibilities.

Our responsibility is to audit the group financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the group financial statements give a true and fair view in accordance with the relevant financial reporting framework and whether the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' transactions with the company and other members of the group is not disclosed.

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section and we consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the group financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the group financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the group financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the group financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the group financial statements.

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted for use in the European Union, of the state of the group's affairs as at 31 December 2005 and of its loss for the year then ended; and
- the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.

A handwritten signature in black ink that reads "Deloitte & Touche LLP". The signature is written in a cursive, flowing style.

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

London

2 May 2006

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2005

	NOTES	2005 RMB'000	2004 RMB'000
Continuing operations			
Revenue	4	308,517	260,795
Cost of sales		(274,562)	(235,890)
Gross profit		33,955	24,905
Other operating income	6	2,886	1,102
Distribution costs		(21,902)	(17,052)
Administrative expenses		(55,283)	(10,804)
Operating loss		(40,344)	(1,849)
Investment revenue		263	193
Loss before tax		(40,081)	(1,656)
Taxation	9	(403)	(59)
Loss for the year	7	(40,484)	(1,715)
Attributable to equity holders of the parent		(40,484)	(1,715)
		RMB	RMB
Loss per share:			
Basic and diluted	10	(0.54)	(0.09)

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSES

FOR THE YEAR ENDED 31 DECEMBER 2005

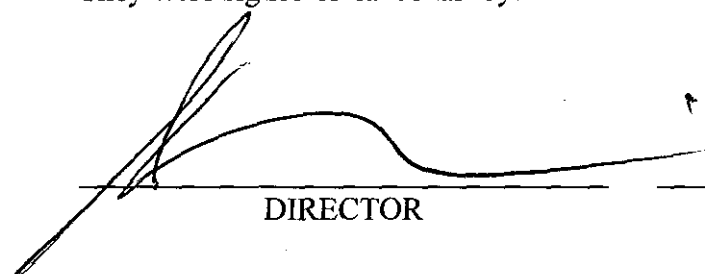
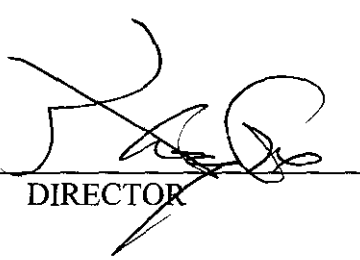
	2005 RMB'000	2004 RMB'000
Exchange differences on translation of foreign operations and net loss recognised directly in equity	(3,408)	-
Loss for the year	(40,484)	(1,715)
Total recognised income and expenses for the year	(43,892)	(1,715)
Attributable to equity holders of the parent	(43,892)	(1,715)

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2005

	NOTES	2005 RMB'000	2004 RMB'000
Non-current assets			
Other intangible assets	11	63	-
Property, plant and equipment	12	2,303	2,032
		<u>2,366</u>	<u>2,032</u>
Current assets			
Inventories	14	29,199	21,184
Cash and cash equivalents	15	54,230	20,424
Notes receivables	15	626	-
Trade receivables	15	22,544	12,523
Other receivables	15	2,867	3,170
Deposits and prepayments	15	9,368	2,012
Prepaid taxes		3,711	20
Amounts due from related parties	24	50	-
		<u>122,595</u>	<u>59,333</u>
TOTAL ASSETS		<u>124,961</u>	<u>61,365</u>
Current liabilities			
Trade payables	16	18,542	19,376
Notes payables	16	6,292	3,761
Accruals and other payables	16	18,602	11,336
Other tax liabilities		1,264	365
Amounts due to related parties	24	1,070	36,211
		<u>45,770</u>	<u>71,049</u>
Net current assets/(liabilities)		<u>76,825</u>	<u>(11,716)</u>
Total liabilities		<u>45,770</u>	<u>71,049</u>
NET ASSETS/(LIABILITIES)		<u>79,191</u>	<u>(9,684)</u>
EQUITY			
Share capital	17	52,642	50,871
Share premium	18	97,860	61,224
Other reserves	19	67,194	(23,758)
Retained losses	20	(138,505)	(98,021)
TOTAL EQUITY		<u>79,191</u>	<u>(9,684)</u>

The financial statements were approved by the board of directors and authorised for issue on 2 May 2006. They were signed on its behalf by:

DIRECTOR
 DIRECTOR

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2005

	NOTE	2005 RMB'000	2004 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax from continuing operations		(40,081)	(1,656)
Adjustments for:			
Depreciation of property, plant and equipment		477	392
Amortisation of intangible assets		6	-
Share-based payments expense		30,639	-
Loss/(gain) on disposals of property, plant and equipment		527	(125)
Allowances for doubtful debts		698	917
Interest income		(263)	(193)
Operating cash flows before movements in working capital		(7,997)	(665)
Increase in inventory		(8,015)	(1,712)
Increase in notes receivable		(626)	-
Increase in trade receivables		(9,746)	(4,138)
Increase in other receivables		(459)	(1,120)
Increase in deposits and prepayments		(7,320)	(513)
Decrease in amounts due from a related party		(261)	(776)
(Increase)/decrease in prepaid taxes		(3,691)	566
(Increase)/decrease in trade payables		(834)	6,566
Increase in accruals and other payables		2,638	4,320
Increase in notes' payables		2,531	3,761
Increase in other tax liabilities		501	215
Increase in amounts due to related parties		1,070	2,870
Cash (used in)/generated from operations		(32,209)	9,374
Income tax paid		(5)	(59)
Net cash (used in)/generated from operating activities		(32,214)	9,315
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		263	193
Proceeds on disposal of property, plant and equipment		-	210
Purchase of property, plant and equipment		(1,275)	(1,688)
Purchase of intangible assets		(69)	-
Acquisition of subsidiary	21	22,786	-
Net cash generated from/(used in) investing activities		21,705	(1,285)

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)
 FOR THE YEAR ENDED 31 DECEMBER 2005

	<u>NOTE</u>	<u>2005</u> RMB'000	<u>2004</u> RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds on issue of shares		47,723	-
Net cash from financing activities		47,723	-
NET INCREASE IN CASH AND CASH EQUIVALENTS		37,214	8,030
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		20,424	12,394
Effect of foreign exchange rate change		(3,408)	-
CASH AND CASH EQUIVALENTS AT END OF YEAR		54,230	20,424

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

1. General Information

EBT Mobile China plc (formerly The Trading Exchange plc) is a company incorporated in the Great Britain under the Companies Act 1985. The Group is a China-based retailer of mobile telephone products and services, including mobile phones, phone cards, mobile phone accessories and mobile phone related value-added services.

These financial statements are presented in Renminbi because that is the currency of the primary economic environment in which the Group operates. The results of the foreign operations of the Group are included in accordance with the policies set out in note 2 to the consolidated financial statements.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

IAS 1 (Amendment)	Capital disclosure
IAS 39 (Amendment)	Cash Flow Hedges of Forecast IntraGroup Transactions
IAS 39 (Amendment)	The Fair Value Option
IAS 39 and IFRS 4 (Amendment)	Financial Guarantee Contracts
IFRS 6	Exploration for and Evaluation of Mineral Resources
IFRS 7	Financial Instruments: Disclosure
IFRIC 4	Determining whether an Arrangement contains a Lease
IFRIC 5	Right to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IFRIC 6	Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
IFRIC 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
IFRIC 8	Scope of IFRS 2
IFRIC 9	Reassessment of Embedded Derivatives

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group.

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) adopted for use in the European Union and therefore comply with Article 4 of the EU IAS Regulation.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

2. Significant Accounting Policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries consolidated during the year are included in the consolidated income statement from the effective date of acquisition.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

The key accounting judgements and estimates adopted by the directors in arriving at this accounting policy are described in note 3 to the consolidated financial statements.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. Where an entity whose shares have been acquired (the legal subsidiary) is deemed to be the acquirer and the entity issuing shares (the legal parent) is deemed to be the acquiree, the transaction is termed a reverse acquisition under the requirements of IFRS3 *Business Combinations*.

Under a reverse acquisition, the cost of the acquisition is measured at the fair value of the notional number of equity instruments which would have been issued by the legal subsidiary to the legal parent in order to provide the resulting percentage ownership in the combined entity. Where the fair value of the legal subsidiary's equity instruments is not evident, the cost of acquisition is estimated using the pre-combination fair value of all the issued equity of the legal parent.

The net assets of the legal parent are restated to fair value in the consolidated financial statements and any required goodwill is calculated based on the difference between the cost of acquisition and the restated net assets of the legal parent.

The share capital and share premium reserve, reported in the consolidated balance sheet, should reflect that of the legal parent. However, it is also a requirement that the total issued equity instruments of the consolidated Group should reflect that of the legal subsidiary plus the cost of acquisition. To achieve this, a reserve is created being the difference between the required Group equity instruments and the reported equity structure of the legal parent.

The reported consolidated retained loss and comparative information of the Group are those of the legal subsidiary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

Revenue recognition

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

Sales of mobile phones and phone cards are recognised when goods are delivered and titles have been passed.

Where the Group recognises revenue through the sale of goods out of retail outlets within department stores and hypermarkets, the revenue is recognised at the gross value billed to the customer rather than the net value retained after costs incurred with the department stores and hypermarkets. The key accounting judgements and estimates adopted by the directors in arriving at this accounting policy are described in note 3 to the consolidated financial statements.

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.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Foreign currencies

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in Renminbi, which is the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlements of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

Foreign currencies - continued

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such transaction differences are recognised as income or as expenses in the period in which the operation is disposed of.

Retirement benefit costs

The Group adopts defined contribution retirement benefit schemes. Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme. Pursuant to the relevant regulations of the Peoples' Republic of China (PRC) government, for the four companies established in the PRC included in the consolidated financial information have participated in central pension schemes (the "Schemes") operated by local municipal governments, whereby these four companies are required to contribute a certain percentage of the basic salaries of their employees to the Schemes to fund their retirement benefits. The local municipal governments undertake to assume the retirement benefits obligations of all existing and future retired employees of the subsidiaries in the People's Republic of China (PRC). The only obligation of these four companies with respect to the Schemes is to pay the ongoing required contributions under the Schemes mentioned above.

Taxation

The 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 net profit as reported in the 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 the tax expected to be payable or recoverable on difference between the carrying amounts of assets and liabilities in the 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 the initial recognition of 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

Taxation - continued

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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 utilised.

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 in the 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method, on the following bases.

	<u>Residual value</u>	<u>Useful lives</u>	<u>Annual rate</u>
Motor vehicles	4%	5 years	19.2%
Fixture and office equipment	4%-10%	3-5 years	18%-32%
Leasehold improvements	-	lease periods	-

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Other intangible assets

Other intangible assets are measured initially at purchase cost and amortised on a straight-line basis over their useful lives.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) 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 (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises all costs of purchase and related costs which have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the moving weighted average method. Net realisable value represents the estimated selling price less costs to be incurred in marketing, selling and distribution.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are measured at initial recognition at fair value. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits.

Trade payables

Trade payables are initially measured at fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

Financial instruments - continued

Equity instruments

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

Share-based payments

The Group has applied the requirements of IFRS 2 Share-based payments. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested at 1 January 2005.

The Group issues equity-settled payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

3. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the process of applying the Group's accounting policies, which are described in note 2, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements.

Consolidation of Special Purpose Entities

The Company does not directly or indirectly own the issued equity share capital of the following subsidiaries of the Group (known as the Special Purpose Entities (SPEs)): iAtoZ Beijing Co., Ltd. ("EBT Beijing"), Shanghai Everbright Communication Terminal Products Distribution Ltd. ("EBT Shanghai") and Suzhou Everbright Communication Terminal Products Distribution Ltd. ("EBT Suzhou").

In making its judgement, management considered the detailed criteria for the requirement to consolidate an SPE as set out in IAS27 *Consolidated and Separate Financial Statements* and SIC12 *Consolidation – Special Purpose Entities*, and in particular, whether the Company is able to exercise control over the SPEs.

Management considered that the ability of the Company to exercise control is achieved through the following key factors:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

Exclusive purchase rights – The existence of exclusive purchase rights held by EBT Mobile Limited (“EBT Mobile”), a wholly owned subsidiary of the Company incorporated in Hong Kong, to acquire the entire equity share capital of the SPEs. Prior to 7 April 2005, these purchase rights were held by EBT International Trade (Shanghai) Co., Ltd (“EBT Trade”), an indirect wholly owned subsidiary of the Company incorporated in PRC. Following a change in PRC law on 11 December 2004, a retail licence can be obtained in January 2006 under which foreign companies are permitted to undertake retail activities in China through its PRC subsidiaries. EBT Mobile is able to exercise the exclusive purchase rights without adversely impacting on the SPEs’ activities on approval by the authorities from February 2006.

Right to accrued benefits – The purchase price in the above exclusive purchase rights is specified as the price paid on initial investment by the current legal owners. Consequently, any increase in value of the equity interests of the SPEs continues to accrue to EBT Mobile. In addition, EBT Mobile and EBT Trade have the discretion, through exclusive merchandise purchase agreements with the SPEs, to adjust the purchase prices of all items purchased by the SPEs.

Following the assessment of the above key factors, the directors are satisfied that the Company is able to exercise control over the SPEs and, accordingly, that the SPEs should be consolidated for the whole of 2005. Comparative amounts have been presented on a consistent basis.

Group reorganisation

EBT Mobile is included in the comparative amounts although this company was not part of the Group in 2004. On 7 April 2005 GMAI – Asia.com Inc., which controlled both EBT Mobile and EBT Trade, implemented a Group Reorganisation whereby EBT Mobile was interposed as the new immediate parent company of EBT Trade under a share for share exchange.

Management considered the detailed criteria for the requirement to consolidate common control transactions, which is excluded from the scope of IFRS 3 *Business combination*, and in particular, whether all entities ultimately are controlled by the same party and that control is not transitory.

Management concluded that financial information could be prepared in accordance with the principles of merger accounting for the year ended 31 December 2004 to include the results and cash flows of the companies comprising the Group pursuant to the Group Reorganisation as if the group structure as at 31 December 2005 had been in existence throughout the whole of 2004. The consolidated balance sheets of the Group as at 31 December 2004 have been prepared in accordance with the principles of merger accounting to present the assets and liabilities of the companies comprising the Group as if the group structure as at 31 December 2005 date had been in existence as at 31 December 2004.

Revenue recognition

As described in note 2, it is the Group’s accounting policy to account for the sale of goods made out of retail outlets within department stores and hypermarkets on a gross accounting basis although the Company does not invoice the end customer. In addition, sales of phone cards are recognized gross although the Group is not the primary obligor in such transactions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

In making its judgement, management considered the detailed criteria for the recognition of gross revenue from the sale of goods set out in IAS18 Revenue and had regard to other available literature, in particular US GAAP in determining whether the Group earns revenue from the sale of goods as a principal or earns a commission or fee as an agent and consequently, whether to recognise revenue gross or net.

Following the detailed assessment of the Group's activities, management have concluded that since the Group takes title to the products, has latitude in establishing price and has the risks associated with inventory, it is appropriate to conclude that the Group acts as principal in its revenue transactions. As a result, management have concluded that the recognition of revenue on a gross accounting basis is the appropriate accounting treatment for the Group.

4. Revenue

An analysis of the Group's revenue is as follows:

	<u>2005</u> RMB'000	<u>2004</u> RMB'000
Continuing operations		
Mobile phones	260,742	204,687
Phone cards (note)	42,370	52,159
Others	5,405	3,949
Total	<u>308,517</u>	<u>260,795</u>

Note: Phone cards sales include sales proceeds of phone cards and commissions from suppliers in relation to phone cards sales.

5. Geographical and Business Segments

The Group's operations and markets are located within the People's Republic of China and form a single segment with two types of product: mobile phones and related services.

6. Other Operating Income

	<u>2005</u> RMB'000	<u>2004</u> RMB'000
Derecognised financial liabilities	2,317	-
Others	569	1,102
	<u>2,886</u>	<u>1,102</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

7. Loss for the year

Loss for the year has been arrived at after charging (crediting):

	<u>2005</u> RMB'000	<u>2004</u> RMB'000
Depreciation of property, plant and equipment	477	392
Amortisation of intangible assets	6	-
Net foreign exchange (gain)/losses	(1,193)	1
Allowance for doubtful debts on trade and other receivables	487	141
Allowance for doubtful debts on amount due from related parties	211	776
Staff cost, including defined contribution benefit of RMB1,386,000 (2004: RMB601,000)	49,875	10,428
Gain on disposals of property, plant and equipment	527	(125)
Cost of inventories recognised as expenses	274,562	235,890
Write down of inventories	640	-
Auditors' remuneration for audit services	1,184	718
	<u> </u>	<u> </u>

Amounts payable to Deloitte & Touche LLP and their associates by the Company and its subsidiary undertakings in respect of non-audit services were RMB184,000 (2004: nil).

A more detailed analysis of auditors' remuneration on a worldwide basis is provided below:

	<u>2005</u> RMB'000	<u>2004</u> RMB'000
Statutory audit services	1,184	718
Advisory tax services	184	-
	<u>1,368</u>	<u>718</u>

8. Staff Costs

The average monthly number of employees, including executive directors, was:

	<u>2005</u> Number	<u>2004</u> Number
Employees	469	368
Executive directors	2	2
Total	<u>471</u>	<u>370</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

Their aggregate remuneration comprised:

	2005 RMB'000	2004 RMB'000
Stock options	30,639	-
Wages and salaries	17,102	8,168
Social security costs	1,920	1,709
Others	214	551
	<u>49,875</u>	<u>10,428</u>

9. Taxation

	2005 Number	2004 Number
Current tax	403	59
Deferred tax	-	-
	<u>403</u>	<u>59</u>

Taxation for jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The charge for the year can be reconciled to the loss per income statement as follows:

	2005		2004	
	RMB'000	%	RMB'000	%
Loss before tax	<u>(40,081)</u>		<u>(1,656)</u>	
Tax at the PRC corporation tax rate of 33% (2004: 33%)	(13,227)	(33)	(546)	(33)
Tax effect of incomes that are not taxable in determining taxable profit	(811)	(2)	-	-
Tax effect of expenses that are not deductible in determining taxable profit	11,758	29	451	33
Tax effect of more expenses that are deductible in determining taxable profit	(473)	(1)	-	-
Tax effect of unused tax losses not recognised	4,073	10	1,134	6
Tax effect of utilization of tax losses not previously recognised	(586)	(1)	(557)	(3)
Under provision in prior years	-	-	49	-
Over provision in prior years	-	-	(6)	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	<u>(331)</u>	<u>(1)</u>	<u>(466)</u>	<u>(3)</u>
Tax charge for the year	<u>403</u>	<u>1</u>	<u>59</u>	<u>-</u>

A deferred tax asset has not been recognised in respect of tax losses of RMB63,891,000 available to offset future profits as it is not certain that the tax losses will be utilised in the foreseeable future. There is no other significant temporary difference at balance sheet date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

10. Loss per Share

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

	<u>2005</u> RMB'000	<u>2004</u> RMB'000
Loss		
Loss for the purpose of basic and diluted earnings per share	<u>(40,484)</u>	<u>(1,715)</u>
Number of shares	<u>2005</u>	<u>2004</u>
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>75,228,838</u>	<u>18,803,850</u>

Instruments that could potentially dilute basic loss per share in the future are not included in the calculation of diluted loss per share because they are anti dilutive.

11. Other Intangible Assets

	<u>Software</u> RMB'000
Cost	
At 1 January 2005	-
Additions	<u>69</u>
At 31 December 2005	<u>69</u>
Amortization	
At 1 January	-
Charge for the year	<u>6</u>
At 31 December 2005	<u>6</u>
Carrying value	
At 31 December 2005	<u>63</u>
At 31 December 2004	<u>-</u>

Software are amortised over its estimated useful lives of 3 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

12. Property, Plant and Equipment

	Motor vehicles RMB'000	Fixture and office equipment RMB'000	Leasehold improvements RMB'000	Total RMB'000
Cost				
At 1 January 2004	475	353	522	1,350
Additions	1,196	203	289	1,688
Disposals	(375)	-	-	(375)
At 31 December 2004	1,296	556	811	2,663
Additions	282	993	-	1,275
Disposals	-	-	(811)	(811)
At 31 December 2005	1,578	1,549	-	3,127
Accumulated depreciation				
At 1 January 2004	271	113	145	529
Charge for the year	155	98	139	392
Disposals	(290)	-	-	(290)
At 31 December 2004	136	211	284	631
Charge for the year	256	221	-	477
Disposals	-	-	(284)	(284)
At 31 December 2005	392	432	-	824
Carrying value				
At 31 December 2005	1,186	1,117	-	2,303
At 31 December 2004	1,160	345	527	2,032

13. Subsidiaries

Details of the Company's subsidiaries, all of which are consolidated (refer to note 3) at 31 December 2005 are as follows:

<u>Name</u>	<u>Place of registration and operation</u>	<u>Proportion of ownership interest</u> %	<u>Proportion of voting power held</u> %
EBT Mobile Limited	Hong Kong	100	100
EBT International Trade (Shanghai) Co., Ltd.(EBT Trade)	PRC	100	100
iAtoZ Beijing Co., Ltd. (EBT Beijing)	PRC	-	-
Shanghai Everbright Communication Terminal Products Distribution Ltd. (EBT Shanghai)	PRC	-	-
Suzhou Everbright Communication Terminal Products Distribution Ltd. (EBT Suzhou)	PRC	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

14. Inventories

	<u>2005</u> RMB'000	<u>2004</u> RMB'000
Mobile phones	27,737	17,493
Phone cards	102	1,670
Others	1,360	2,021
	<u>29,199</u>	<u>21,184</u>

15. Other Financial Assets

Trade and other receivables

The average credit period taken on sales of goods is 21 days. No interest is charged on the receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance has been made for estimated irrecoverable amounts from the sales of goods of RMB2,706,000 (2004: RMB2,981,000). This allowance has been determined by reference to past default experience.

The directors consider that the carrying amount of trade and other receivables and amounts due from related parties approximates to their fair value.

Cash and cash equivalent comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The balance as of 31 December 2005 included restricted cash of RMB6,292,000 being deposits for notes payable due within three months.

Credit risk

The Group's principal financial assets are bank balances and cash, notes receivable, trade and other receivables.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds is limited because the counterparties are regulated banks and state owned banks in China and UK.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

16. Other Financial Liabilities

Trade, notes and other payables principally comprise amounts outstanding for trade purchases and ongoing basis costs. The average credit period taken for trade purchases is 32 days. The directors consider that the carrying amount of trade and other payables and amounts due to related parties approximates to their fair value.

17. Share Capital

	2005 RMB'000	2004 RMB'000
Issued and fully paid ordinary shares 156,114,827 (2004: 34,827,594 of 10p each) ordinary shares of 0.1p each	2,280	50,871
Issued and fully paid deferred shares 3,447,931,806 (2004: nil) deferred shares of 0.1p each	50,362	-

The authorized share capital comprises 300,000,000 ordinary shares of 0.1p each (2004: 75,000,000 ordinary share of 10p each) and 7,425,000,000 deferred shares of 0.1p (2004: Nil deferred shares of 10p each).

	Ordinary share Issued Number	Deferred Shares Number	Shares Issued amount RMB'000
Balance at 1 January 2005 (Before split)	34,827,594	-	50,871
Balance at 1 January 2005 (After split)	34,827,594	3,447,931,806	50,871
Consideration shares issued to acquire entire issued share capital of EBT Mobile Limited	96,364,998	-	1,407
Ordinary shares issued to Evolution Securities on completion pursuant to the placing agreement	1,058,823	-	15
Placing shares issued to raise ongoing working capital	23,529,412	-	344
Share option exercised	334,000	-	5
	156,114,827	3,447,931,806	52,642

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

Note:

- (1) The share capital as of 1 January 2005 represents the paid-in capital of the EBT Mobile China plc (formerly the "The Trading Exchange plc").
- (2) Immediately following Admission, each existing issued and unissued ordinary share of 10p each was split into 1 ordinary share of 0.1p and 99 deferred shares of 0.1p.
- (3) EBT Mobile China plc acquired the entire share capital of EBT Mobile Limited with the issue of 96,364,998 ordinary shares of 0.1p each on 8 September 2005.
- (4) EBT Mobile China plc increased the authorised ordinary shares from 75,000,000 to 300,000,000 ordinary shares.
- (5) 1,058,823 ordinary shares in the capital of EBT Mobile China plc to Evolution Security on completing pursuant to the agreement on 8 September 2005.
- (6) EBT Mobile China plc issued 23,529,412 placing shares on 8 September 2005.
- (7) 334,000 options of EBT Mobile China plc were exercised on 5 September 2005.

Save in respect of their nominal value, there is no material difference between the old ordinary shares and the new ordinary shares after the split. The sub-division did not affect the voting rights of holders of existing ordinary shares. The deferred shares were not be admitted to trading on any securities exchange, but are transferable and capable of being repurchased by the Company for a nominal amount. The deferred shares do not have any voting or income rights nor rights on a sale or winding up.

18. Share Premium Account

	RMB'000
Balance at 1 January 2005	61,224
Placing of shares issued during the year	58,082
Share issue cost	(22,173)
Share option exercised	727
Balance at 31 December 2005	<u>97,860</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

19. Other Reserves

	Capital reserve RMB'000	Translation reserve RMB'000	Share option reserve RMB'000	Acquisition reserve RMB'000	Total RMB'000
Balance at 1 January 2004	34,440	-	-	(59,688)	(25,248)
Additions of acquisition reserve	-	-	-	(52,407)	(52,407)
Additional contribution from GMAI-Asia.com, Inc.	53,897	-	-	-	53,897
Balance at 1 January 2005	88,337	-	-	(112,095)	(23,758)
Exchange differences on translation of foreign operations and balances at 31 December 2005	-	(3,408)	-	-	(3,408)
Addition contribution from GMAI-Asia.com, Inc.	36,211	-	-	-	36,211
Share-based payment acquired on the reverse acquisition	-	-	12,529	-	12,529
Recognition of share-based payment	-	-	30,639	-	30,639
Additions of acquisition reserve	-	-	-	14,981	14,981
Balance at 31 December 2005	124,548	(3,408)	43,168	(97,114)	67,194

Capital reserve

Liabilities forgiven by GMAI-Asia are regarded as additional contribution and therefore have been included in the capital reserve.

Translation reserve

During the fiscal year ended 31 December 2005, the Group consolidated the financial statements of EBT Mobile Limited and EBT Mobile China Plc, which were translated at the applicable exchange rates prevailing on relevant date. The reserve arises from the translation of the financial results of EBT Mobile China plc and EBT Mobile Limited from their functional currencies to the presentation currency. As at 31 December 2004 the Group had no significant foreign operations and therefore has no comparative figure.

Share option reserve

Share option reserve is recognised at fair value at the date of grant. Details are described in note 23.

Acquisition reserve

The acquisition reserve of the Group represents the premium of the issued ordinary share capital of EBT Mobile China Plc at the time of the reverse acquisition by EBT Mobile Limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

20. Retained Losses

	RMB'000
Balance at 1 January 2004	(96,306)
Net loss for the year	(1,715)
Balance at 1 January 2005	(98,021)
Net loss for the year	(40,484)
Balance at 31 December 2005	<u>(138,505)</u>

21. Acquisition of Subsidiary

On 8 September 2005, the Company acquired the entire issued share capital of EBT Mobile Limited and its Group by the issuance of 96,364,998 voting shares as consideration. The acquisition is classified as a "reverse takeover" under the AIM Rules by virtue of the size and nature of the transaction. Immediately before the issue of the voting shares EBT Mobile China plc was deemed to be acquired by EBT Mobile Limited. EBT Mobile Limited applied purchase method to account for the acquisition of EBT Mobile China plc.

	<u>Book value and fair value</u> RMB'000
Net assets acquired	
Cash and bank	22,786
Deposits and prepayments	36
Accruals and other payables	(4,628)
Total consideration	<u>18,194</u>
Net cash inflow arising on acquisition:	
Cash and cash equivalents acquired	<u>22,786</u>

As the fair value of the legal subsidiary's equity instruments was not clearly evident as it is a private company, the cost of combination was estimated from the pre-combination fair value of all the issued equity of the legal parent. Since the book value and fair value of the legal parent was the same as the consideration, no goodwill has been recognized as a result of this acquisition.

As the legal parent's shares were frozen for trading before the combination, the consideration of fair value was based on the legal parent's net assets.

EBT Mobile China plc reported no revenue and a loss of RMB33,421,000 for the period between the date of acquisition and the balance sheet date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

Before acquisition, EBT Mobile China plc (formerly the Trade Exchange plc) and its subsidiary's business were separate from the Group, and therefore it is not necessary to disclose relevant revenue or loss information from the first day of the financial year.

22. Operating Lease Arrangements

	<u>2005</u> RMB'000	<u>2004</u> RMB'000
As lessee:		
Minimum lease payments under operating leases recognised in income for the year	<u>5,645</u>	<u>7,158</u>

At the balance sheet dates, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows.

	<u>2005</u> RMB'000	<u>2004</u> RMB'000
Within one year	3,072	6,248
In the second to fifth years inclusive	<u>4,759</u>	<u>7,923</u>
	<u>7,831</u>	<u>14,171</u>

Operating lease payments represent rentals payable by the Group for certain of its office and store properties.

23. Share-based Payments

Equity-settled share option scheme

The Group has several share option schemes for senior management of the Group as follows:

The Trading Exchange plc option transferred to EBT Mobile China plc

Options are exercisable at a price ranging from £0.15 to £0.50. The maximum vesting period is within 3 years from 31 December 2005. If certain of the options remain unexercised after a period ranging from 3 to 10 years from the date of grant, they will expire; however certain options do not have an expiry term. Options are forfeited if the employee leaves the Group before the options vest.

EBT Mobile Limited options transferred to EBT Mobile China plc

Options are exercisable at a price of £0.01 or £0.0197. The maximum vesting period is 3 years. If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options are forfeited if the employee leaves the Group before the options vest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

5,323,000 shares were originally issued by The Trading Exchange plc prior to the reverse acquisition and those share options remained effective, among which, 334,000 shares has been exercised during the year. 19,404,706 shares were originally issued by EBT Mobile Limited and the original options were released after the reverse acquisition and new options were granted by EBT Mobile China plc upon different terms and conditions.

Details of the share options outstanding during the year are as follows.

	Number of Share options	2005	
		Weighted average exercise price	
		GBP	RMB equivalent
The Trading Exchange plc options transferred to EBT Mobile China Plc	5,323,000	0.157	2.19
EBT Mobile Limited options transferred to EBT Mobile China Plc	19,404,706	0.014	0.19
Exercised during the year	(334,000)	0.150	2.09
Outstanding at the end of year	24,393,706	0.043	0.60
Exercisable at the end of year	12,692,720	0.068	0.94

The weighted average share price at the date of exercise for share options exercised during the period was GBP0.150 (equivalent to RMB2.09). The options outstanding at 31 December 2005 had a weighted average exercise price of GBP0.043 (equivalent to RMB0.60), and the remaining contractual life ranged from 3 years to infinity. The Group granted new options on 8 September 2005 and had no modification to share options issued in previous years. The aggregate of the estimated fair values of the options granted on those dates is RMB55,247,000.

The inputs into the Binomial model are as follows:

	2005
Range of share price (GBP)	0.15-0.45
Range of exercise price (GBP)	0.0197-0.5
Expected volatility - for options outstanding before acquisition	174.7%
Expected volatility - for options granted during the year	58.84%
Expected life	3 years - infinity
Risk free rate	4.19%-5.03%
Expected dividends	Nil

Expected volatility was determined by calculating the historical volatility of the price returns of the ordinary shares of the Company. Given the share options were granted by the Company at two different stages, i.e. before and after the reverse acquisition, two different volatilities were adopted in order to match the condition as at the grant date of the options, 174.7% for the options granted before the reverse acquisition and 58.84% for the options granted after the reverse acquisition.

The Group recognised total expenses of RMB30,639,000 related to equity-settled share-based payment transactions in 2005 (2004: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

24. Related Party Transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. The nature of the Group's relationship with related parties is set out below:

<u>Name</u>	<u>Relationship with the Group</u>
Everbright Telecom-land Network (Shanghai) Co., Ltd.	A company under common control of GMAI-Asia.com, Inc.
China Everbright Telecom-land Network Co., Ltd.	A company under common control of GMAI-Asia.com, Inc.
GMAI-Asia.com, Inc.	Substantial shareholder of the Company

Transactions between the Group and the related parties are disclosed below:

(a) Financing

Financing transactions between the Group and its related parties are as follows:

Amounts due to/from related parties:

	<u>Amounts due from related parties</u>		<u>Amounts due to related parties</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	RMB'000	RMB'000	RMB'000	RMB'000
Director – Zhang Ge	-	-	500	-
Management	50	-	570	-
GMAI-Asia.com, Inc.	-	-	-	36,211
	<u>50</u>	<u>-</u>	<u>1,070</u>	<u>36,211</u>

The balance due to GMAI-Asia.com, Inc., a substantial shareholder, as at 31 December 2004 was written back in the financial year. The write back of the loan has been considered as an additional contribution to equity and reserves and therefore has been included in the other reserves during the financial year (2004:RMB53,897,000).

The balances due to Zhang Ge (a director) and other management are interest-free, unsecured and will be settled in cash.

(b) Other related party transactions

Net amounts due from a related company, Everbright Telecom-land Network (Shanghai) Co., Ltd. are nil as at 31 December 2004 and 2005. These balances are stated after allowances for doubtful debts amounting to RMB18,826,000 and RMB19,037,000 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

(c) Remuneration of key management personnel

The remuneration of the directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 *Related Party Disclosures*.

	<u>2005</u> RMB'000	<u>2004</u> RMB'000
Short-term employee benefits including emoluments of RMB3,149,000 (2004: RMB1,518,000)	5,554	1,543
Post-employment benefits	57	25
Share-based payment	25,720	-
	<u>31,331</u>	<u>1,568</u>

25. Subsequent Event

In April 2006, EBT was selected by Shanghai Mobile Communication Co., Ltd., A wholly-owned subsidiary of China Mobile, to open 22 retail stores in China Mobile Service Halls, with the potential to open additional stores by the end of the year, pursuant to China Mobile's expansion plan. Also, EBT raised £ 5 million, before expenses, through a placing of 16,666,667 new ordinary shares of 0.1p each at a price of 30 pence per share with new and existing institutional investors, to accelerate the roll out programme and inventory for the new stores.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EBT MOBILE CHINA PLC(Company Only)

We have audited the individual company financial statements of EBT Mobile China plc for the year ended 31 December 2005 which comprise the balance sheet and the related notes 1 to 10. These individual company financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the individual company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the individual company financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the individual company financial statements give a true and fair view in accordance with the relevant financial reporting framework and whether the individual company financial statements have been properly prepared in accordance with the Companies Act 1985. We read the directors' report and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the individual company financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the individual company financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the individual company financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the individual company financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the individual company financial statements.

Opinion

In our opinion:

- the individual company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005;
- the individual company financial statements have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

London

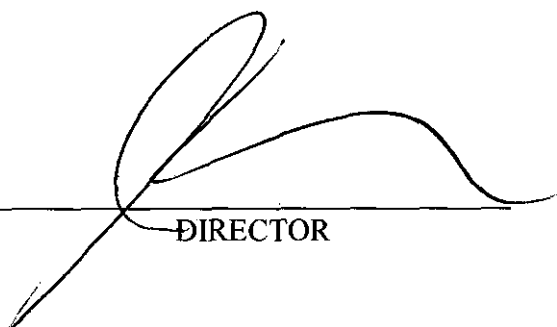
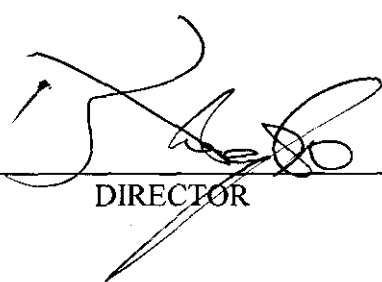
2 May 2006

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2005

	<u>NOTES</u>	<u>2005</u> <u>GBP</u>	<u>2004</u> <u>GBP</u>
FIXED ASSETS			
Investment in subsidiaries	3	<u>96,365</u>	<u>1</u>
CURRENT ASSETS			
Debtors	4	3,645,846	4,412,203
Cash at bank and in hand		<u>292,936</u>	<u>2,570,956</u>
		3,938,782	6,983,159
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Other creditors		<u>(356,146)</u>	<u>(61,617)</u>
NET ASSETS		<u>3,679,001</u>	<u>6,921,543</u>
CAPITAL AND RESERVES			
Called-up share capital	5	3,604,047	3,482,759
Share premium account	6	6,699,783	4,191,587
Other reserve	7	4,802,285	-
Retained loss	8	<u>(11,427,114)</u>	<u>(752,803)</u>
EQUITY SHAREHOLDERS' FUNDS	9	<u>3,679,001</u>	<u>6,921,543</u>

The financial statements were approved by the board of directors and authorised for issue on 2 May 2006. They were signed on its behalf by:

DIRECTOR
 DIRECTOR

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005 CONTINUED

1. Significant Accounting Policies

The principal accounting policies are summarised below. They have all been applied consistently, throughout the year and the preceding year.

Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, and in accordance with applicable United Kingdom accounting standards.

Investments

Fixed assets investments are shown at cost less provision for impairment.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognized when fixed assets are revealed unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

Deferred tax is recognised in respect of the retained earnings of overseas subsidiaries and associates only to the extent that, at the balance sheet date, dividends have been accrued as receivable or a binding agreement to distribute past earnings in future has been entered into by the subsidiary of associate.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at the date.

2. Loss Before Tax

The Company has decided to take the exemption from the requirement to publish a separate profit and loss account for the parent company in accordance with section 230 of the Act 1985.

The average monthly number of employees, including executive directors, was:

	<u>2005</u> Number	<u>2004</u> Number
Employees	<u>4</u>	<u>-</u>

Their aggregate remuneration comprised:

	<u>2005</u> GBP	<u>2004</u> GBP
Wages and salaries	225,089	-
Social security costs	<u>19,078</u>	<u>-</u>
	<u>244,167</u>	<u>-</u>

NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

3. Investment in Subsidiaries

Details of the Company's subsidiaries at 31 December 2005 are as follows:

<u>Name</u>	<u>Place of registration and operation</u>	<u>Proportion of ownership interest</u> %	<u>Proportion of voting power held</u> %	<u>Method used to account for investment</u>
-------------	--	--	---	--

EBT Mobile Limited	Hong Kong	100	100	Cost
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EBT Mobile Limited was acquired by the Company during the financial year.

4. Debtors

	<u>2005</u> GBP	<u>2004</u> GBP
Deposits and prepayments	698	4,392,630
Prepaid taxes	174,662	19,573
Amounts due from subsidiaries	3,470,486	-
	<u>3,645,846</u>	<u>4,412,203</u>

5. Called-up Share Capital

	<u>2005</u> GBP	<u>2004</u> GBP
Issued and fully paid ordinary shares 156,114,827 (2004: 34,827,594 of 10p each) ordinary shares of 0.1p each	<u>156,115</u>	<u>3,482,759</u>
Issued and fully paid deferred shares 3,447,931,806 (2004: nil) deferred shares of 0.1p each	<u>3,447,932</u>	<u>-</u>

NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

The authorised share capital comprises 300,000,000 ordinary shares of 0.1p each (2004: 75,000,000 ordinary share of 10p each) and 7,425,000,000 deferred shares of 0.1p (2004: Nil deferred shares of 10p each).

	Ordinary share issued <u>Number</u>	Deferred shares <u>Number</u>	Shares issued <u>Amount</u> GBP
Balance at 1 January 2005(Before split)	34,827,594	-	3,482,759
Balance at 1 January 2005(After split)	34,827,594	3,447,931,806	3,482,759
Consideration shares issued to acquire entire issued share capital of EBT Mobile Limited	96,364,998	-	96,365
Ordinary shares issued to Evolution Securities on completion pursuant to the placing agreement	1,058,823	-	1,059
Placing shares issued to raise ongoing working capital	23,529,412	-	23,530
Share option exercised	334,000	-	334
	<u>156,114,827</u>	<u>3,447,931,806</u>	<u>3,604,047</u>

Note:

- (1) The share capital as of 1 January 2005 represents the paid-in capital of the EBT Mobile China plc (formally the "The Trading Exchange plc").
- (2) Immediately following Admission, each existing issued and unissued ordinary share of 10p each was split into 1 ordinary share of 0.1p and 99 deferred shares of 0.1p.
- (3) EBT Mobile China plc acquired the entire share capital of EBT Mobile Limited with the issue of 96,364,998 ordinary shares of 0.1p each on 8 September 2005.
- (4) EBT Mobile China plc increased the authorized ordinary shares from 75,000,000 to 300,000,000 ordinary shares.
- (5) 1,058,823 ordinary shares in the capital of EBT Mobile China plc were issued to Evolution Security on completion pursuant to the agreement on 8 September 2005.
- (6) EBT Mobile China plc issued 23,529,412 placing shares on 8 September 2005.
- (7) 334,000 options of EBT Mobile China plc were excised on 5 September 2005.

Save in respect of their nominal value, there is no material difference between the old ordinary shares and the new ordinary shares after the split. The sub-division did not affect the voting rights of holders of existing ordinary shares. The deferred shares were not admitted to trading on any securities exchange, but are transferable and capable of being repurchased by the Company for a nominal amount. The deferred shares do not have any voting or income rights nor rights on a sale or winding up.

NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

6. Share Premium Account

	GBP
Balance at 1 January 2005	4,191,587
Placing of shares issued during the year	3,976,471
Share issue costs	(1,518,041)
Share option exercised	49,766
Balance at 31 December 2005	<u>6,699,783</u>

7. Other Reserve

	GBP
Balance at 1 January 2005	-
Recognition of share-based payment	4,802,285
Balance at 31 December 2005	<u>4,802,285</u>

Other reserve represents the share options reserve valued as the difference between the option exercise price and the market price of the shares on the date of grant in accordance with UITF 17.

8. Retained Loss

	GBP
Balance at 1 January 2005	752,803
Net loss for the year	10,674,311
Balance at 31 December 2005	<u>11,427,114</u>

NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

9. Reconciliation of Movements in Shareholders' Funds

	GBP
Balance at 1 January 2005	6,921,543
Shares issued during the year	4,097,759
Share issue costs	(1,518,041)
Share option exercised	49,766
Other reserve	4,802,285
Net loss for the year	(10,674,311)
Balance at 31 December 2005	<u>3,679,001</u>

10. Subsequent Event

In April 2006, EBT was selected by Shanghai Mobile Communication Co., Ltd., a wholly-owned subsidiary of China Mobile, to open 22 retail stores in China Mobile Service Halls, with the potential to open additional stores by the end of the year, pursuant to China Mobile's expansion plan. Also, EBT raised £ 5 million, before expenses, through a placing of 16,666,667 new ordinary shares of 0.1p each at a price of 30 pence per share with new and existing institutional investors, to accelerate the roll out programme and inventory for the new stores.