

EBT MOBILE CHINA PLC

Independent Auditors' Report and Consolidated Financial Statements
For the year ended 31 December 2009
(Prepared under International Financial Reporting Standards as adopted by
European Union)

Registered number 4654471

Registered office Phoenix House
18 King William Street
London EC4N 7HE



EBT MOBILE CHINA PLC

**AUDITORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

(Prepared under International Financial Reporting Standards as adopted by European Union)

<u>CONTENTS</u>	<u>PAGE</u>
DIRECTORS' REPORT	1 - 6
INDEPENDENT AUDITORS' REPORT	7 - 8
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	9 - 10
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	11
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	12
CONSOLIDATED STATEMENT OF CASH FLOW	13 - 14
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	15 - 45

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2009

The directors present their report, together with the audited financial statements for the year ended 31 December 2009

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 15 to the consolidated financial statements

BUSINESS REVIEW

The Company is required by the Companies Act to set out in this report a fair review of the business of the Group during the financial year ended 31 December 2009 including an analysis of the development and performance of the Group during the year and of the position of the Group at the end of the year

The Group is operating in China, the world's biggest mobile phone market. While the market is large, with similarly large revenue and profit potential, it is also a market currently challenged with intense competition, price cutting and counterfeit products. To combat this, the Group has developed and will continue to develop its retail brand and will strive to further entrench its current reputation for integrity, professionalism, and a company that is creative, innovative, and offers competitively priced products sold by well trained and professional salespeople.

The attached group financial statements set forth the results of our financial performance during the 2009 fiscal year. The revenue was affected by the global economic slowdown in 2009, and decreased from RMB589m in 2008 to RMB527m in 2009. But we successfully improved both gross margin (13.6% in 2008 to 17.3% in 2009) and gross profit (RMB80m in 2008 to RMB91m in 2009). The improvements in operational strategy and focus continuously lead to the positive result of the Company's improved margins. But the unfavourable currency movement during the year adversely affected the bottom line.

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. The Group is confident that it possesses the strategy, management team and resources to face the challenges of the forthcoming year.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2009

GOING CONCERN REVIEW

The financial position of the Group, its cash flows and liquidity position are described in the attached consolidated financial statements. Note 17 to the financial statements specifically includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities, and its exposures to credit risk and liquidity risk. The principal risks and uncertainties facing the business are also set out below.

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current working capital resources.

After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

PRINCIPAL RISKS AND UNCERTAINTIES

Risk is inherent in all businesses. Set out below are certain risk factors which the Group has identified which could have an impact on the Group's long-term performance. The Group's results could also be affected by other factors. The factors discussed below should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties facing the Group.

Managing growth

The Group intends to achieve significant growth in the mobile phone retail business in China, primarily through organic growth, both in terms of the number of stores and by expanding its geographic presence across China, but also through acquisitions. The successful implementation of this strategy depends on several factors. There is no assurance that the Group will be successful in implementing its strategy. Significant time and attention is also required from senior management to implement its strategy. The diversion of management attention from general business operations could have an adverse effect on the Group's financial results.

People retention

Failure to retain and recruit key personnel could harm our ability to meet key objectives. The Group has implemented a comprehensive programme to ensure that its human resources strategy can be measured, including active promotion and supporting career development, incorporating KPI methodology into our employee incentives and bringing discipline and consistency to reward and recognition.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2009

Vendor risk

The Group forms close and mutually beneficial partnerships with a handful of third parties, including handset suppliers, network providers and operators of the hypermarkets and department stores from which the Group operates. The Group's relationships with these key partners and its suppliers are important to its continued success. The termination of a supply agreement or a significant change in partner or supplier terms or conditions of sale could negatively affect our operating margins, revenue or the level of capital required to fund our operations. The Group actively develops and sustains these partner and supplier relationships and where possible enters into contractual alliances to formalise the terms of these relationships.

Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its obligations as they fall due. Liquidity management within the Group focuses on working capital metrics, cash and cash equivalents as well as the extent of the Group's borrowing facilities. In managing its overall liquidity, the Group analyses and takes into account the effect of all business activities in assessing the investment in working capital. The short-term liquidity needs of the Group are also managed on a daily basis to ensure that contractual cash flow obligations, and potential cash flows arising from undrawn commitments and other contingent obligations can be met as they arise from day to day.

Economic, political and social consideration

China has undergone a series of political reforms since 1978. Such reforms have in the past resulted in significant economic growth in the past twenty years. But growth has been uneven both geographically and among various sectors of the economy. The Chinese government has implemented various measures from time-to-time to control economic growth. The Group's operating results and financial condition may be adversely affected by changes in the rate or method of taxation, imposition of additional restrictions on currency conversion, state policies affecting the Group's customers, suppliers or partners and the regulations of the mobile telephone industry. These regulations or changes may significantly constrain the flexibility and ability of the Group to expand its business operations or maximise its profitability. In addition, EBT's customer spending habits are subject to global and local economic cycles and risks that may be beyond EBT's control.

The further information in relation to price, cash flow and credit risk can be found within note 17 of the consolidated financial statements.

ACQUISITION OF THE COMPANY'S OWN SHARES

Further to the board resolution of 2 March 2009, the company purchased 5,614,993 ordinary shares with a nominal value of £5,614.99, representing 2% of the company's called-up ordinary share capital, for a consideration of £336,899.58.

RESULTS AND DIVIDENDS

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

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2009

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, and ensure that suppliers are made aware of and abide by the terms of payment. Trade creditors of the Group at 31 December 2009 were equivalent to 25 (2008: 21) days' purchases, based on the average daily amount invoiced by suppliers during the period.

EMPLOYEES

The Company built and continues to improve its employee-related policy in order to create a friendly working environment and build competent working force. The various platforms or channels are built to: (a) provide employees systematically with information on matters of concern to them; (b) regularly consult employees for views on matters affecting them, (c) encourage employee involvement in the company's performance through bonus schemes, share schemes or otherwise, and (d) make all employees aware of financial and economic factors affecting the performance of the company.

POLITICAL AND CHARITABLE CONTRIBUTIONS

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

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 GBP/RMB exchange rates, as the market expects the GBP to depreciate. Other than this, there is only limited currency exposure. The Group's current policy is not to hedge against foreign exchange movements.

DIRECTORS

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

Name of Director	Date Appointed/Resigned
Daniel Skaff	Appointed on 10 October 2005
James A. Reiman	Appointed on 7 September 2005
Stephen Davidson	Appointed on 1 July 2006
Zhang Ge	Appointed on 7 September 2005
Mark Qiu	Appointed on 18 August 2009

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2009

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 the parent company financial statements, the directors are required to

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

In preparing the group financial statements, International Accounting Standard 1 requires that directors

- 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 IFRSs are 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
- make an assessment of the company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2009

AUDITORS

Each of the persons who is a director at the date of approval of this annual report confirms that

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Deloitte 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



Mark Qiu
Chairman

1 April 2010

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 2009 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the group financial statements

- give a true and fair view of the state of the group's affairs as at 31 December 2009 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the group financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following

Under the Companies Act 2006 we are required to report to you if, in our opinion

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Other matter

We have reported separately on the parent company financial statements of EBT Mobile China plc for the year ended 31 December 2009



Paul Franek (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, UK

1 April 2010

EBT MOBILE CHINA PLC**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2009**

	<u>NOTES</u>	<u>2009</u> RMB'000	<u>2008</u> RMB'000
Continuing operations			
Revenue	5	527,313	589,902
Cost of sales		<u>(435,852)</u>	<u>(509,341)</u>
Gross profit		91,461	80,561
Other gains and losses	7	(3,994)	17,285
Distribution expenses		<u>(81,320)</u>	<u>(72,204)</u>
Administrative expenses		<u>(12,812)</u>	<u>(31,158)</u>
Operating loss		(6,665)	(5,516)
Investment revenues	10	<u>1,073</u>	<u>6,072</u>
(Loss)/profit before tax		(5,592)	556
Taxation	11	<u>-</u>	<u>-</u>
(Loss)/profit for the year	8	<u>(5,592)</u>	<u>556</u>
Attributable to equity holders of the Company		<u>(5,592)</u>	<u>556</u>
		RMB	RMB
(Loss)/profit per share			
Basic and diluted	12	<u>(0.02)</u>	<u>-</u>

EBT MOBILE CHINA PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2009

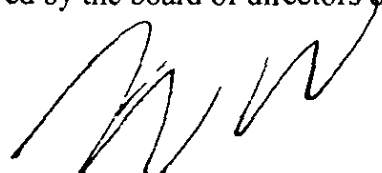
	<u>2009</u> RMB'000	<u>2008</u> RMB'000
Loss for the year	(5,592)	556
Other comprehensive income		
Exchange differences on translation of foreign operations and net gain/(loss) recognised directly in equity	<u>9,504</u>	<u>(52,759)</u>
Total comprehensive income for the year	<u>3,912</u>	<u>(52,203)</u>
Attributable to equity holders of the company	<u>3,912</u>	<u>(52,203)</u>

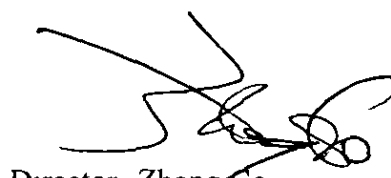
EBT MOBILE CHINA PLC

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009**

	<u>NOTES</u>	<u>2009</u> RMB'000	<u>2008</u> RMB'000
ASSETS			
Non-current assets			
Other intangible assets	13	-	21
Property, plant and equipment	14	4,166	4,961
		<u>4,166</u>	<u>4,982</u>
Current assets			
Inventories	16	58,757	45,795
Trade receivables	17	50,270	58,949
Other receivables	17	5,652	6,371
Cash and cash equivalents	17	112,057	68,487
Deposits and prepayments	17	72,351	51,652
Prepaid value added taxes		2,148	1,490
Amounts due from related parties	17, 24	1,267	348
		<u>302,502</u>	<u>233,092</u>
TOTAL ASSETS		<u>306,668</u>	<u>238,074</u>
Current liabilities			
Trade payables	17	22,204	19,078
Notes payables	17	9,299	10,728
Accruals and other payables	17	7,755	9,502
Other tax liabilities		752	892
		<u>40,010</u>	<u>40,200</u>
Net current assets		<u>262,492</u>	<u>192,892</u>
NET ASSETS		<u>266,658</u>	<u>197,874</u>
EQUITY			
Share capital	18	3,754	3,038
Share premium account	19	67,600	1,065
Other reserves	21	278,372	267,809
Retained losses	20	(83,068)	(74,038)
TOTAL EQUITY		<u>266,658</u>	<u>197,874</u>

These consolidated financial statements of EBT Mobile China Plc, registered number 4654471, were approved by the board of directors on 1 April 2010 and signed on its behalf by


Director-Mark Qiu


Director- Zhang Ge

EBT MOBILE CHINA PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2009

	Share capital RMB'000	Share premium RMB'000	Capital reserve ¹ RMB'000	Capital redemption reserve ¹ RMB'000	Special reserve ¹ RMB'000	Translation reserve ¹ RMB'000	Share option reserve ¹ RMB'000	Acquisition reserve ¹ RMB'000	Deferred consideration reserve ¹ RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2008	53,609	288,170	124,548	-	-	(3,675)	58,298	(97,114)	7,477	(170,287)	261,026
Profit for the year	-	-	-	-	-	-	-	-	-	556	556
Other comprehensive income for the year	-	-	-	-	-	(52,759)	-	-	-	-	(52,759)
Total comprehensive income for the year	53,609	288,170	124,548	-	-	(56,434)	58,298	(97,114)	7,477	(169,731)	208,823
Recognition of share-based payment	77	1,065	-	-	-	-	1,885	-	-	-	3,027
Realised deferred shares for acquisition	22	-	-	-	-	-	-	-	(22)	-	-
Cancellation of deferred shares	(50,437)	(288,170)	-	50,437	-	-	-	-	-	288,170	-
Buy-back shares via tender offer	(233)	-	-	233	-	-	-	-	-	(13,976)	(13,976)
Creation of special reserve	-	-	-	-	178,501	-	-	-	-	(178,501)	-
At 31 December 2008	3,038	1,065	124,548	50,670	178,501	(56,434)	60,183	(97,114)	7,455	(74,038)	197,874
Loss for the year	-	-	-	-	-	-	-	-	-	(5,592)	(5,592)
Other comprehensive income for the year	-	-	-	-	-	9,504	-	-	-	-	9,504
Total comprehensive income for the year	3,038	1,065	124,548	50,670	178,501	(46,930)	60,183	(97,114)	7,455	(79,630)	201,786
Recognition of share-based payment	11	7	-	-	-	-	1,002	-	-	-	10,20
Buy-back shares	(57)	-	-	57	-	-	-	-	-	(3,438)	(3,438)
Issue of equity shares	762	66,528	-	-	-	-	-	-	-	-	67,290
At 31 December 2009	3,754	67,600	124,548	50,727	178,501	(46,930)	61,185	(97,114)	7,455	(83,068)	266,658

¹ The Capital Reserve, Capital Redemption Reserve, Special Reserve, Translation Reserve, Share Option Reserve, Acquisition Reserve and Deferred Consideration Reserve are combined into Other Reserves presented on the face of the Consolidated Statement of Financial Position

**CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2009**

	<u>2009</u> RMB'000	<u>2008</u> RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before tax from continuing operations	(5,592)	556
Adjustments for		
Depreciation of property, plant and equipment	1,553	946
Amortisation of intangible assets	21	1,705
Impairment of intangible assets	-	392
Share-based payments expense	1,002	1,885
Loss on disposal of property, plant and equipment	6	4
Allowances for doubtful debts	(3,866)	(3,288)
Investment revenues	(1,073)	(6,072)
Net foreign exchange loss/(gain)	4,707	(16,283)
Operating cash flows before movements in working capital	(3,242)	(20,155)
(Increase)/decrease in inventory	(12,962)	6,543
Decrease/(increase) in trade receivables	10,174	(9,964)
Decrease in other receivables	820	816
Increase in deposits and prepayments	(17,016)	(8,513)
Decrease in amounts due from related parties	1,431	3,632
Decrease in prepaid value added taxes	(658)	(1,458)
Increase/(decrease) in trade payables	3,126	(595)
Decrease in notes payables	(1,429)	(4,111)
(Decrease)/increase in accruals and other payables	(2,038)	3,837
Decrease in provisions	-	(747)
Decrease in other tax liabilities	(140)	(852)
Net cash from operating activities	(21,934)	(31,567)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	1,073	6,072
Proceeds on disposal of property, plant and equipment	3	47
Purchase of property, plant and equipment	(767)	(2,034)
Purchase of intangible assets	-	(7)
Net cash generated from investing activities	309	4,078

EBT MOBILE CHINA PLC**CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)**
FOR THE YEAR ENDED 31 DECEMBER 2009

	<u>2009</u> RMB'000	<u>2008</u> RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment for share buy-back costs	(3,438)	(13,965)
Proceeds on issue of shares	67,290	1,142
Proceeds on option exercise	18	-
Net cash from financing activities	<u>63,870</u>	<u>(12,823)</u>
NET INCREASE /(DECREASE) IN CASH AND CASH EQUIVALENTS	42,245	(40,312)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	68,487	132,415
Effect of foreign exchange rate change	<u>1,325</u>	<u>(23,616)</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>112,057</u></u>	<u><u>68,487</u></u>

1 GENERAL INFORMATION

EBT Mobile China plc ("the Company") is a company incorporated in Great Britain under the Companies Act 2006. The Company and its subsidiaries ("the Group") is a retailer of mobile telephone products and services, including mobile phones, phone cards, mobile phone accessories and mobile phone related value-added services based in China.

These group financial statements are presented in Renminbi (RMB) 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 3 to the group financial statements.

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

2.1 Standards and Interpretations affecting amounts reported in the current period

In the current year, the following new and revised Standards and Interpretations have been adopted and have affected the amounts reported in these financial statements. Details of other Standards and Interpretations adopted in these financial statements but that have had no effect on the amounts reported are set out in section 2.2.

IAS 1 (Revised 2007)

Presentation of Financial Statements

2.2 Standards and Interpretations adopted with no effect on the financial statements

The following new and revised Standards and Interpretations have been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

- Improvements to IFRSs (2008) including
 - Amendment to IAS 38 Intangible Assets
 - Amendment to IAS 40 Investment Property
 - Amendment to IAS 20 Accounting for Government Grants and Disclosure of Government Assistance
 - Amendment to IFRS 2 Share-based payment – Vesting Conditions and Cancellations
- IFRS 1 (amended)/IAS 27 (amended) Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- Improving Disclosures about Financial Instruments (Amendments to IFRS 7 Financial Instruments, Disclosures)

Note that with respect to the amendments to IFRS 7 above, the Group has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional reliefs offered in these amendments.

- Amendment to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments. Disclosure regarding reclassifications of financial assets
- IAS 23 (revised 2007) Borrowing Costs
- Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") - continued

- Derivatives and IAS 39 Financial Instruments Recognition and Measurement
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation Embedded Derivatives
- Amendments to IFRIC 9 Reassessment of Embedded Derivatives

2 3 Standards and Interpretations in issue not yet adopted

At the date of authorisation of these financial statements, the company has not adopted the following new and revised Standards, Amendments or Interpretations (the "new IFRSs") that have been issued but not yet effective (and in some cases had not yet been adopted by the EU)

- IFRS 2 (amended 2009) Group Cash-settled Share-based Payment Transactions²
- Improvement to IFRSs 2009
- IFRS 3 (revised 2008) Business Combinations¹
- IFRS 9 Financial Instruments³
- IAS 24 (revised 2009) Related Party Disclosures⁴
- IAS 27 (revised 2008) Consolidated and Separate Financial Statements
- IAS 28 (revised 2008) Investments in Associates
- Improvements to IFRSs (April 2009)⁶
- IAS 32 (amended 2009) Classification of Rights Issues⁵
- IAS 39 (amended 2008) Eligible Hedged Items¹
- IFRIC 14 (amended 2009) Prepayments of a Minimum Funding Requirement⁴
- IFRIC 17 Distributions of Non-cash Assets to Owners¹
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments⁷

¹ Effective for annual periods beginning on or after 1 July 2009

² Effective for annual periods beginning on or after 1 January 2010

³ Effective for annual periods beginning on or after 1 January 2013

⁴ Effective for annual periods beginning on or after 1 January 2011

⁵ Effective for annual periods beginning on or after 1 February 2010

⁶ Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate

⁷ Effective for annual periods beginning on or after 1 July 2010

The directors of the group anticipate that the application of the above new and revised standards, amendments or interpretations will have no material impact on the group results and the group financial position of the Company

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) adopted for use in the European Union

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

3 SIGNIFICANT ACCOUNTING POLICIES - continued

Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements, as set out on page 2 of the Directors' Report.

Changes in accounting policies

Presentation of financial statements

IAS 1 (revised) requires the presentation of a statement of changes in equity as a primary statement, separate from the income statement and statement of comprehensive income. As a result, a condensed consolidated statement of changes in equity has been included in the primary financial statements, showing changes in each component of equity for each period presented.

Basis of consolidation

The group 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 group during the year are included in the group 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 4 to the group financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non Current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

Revenue recognition

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

Sales of mobile phones and phone cards are recognised when goods are delivered and title has 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 4 to the group financial statements.

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows: servicing fees included in the price of products sold are recognised by reference to the proportion of the total cost of providing the servicing for the product sold, taking into account historical trends in the number of services actually provided on past goods sold.

3 SIGNIFICANT ACCOUNTING POLICIES - continued

Interest income

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

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

In preparing the financial statements of the each group entity, 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 settlement of monetary items, and on the retranslation of monetary items, are included in the income statement for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the income statement 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

For the purpose of presenting group 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

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

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, the eight companies established in the PRC included in the group financial information have participated in central pension schemes (the "Schemes") operated by local municipal governments, whereby these eight 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 PRC. The only obligation of these eight 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 differences 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 tax profit nor the accounting profit.

3 SIGNIFICANT ACCOUNTING POLICIES - continued

Taxation - continued

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, 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 recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited 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>
Buildings	10%	20 years	4.5%
Motor vehicles	10%	5 years	18%
Fixture and office equipment	5%-10%	3-5 years	18%-32%
Leasehold improvements	-	shorter of lease period or estimated useful life	-

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

3 SIGNIFICANT ACCOUNTING POLICIES - continued

Other intangible assets

Other intangible assets are stated at cost less amortisation and any recognised impairment loss and are amortised on a straight-line basis over their useful lives. With respect to lease agreements, the useful lives represent the term on the relevant lease agreement.

Impairment of tangible and intangible assets

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 (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) 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 the income statement, 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 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.

3 SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments – continued

Financial assets

Financial assets are classified as “loans and receivables”

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Financial assets at FVTPL

Financial assets are classified as at ‘fair value through profit or loss’ (“FVTPL”) where the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future, or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument ;

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise, or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the Group is provided internally on that basis, or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

Financial assets - Loans and receivables

Trade receivables, other receivables, deposits and prepayments and amount due from related parties that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

3 SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Financial instruments - continued

For certain categories of financial asset, such as trade receivables, other receivables and amount due from related parties, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, other receivables and amount due from related parties, where the carrying amount is reduced through the use of an allowance account. When a trade receivable, other receivable and amount due from related parties are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

3 SIGNIFICANT ACCOUNTING POLICIES - continued

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as “other financial liabilities”

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of disposal in the near future, or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking, or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise, or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the Group is provided internally on that basis, or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL; or
- financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payment through the expected life of the financial liability, or, where appropriate, a shorter period.

3 SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

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 share-based 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.

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, which are described in note 3, management has made the following judgements that have the most significant effect on the amounts recognised in the group financial statements.

Consolidation of the 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 Entity (SPE)): 1AtoZ Beijing Co., Ltd (EBT Beijing), Shanghai Everbright Communication Terminal Products Distribution Ltd (EBT Shanghai), Suzhou Everbright Communication Terminal Products Distribution Ltd. (EBT Suzhou) and Shanghai Yibo Telecommunications Products Co., Ltd (formerly Shanghai YBT Service Consulting Co., Ltd).

4 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION
UNCERTAINTY - continued

Consolidation of the special purpose entities - continued

In making its judgement, management considered the detailed requirements 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. They concluded that they do control the financial and operating activities of the SPEs.

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

Exclusive purchase rights

Exclusive purchase rights are 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.

Following the above change, EBT Trade obtained a retail and wholesale licence in 2006. EBT Mobile will exercise the exclusive purchase rights when management considers the timing to be appropriate and after approval has been obtained from the authorities.

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 part of the Group.

Furthermore, Management considers on a day-to-day basis that the Company exerts control over the operations of the Chinese trading entities of EBT as key management personnel direct the activities and decision making of the those entities.

Revenue recognition

As described in note 3, it is the Group's accounting policy to recognise the sale of goods sold out of retail outlets within department stores and hypermarkets at the retail price although the company does not invoice the end customer. In addition, sales of phone cards are recognised at the retail price although the Group is not the primary obligor in such transactions.

4 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION
UNCERTAINTY - continued

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 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 recognised revenue gross or net.

Following the detailed assessment of the Group's activities, management has 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 has concluded that the recognition of revenue on a gross accounting basis is the appropriate accounting treatment for the Group.

5 REVENUE

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

	<u>2009</u> RMB'000	<u>2008</u> RMB'000
Continuing operations		
Mobile phones	438,694	466,706
Phone cards	41,226	88,205
Others	47,393	34,991
	<u>527,313</u>	<u>589,902</u>
Other operating income (note 7)	713	17,285
Investment revenue (note 10)	1,073	6,072
	<u>529,099</u>	<u>613,259</u>

Phone cards sales include sales proceeds of phone cards and commission from suppliers in relation to phone cards sales.

6 SEGMENTS INFORMATION

The Group's operations and markets are located within the People's Republic of China and mainly form a single segment with four types of products: mobile phones, phone card, other audio electronics and related services.

7 OTHER GAINS AND LOSSES

	<u>2009</u> RMB'000	<u>2008</u> RMB'000
Net foreign exchange (loss)/ gain	(4,707)	16,283
Others	713	1,002
	<u>(3,994)</u>	<u>17,285</u>

Other operating income includes amounts earned from finance subsidies from relevant government authorities.

8 LOSS FOR THE YEAR

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

	<u>2009</u> RMB'000	<u>2008</u> RMB'000
Depreciation of property, plant and equipment	1,553	946
Amortisation of intangible assets included in administrative expenses	21	1,705
Impairment of intangible assets	-	392
Net foreign exchange loss/(gain)	4,707	(16,283)
Allowance for doubtful debts on trade and other receivables	(1,516)	(2,108)
Allowance for doubtful debts on amount due from related parties (note 17)	(2,350)	(1,180)
Staff cost, including defined contribution benefit of RMB 5,272,000 (2008 RMB 2,856,000) (note 9)	31,806	26,181
Loss on disposals of property, plant and equipment	6	4
Cost of inventories recognised as an expense	435,852	509,341
Reversal of inventories write-down recognised as an expense	15	(107)
Auditors' remuneration for services (see below)	<u>1,148</u>	<u>1,633</u>

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

	<u>2009</u> RMB'000	<u>2008</u> RMB'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	500	1,093
Fees payable to the Company's auditor and its associates for other services		
- statutory audit of subsidiaries	<u>648</u>	<u>540</u>
	<u>1,148</u>	<u>1,633</u>

No other services were provided by the Company's auditors during the financial year

9 STAFF COSTS

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

	<u>2009</u> Number	<u>2008</u> Number
Sales staff	813	602
Administrative staff	154	173
Executive director	<u>1</u>	<u>1</u>
Total	<u>968</u>	<u>776</u>

EBT MOBILE CHINA PLC

9 STAFF COSTS – continued

The Group also sub-contracted 398 employees (2008: 572 employees) from local human resource companies in the financial year.

Their aggregate remuneration comprised:

	<u>2009</u> RMB'000	<u>2008</u> RMB'000
Share-based payments (note 23)	1,002	1,885
Wages and salaries	25,424	21,268
Pension costs	2,156	1,913
Other social security and welfare costs	3,116	943
Others	108	172
	<u>31,806</u>	<u>26,181</u>

The Group also incurred RMB 8,823,000 in relation to sub-contracted employees in the financial year (2008: RMB 13,395,000).

10 INVESTMENT REVENUES

	<u>2009</u> RMB'000	<u>2008</u> RMB'000
Interest on bank deposits	<u>1,073</u>	<u>6,072</u>

11 TAXATION

	<u>2009</u> RMB'000	<u>2008</u> RMB'000
Current tax	<u>-</u>	<u>-</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

11 TAXATION - continued

	2009		2008	
	RMB'000	%	RMB'000	%
Loss before tax	<u>(5,592)</u>		<u>556</u>	
Tax at the PRC corporation tax rate of 25% (2008 25%)	(1,398)	(25)	139	(25)
Tax effect of revenues that are non taxable in determining taxable profit	-	-	(3,730)	(671)
Tax effect of expenses that are non deductible in determining taxable profit	1,107	20	77	14
Tax effect of expenses that are deductible in determining taxable profit	(963)	(17)	(305)	(55)
Tax effect of unused tax losses not recognised	1,342	24	4,328	779
Tax effect of utilisation of tax losses not previously recognised	<u>(88)</u>	<u>(2)</u>	<u>(509)</u>	<u>(92)</u>
Tax charge for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

A deferred tax asset has not been recognised in respect of tax losses of RMB 31,375,000 available to offset future profits as it is not certain that the tax losses will be utilised in the foreseeable future (2008 RMB 26,370,000). Of the total available tax losses, tax losses of RMB 9,048,000 will expire by 2012, RMB 16,960,000 will expire by 2013 and RMB 5,367,000 will expire by 2014.

There is no other significant temporary difference at balance sheet date.

Decree No 63 of President of the People's Republic of China ("PRC")-Enterprise Income Tax Law of the People's Republic of China (the "EIT Law") was released on 16 March 2007, and was effective as of 1 January 2008. The subsidiaries of the Group that operate in PRC calculated and paid income tax based on the new income tax rate of 25% according to the EIT Law.

12 LOSS PER SHARE

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

	2009	2008
	RMB'000	RMB'000
Loss		
(Loss)/profit for the purpose of basic and diluted earnings per share	<u>(5,592)</u>	<u>556</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>232,348,255</u>	<u>219,423,497</u>

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

13 INTANGIBLE ASSETS

	<u>Software</u> RMB'000	<u>Lease</u> <u>agreements</u> RMB'000	<u>Total</u> RMB'000
<u>Cost</u>			
At 1 January 2008	89	8,376	8,465
Additions	7	-	7
At 31 December 2008 and 2009	96	8,376	8,472
<u>Amortisation and impairment</u>			
At 1 January 2008	51	6,303	6,354
Charge for the year	24	1,681	1,705
Impairment loss	-	392	392
At 31 December 2008	75	8,376	8,451
Charge for the year	21	-	21
At 31 December 2009	96	8,376	8,472
<u>Carrying value</u>			
At 31 December 2009	-	-	-
At 31 December 2008	21	-	21

Software is amortised over its estimated useful life of three years

Lease saving agreements recognised as intangible assets were acquired as part of the acquisition of Jingxin Jialing Telecommunications Co , Ltd in February 2007 and are amortised over lease periods ranging between 7 and 23 months

In the year ended 31 December 2008 the Group recognised an impairment loss of RMB392,000 (2007 RMB789,000) in respect of these assets reflecting the increased competitive business environment that the group currently operates in

14 PROPERTY, PLANT AND EQUIPMENT (PPE)

	Motor vehicles RMB'000	Fixture and office equipment RMB'000	Land and building RMB'000	Asset under construction RMB'000	Leasehold improvement RMB'000	Total RMB'000
Cost						
At 1 January 2008	2,213	2,608	-	1,036	-	5,857
Additions	537	693	-	81	723	2,034
Transfer	-	-	1,117	(1,117)	-	-
Disposals	(99)	(30)	-	-	-	(129)
At 1 January 2009	2,651	3,271	1,117	-	723	7,762
Additions	256	511	-	-	-	767
Disposals	-	(113)	-	-	-	(113)
At 31 December 2009	2,907	3,669	1,117	-	723	8,416
Accumulated depreciation						
At 1 January 2008	857	1,076	-	-	-	1,933
Charge for the year	474	458	14	-	-	946
Disposals	(52)	(26)	-	-	-	(78)
At 1 January 2009	1,279	1,508	14	-	-	2,801
Charge for the year	563	809	51	-	130	1,553
Disposals	-	(104)	-	-	-	(104)
At 31 December 2009	1,842	2,213	65	-	130	4,250
Net book value						
At 31 December 2008	1,372	1,763	1,103	-	723	4,961
At 31 December 2009	1,065	1,456	1,052	-	593	4,166

15 SUBSIDIARIES

Details of the Company's subsidiaries, all of which are in the group financial statements' (as explained in note 4) at 31 December 2009 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	-	-

EBT MOBILE CHINA PLC

15 SUBSIDIARIES - continued

<u>Name</u>	<u>Place of registration and operation</u>	<u>Proportion of ownership interest %</u>	<u>Proportion of voting power held %</u>
Shanghai Yibo Telecommunications Products Co , Ltd. (Shanghai YBT)	PRC	-	-
Suzhou Yiteng Telecommunications Products Co , Ltd (Suzhou Yiteng)	PRC	100	100
Hubei Yiteng Telecommunications Products Co., Ltd (Hubei Yiteng)	PRC	100	100
Shanghai EBT Telecommunications Products Co , Ltd (EBT Tele)	PRC	100	100

16 INVENTORIES

	<u>2009</u> RMB'000	<u>2008</u> RMB'000
Mobile phones	49,461	40,066
Phone cards	3,355	2,964
Others	5,941	2,765
	<u>58,757</u>	<u>45,795</u>

Included above are mobile phone of RMB nil (2008: RMB 8,000) and others of RMB 66,000 (2008: RMB 43,000) which are carried at net realisable value

17 FINANCIAL INSTRUMENTS

Categories and fair value of financial instruments

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

The carrying amounts of each of the following categories of financial assets and financial liabilities are set out as follows:

Cash and cash equivalents

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits RMB 2,000,000 (2008: RMB nil) with an original maturity of three months or less

17 FINANCIAL INSTRUMENTS - continued

Loans and receivables

	<u>2009</u> RMB'000	<u>2008</u> RMB'000
Amounts receivable from the sale of goods and rendering of services	50,875	61,049
Allowance for doubtful debts	(605)	(2,100)
	<u>50,270</u>	<u>58,949</u>
Other receivables	5,652	6,371
Deposits and prepayments	72,351	51,652
Amounts due from related parties	1,267	348
	<u><u>129,540</u></u>	<u><u>117,320</u></u>

Trade receivables

The average credit period taken on sales of goods is 38 days (2008 36 days). No interest is charged on the receivables. Included in the Group's trade receivables balance are debtors with a carrying amounts of RMB 16,074,000 (2008 RMB 12,643,000) which are past due at the reporting date for which the Group has not provided as most of the amounts have been received since the balance sheet date. The amounts presented in the balance sheet are net of allowances for doubtful receivables. The allowance has been determined by reference to past default experience.

The impairment movements of receivables are as follows:

	<u>Trade</u> <u>receivables</u> RMB'000	<u>Other</u> <u>receivables</u> RMB'000	<u>Amounts due</u> <u>from related</u> <u>parties</u> RMB'000	<u>Total</u> RMB'000
At 1 January 2008	2,753	25,911	16,237	44,901
Amounts recovered during the year	(653)	(1,455)	(1,180)	(3,288)
Exchange differences	-	(380)	-	(380)
	<u>2,100</u>	<u>24,076</u>	<u>15,057</u>	<u>41,233</u>
At 31 December 2008	2,100	24,076	15,057	41,233
Amounts recovered during the year	(1,495)	(21)	(2,350)	(3,866)
Exchange differences	-	89	-	89
	<u>605</u>	<u>24,144</u>	<u>12,707</u>	<u>37,456</u>
At 31 December 2009	<u><u>605</u></u>	<u><u>24,144</u></u>	<u><u>12,707</u></u>	<u><u>37,456</u></u>

Deposits and prepayments

Deposits and prepayments comprise prepayments and short-term bank deposits. Included within bank deposits are deposits of RMB 38,423,000 (2008 RMB 32,603,000) for standby letters of credit with an original maturity of twelve months or less.

17 FINANCIAL INSTRUMENTS - continued

Other financial liabilities - amortised cost

	<u>2009</u> RMB'000	<u>2008</u> RMB'000
Financial liabilities		
Trade payables	22,204	19,078
Notes payables	9,299	10,728
Accruals and other payables	7,755	9,502
	<u>39,258</u>	<u>39,308</u>

Trade, notes and accruals and other payables principally comprise amounts outstanding for trade purchases and ongoing basis costs. The average credit period taken for trade purchases is 25 days (2008. 21 days).

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 3 to the financial statements.

Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables, cash and cash equivalents, deposits and prepayments, amount due from related parties, trade payables, other payables and accruals and other payables. The Group's activities expose it to a variety of financial risks, including capital risk, currency risk, interest rate risk, credit risk and liquidity risk. The Group's overall financial risk management objectives and policies remain unchanged over the relevant periods.

Capital risk management

The Group manages its capital to ensure that entities in the Group will each be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising share capital, share premium accounts, other reserves and retained losses as disclosed in notes 18 to 21. It is the Group's policy to maintain a strong capital base so as to sustain future development of the Group's business and to maintain the confidence of creditors.

Externally imposed capital requirement

The Group is not subject to externally imposed capital requirements.

17 FINANCIAL INSTRUMENTS - continued

Currency risk management

The Group's functional currency is Renminbi in which most of the transactions are denominated. However, certain bank balances are denominated in Hong Kong Dollar (HKD) and Pound Sterling (GBP) as a result of the finance raised by the parent company of the Group.

The Group currently does not have a foreign currency hedging policy but management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying value of the Group's monetary assets denominated in foreign currencies as at 31 December 2009 and 31 December 2008 are set out below

	<u>Liabilities</u>		<u>Assets</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	RMB'000	RMB'000	RMB'000	RMB'000
GBP	502	3,419	113,533	69,649
HKD	57	61	211	101

The following table details the Group's sensitivity to a potential change of 1% in exchange rate of each foreign currency against Renminbi while all other variables are held constant. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at each balance sheet date for 1% change in foreign currency rates. A positive number below indicates an increase in profit and other equity where the Renminbi weakens 1% against the relevant currency. For a 1% strengthening of the Renminbi against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

	<u>GBP impact</u>		<u>HKD impact</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	RMB'000	RMB'000	RMB'000	RMB'000
Profit or loss	-	-	-	-
Other equity	1,130	662	2	-

The movement in equity is mainly attributable to the exposure to net assets of EBT Mobile China Plc dominated in GBP.

The Group's sensitivity to foreign currency has decreased during the current period mainly due to the working capital denominated in GBP was used in operating activities.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

17 FINANCIAL INSTRUMENTS - continued

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. In order to minimise the credit risk, the management of the Group has procedures in place to monitor and to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade receivables at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts.

The Group has concentrated credit risk, with exposure spread over a small number parties, acting as collection agents, like department stores, hypermarkets and China Mobile. The Group has credit risk exposure to certain single counterparties and group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are connected entities. Management considers that the credit risk in respect of these customers is minimal, as the counterparties have high credit ratings and are reputable listed companies. Ongoing monitoring of credit risk is performed on the financial condition of trade receivables.

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

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk.

Liquidity risk management

Due to the capital intensive nature of the Group's business and notwithstanding the net current assets position as at the balance sheet dates, the Group ensures that it maintains sufficient cash and credit lines to meet its liquidity requirements. The Group has a policy to maximise the return on surplus cash and also utilise cash within the Group to reduce the costs of external short-term funding. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity and interest risk tables

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. The interest represents the imputed interest expenses on interest-free retention payables, which are not included in the carrying amount of the financial liability on the financial statements.

	Weighted average effective interest rate %	Within 1 year RMB'000	1-2 years RMB'000	2-3 years RMB'000	After 3 years RMB'000	Total RMB'000
<u>At 31 December 2009</u>						
Non-interest bearing	n/a	<u>36,959</u>	<u>2,299</u>	<u>-</u>	<u>-</u>	<u>39,258</u>
<u>At 31 December 2008</u>						
Non-interest bearing	n/a	<u>39,308</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,308</u>

17 FINANCIAL INSTRUMENTS - continued

The following table details the Group's remaining contractual maturity for its non-derivative financial assets other than those classified as available-for-sale and held-for-trading financial assets. The table has been drawn up based on the undiscounted cash flows of financial assets including interest that will be earned on those assets

	Weighted average effective interest rate %	Within 1 year RMB'000	1-2 years RMB'000	2-3 years RMB'000	After 3 years RMB'000	Total RMB'000
<u>At 31 December 2009</u>						
Non-interest bearing	n/a	85,202	5,305	127	483	91,117
Interest bearing	0.4%	38,423	-	-	-	38,423
		<u>123,625</u>	<u>5,305</u>	<u>127</u>	<u>483</u>	<u>129,540</u>
<u>At 31 December 2008</u>						
Non-interest bearing	n/a	84,067	127	462	21	84,677
Interest bearing	2.7%	32,643	-	-	-	32,643
		<u>116,710</u>	<u>127</u>	<u>462</u>	<u>21</u>	<u>117,320</u>

The Group has access to financing facilities, against which the Group are able to issue bank drafts, the total unused amount of which is RMB29,124,000 at the balance sheet date (2008 RMB21,914,000). The Group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

18 SHARE CAPITAL

	<u>2009</u> RMB'000	<u>2008</u> RMB'000
Issued and fully paid 269,756,335 (2008: 207,720,639 of 0.1p each) ordinary shares of 0.1p each	<u>3,754</u>	<u>3,038</u>
Issued and fully paid deferred shares of nil (2008: nil) deferred shares of 0.1p each	<u>-</u>	<u>-</u>

The authorised share capital was by virtue of a special resolution and with sanction of an Order of the High Court of Justice dated 10 December 2008 reduced to 300,000,000 ordinary shares of 0.1p each only and 7,425,000,000 deferred shares were cancelled. The authorised share capital was by virtue of the resolution on annual general meeting dated 29 July 2009 increased to 400,000,000 ordinary shares of 0.1p each only.

EBT MOBILE CHINA PLC

18 SHARE CAPITAL- continued

	Ordinary shares issued Number	Deferred shares issued Number	Total shares issued RMB'000
Balance at 1 January 2008	220,466,331	3,447,931,806	53,609
Share options exercised	7,329,324	-	77
Deferred consideration realised	2,095,037	-	22
Buy-back shares via tender offer	(22,170,053)	-	(233)
Cancellation of deferred shares		-(3,447,931,806)	(50,437)
Balance at 1 January 2009	207,720,639	-	3,038
Share options exercised	1,039,578	-	11
Buy-back shares	(5,614,993)	-	(57)
Issue of equity shares	66,611,111	-	762
Balance at 31 December 2009	269,756,335	-	3,754

Note

- 1) 115,852 options of EBT Mobile China plc were exercised on 5 August 2008.
- 2) 1,632,686 options of EBT Mobile China plc were exercised on 5 December 2008
- 3) 5,580,786 options of EBT Mobile China plc were exercised on 16 December 2008
- 4) 732,247 deferred consideration realised on 30 October 2008
- 5) 244,081 deferred consideration realised on 9 December 2008
- 6) 1,118,709 deferred consideration realised on 15 May 2008.
- 7) 3,447,931,806 deferred shares were cancelled on 10 December 2008
- 8) 22,170,053 shares were bought back via tender offer on 17 December 2008.
- 9) 39,578 options of EBT Mobile China plc were exercised on 4 March 2009
- 10) 5,614,993 shares were bought back via special resolution on 11 May 2009.
- 11) 1,000,000 options of EBT Mobile China plc were exercised on 26 May 2009
- 12) EBT Mobile China plc issued 66,611,111 equity shares at 9p per share on 27 August 2009.

19 SHARE PREMIUM ACCOUNT

	RMB'000
Balance at 1 January 2008	288,170
Share options exercised	1,065
Cancellation of share premium	(288,170)
Balance at 1 January 2009	1,065
Share options exercised	7
Premium arising on issue of equity shares	66,528
Balance at 31 December 2009	67,600

The share premium was by virtue of a special resolution and with sanction of an Order of the High Court of Justice dated 10 December 2008 cancelled and the balance was transferred to retained earnings.

EBT MOBILE CHINA PLC

20 RETAINED EARNINGS/(LOSSES)

RMB'000

Balance at 1 January 2008	(170,287)
Cancellation of share premium (note 19)	288,170
Creation of special reserve	(178,502)
Buy-back shares via tender offer	(13,976)
Profit for the year	556
Balance at 1 January 2009	(74,038)
Buy-back shares via tender offer	(3,438)
Loss for the year	(5,592)
Balance at 31 December 2009	(83,068)

21 OTHER RESERVES

Capital reserve

Liabilities forgiven by GMAI-Asia com, Inc in the year 2005 are regarded as additional contribution and therefore have been included in the capital reserve

Capital redemption reserve and special reserve

By virtue of a special resolution and with sanction of an Order of the High Court of Justice dated 10 December 2008, the capital redemption reserve and special reserve are created in order to protect the interests of the Company's creditors

Translation reserve

During the fiscal year ended 31 December 2009 and 2008, the Group group 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 (GBP and Hong Kong dollar respectively) to the presentation currency (RMB)

Share option reserve

Share option reserve represents amounts accrued in respect of the cost of equity-settled share based options in accordance with IFRS2 *Share-based Payments* (see 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 in the year 2005

Deferred consideration reserve

The deferred consideration reserve represents the shares to be issued as part of the deferred consideration for the business combination that occurred in February 2007

EBT MOBILE CHINA PLC

22 OPERATING LEASE ARRANGEMENTS

	<u>2009</u> RMB'000	<u>2008</u> RMB'000
As lessee:		
Minimum lease payments under operating leases recognised in income for the year	<u>23,567</u>	<u>21,611</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>2009</u> RMB'000	<u>2008</u> RMB'000
Not later than 1 year	22,122	12,233
Later than 1 year and not later than 5 years	49,123	21,624
Later than 5 years	<u>10,553</u>	<u>-</u>
	<u>81,798</u>	<u>33,857</u>

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

23 SHARE-BASED PAYMENTS

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

The Trading Exchange plc options transferred to EBT Mobile China plc

Options are exercisable at a price ranging from £0.01 to £0.50. All options other than those forfeited have been vested as at 31 December 2008. 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. 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, 1,616,666 shares and 1,144,334 shares have been exercised respectively during the year of 2005, 2006 and 2007.

EBT Mobile Limited options transferred to EBT Mobile China plc

Options are exercisable at a price ranging from £0.01 to £0.0197. The maximum vesting period is three 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.

EBT Mobile China plc 2007 options scheme

Options are exercisable at the price £0.001 provided the market share price of the Company exceed the performance targets of each vesting period which are as follows

	<u>Vesting period</u>	<u>Performance target</u>
		GBP
Tranche 1	1 year	0.36
Tranche 2	2 years	0.43
Tranche 3	3 years	0.52

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.

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

	2009			2008		
	Number of share options	Weighted average exercise price		Number of share options	Weighted average exercise price	
		GBP	RMB equivalent		GBP	RMB equivalent
Outstanding at 1 January	7,844,511	0.086	1.21	15,637,170	0.050	0.65
Options forfeited during the year	(796,379)	0.092	0.98	(463,334)	0.001	0.01
Exercised during the year	(1,039,578)	0.002	0.02	(7,329,324)	0.015	0.19
Outstanding at 31 December	<u>6,008,554</u>	<u>0.099</u>	<u>1.45</u>	<u>7,844,511</u>	<u>0.086</u>	<u>1.21</u>
Exercisable at the end of year	<u>3,280,554</u>	<u>0.181</u>	<u>1.94</u>	<u>3,924,511</u>	<u>0.102</u>	<u>1.01</u>

The weighted average share price at the date of exercise for share options exercised during the period was GBP 0.002 (equivalent to RMB 0.02). The options outstanding at 31 December 2009 had a weighted average exercise price of GBP 0.099 (equivalent to RMB 1.45), and the remaining contractual life ranging from five years to infinity.

23 SHARE-BASED PAYMENTS - continued

The Group recognised total expenses of RMB 1,002,000 related to equity-settled share-based payment transactions in 2009 (2008: RMB 1,885,000)

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 China Retail Venture #1
China Everbright Telecom-land Network Co., Ltd	A company under common control of China Retail Venture #1
China Retail Venture #1, Inc	Substantial shareholder of the Company

China Retail Venture #1, Inc., which is ultimately wholly owned by James A. Reiman, non-executive director of EBT, acquired all the shares in EBT owned by GMAI-Asia com, Inc. on 7 December 2006 and became the substantial shareholder of the Company.

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

(a) Other related party transactions

Net amounts due from a related company, Everbright Telecom-land Network (Shanghai) Co., Ltd. are RMB 1,267,000 as at 31 December 2009 (2008: RMB 348,000), which are expected to be collected in the first half of 2010. These balances are stated after allowances for doubtful debts amounting to RMB 12,707,000 (2008: RMB 15,057,000).

(b) 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>2009</u> RMB'000	<u>2008</u> RMB'000
Short-term employee benefits including emoluments of RMB 3,409,000 (2008: RMB 3,719,000)	3,971	4,270
Post-employment benefits	94	85
Share-based payments	263	1,193
	<u>4,328</u>	<u>5,548</u>

During the year of 2009, directors exercised 1,000,000 option shares (2008: 4,284,996) and the aggregate gain on exercise was RMB nil (2008: RMB 827,000).

24 RELATED PARTY TRANSACTIONS - continued

The highest paid director for the year is disclosed

	<u>2009</u> RMB'000
Emoluments	971
Benefits received or receivable under long-term incentive schemes	500
Gain on exercising for share options	-
	<u>1,471</u>

* * * * *

EBT MOBILE CHINA PLC

AUDITORS' REPORT AND FINANCIAL STATEMENTS (COMPANY ONLY)
FOR THE YEAR ENDED 31 DECEMBER 2009
(Prepared under UK GAAP)

<u>CONTENTS</u>	<u>PAGE</u>
COMPANY ONLY AUDITORS' REPORT	1 - 2
COMPANY BALANCE SHEET	3
NOTES TO THE COMPANY FINANCIAL STATEMENTS	4 - 9

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

We have audited the parent company financial statements of EBT Mobile China plc for the year ended 31 December 2009 which comprise Parent Company Balance Sheet and related notes 1 to 10. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the parent company financial statements

- give a true and fair view of the state of the parent company's affairs as at 31 December 2009,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion:

the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

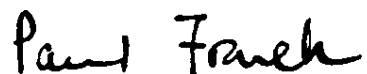
Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the group financial statements of EBT Mobile China plc for the year ended 31 December 2009

A handwritten signature in black ink that reads "Paul Franek". The signature is written in a cursive, slightly slanted style.

Paul Franek (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, UK

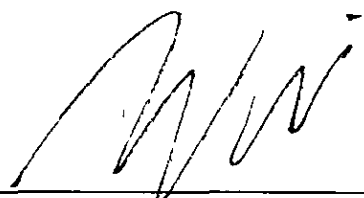
1 April 2010

EBT MOBILE CHINA PLC

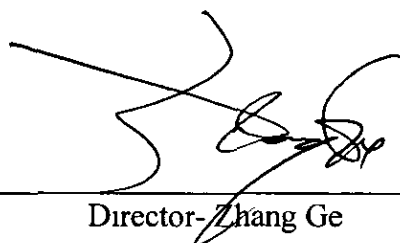
COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2009

	<u>NOTES</u>	<u>2009</u> <u>GBP</u>	<u>2008</u> <u>GBP</u>
FIXED ASSETS			
Investment in subsidiaries	3	<u>9,350,711</u>	<u>7,280,853</u>
CURRENT ASSETS			
Debtors	4	<u>7,246,061</u>	<u>7,220,818</u>
Cash at bank and in hand		<u>6,840,093</u>	<u>3,575,858</u>
		<u>14,086,154</u>	<u>10,796,676</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	5	<u>(50,296)</u>	<u>(346,084)</u>
NET ASSETS		<u>23,386,569</u>	<u>17,731,445</u>
CAPITAL AND RESERVES			
Called up share capital	6	269,756	207,720
Share premium account	7	5,920,974	101,002
Other reserve	8	19,217,496	19,118,067
Retained loss	9	<u>(2,021,657)</u>	<u>(1,695,344)</u>
EQUITY SHAREHOLDERS' FUNDS	10	<u>23,386,569</u>	<u>17,731,445</u>

These consolidated financial statements of EBT Mobile China Plc, registered number 4654471, were approved by the board of directors on 1 April 2010 and signed on its behalf by.



Director-Mark Qiu



Director-Zhang Ge

NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

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 and in accordance with applicable United Kingdom accounting standards.

Investments

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

Share-based payments

The Company has applied the requirements of FRS 20 *Share-based Payments*. In accordance with the transitional provisions, FRS 20 has been applied to all grants of equity instruments after 7 November 2002 that were unvested at 1 January 2005.

The Company issues equity-settled share-based payments to certain employees. A fair value for the equity-settled share awards is measured at the date of grant. The fair value is measured using the Binomial model of valuation, which is considered to be the most appropriate valuation technique. The valuation takes into account factors such as non-transferability, exercise restrictions and behavioural considerations.

An expense is recognised to spread the fair value of each award over the vesting period on a straight-line basis, after allowing for an estimate of the share awards that will actually vest. The estimate of vesting is reviewed annually, with any impact on the cumulative charge being recognised immediately. Share-based payments granted to employees of the subsidiary entities are recognised as an increase in investments.

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 or 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.

NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

1 SIGNIFICANT ACCOUNTING POLICIES - continued

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 recognised when fixed assets are revalued 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.

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.

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 rates of exchange at the dates of the transactions. 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 elected to take the exemption from the requirement to publish a separate profit and loss account for the parent company in accordance with section 408(3) of the Companies Act 2006.

Excluding four non-executive directors in 2009 (2008: three), the average monthly number of employees is nil (2008: nil).

The net gain for the year is GBP10,588.

EBT MOBILE CHINA PLC

2 LOSS BEFORE TAX - continued

Their aggregate remuneration comprised

	<u>2009</u> GBP	<u>2008</u> GBP
Wages and salaries	78,414	90,393
Social security costs	1,120	7,637
	<u>79,534</u>	<u>98,030</u>

The auditors' remuneration for audit and other services is disclosed in note 8 to the group accounts

3 INVESTMENT IN SUBSIDIARIES

	<u>Investment in</u> <u>subsidiaries</u> GBP	<u>Capital</u> <u>contributions</u> GBP	<u>Total</u> GBP
Balance at 1 January 2008	96,365	2,981,263	3,077,628
Share options granted to non-UK employees	-	118,711	118,711
Investment in EBT Trade (note as below)	4,084,514	-	4,084,514
Balance at 1 January 2009	4,180,879	3,099,974	7,280,853
Share options granted to non-UK employees	-	79,858	79,858
Investment in EBT Trade (note as below)	1,990,000	-	1,990,000
Balance at 31 December 2009	<u>6,170,879</u>	<u>3,179,832</u>	<u>9,350,711</u>

In 2008 and 2009, the Company converted loans made to EBT Trade into equity share capital in the company of an equivalent amount. Capital contributions represent share options granted to employees and parties of non-UK entities, and deferred consideration shares for non-UK entity's business acquisition.

Details of the Company's subsidiaries at 31 December 2009 are as follows

<u>Name</u>	<u>Place of</u> <u>registration</u> <u>and operation</u>	<u>Proportion</u> <u>of ownership</u> <u>interest</u> %	<u>Proportion</u> <u>of voting</u> <u>power held</u> %	<u>Method used</u> <u>to account</u> <u>for investment</u>
EBT Mobile Limited	Hong Kong	100	100	Cost
EBT International Trade (Shanghai) Co , Ltd. (EBT Trade)	PRC	100	100	Cost

EBT MOBILE CHINA PLC

4 DEBTORS

	<u>2009</u> GBP	<u>2008</u> GBP
Amounts due from subsidiaries	3,744,285	3,744,285
Deposits and prepayments	3,501,776	3,455,936
Prepaid taxes	-	20,597
	<u>7,246,061</u>	<u>7,220,818</u>

5 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>2009</u> GBP	<u>2008</u> GBP
Other creditors	<u>50,296</u>	<u>346,084</u>

6 CALLED-UP SHARE CAPITAL

	<u>2009</u> GBP	<u>2008</u> GBP
Issued and fully paid ordinary shares 269,756,335 (2008 207,720,639 of 0 1p each) ordinary shares of 0 1p each	<u>269,756</u>	<u>207,720</u>
Issued and fully paid deferred shares of nil (2008 nil) deferred shares of 0 1p each	<u>-</u>	<u>-</u>

The authorised share capital was by virtue of a special resolution and with sanction of an Order of the High Court of Justice dated 10 December 2008 reduced to 300,000,000 ordinary shares of 0 1p each only. The authorised share capital was by virtue of the resolution on annual general meeting dated 29 July 2009 increased to 400,000,000 ordinary shares of 0 1p each only.

	<u>Share issued</u> <u>Number</u>	<u>Share</u> <u>Number</u>	<u>Share issued</u> <u>amount</u> GBP
Balance at 1 January 2008	220,466,331	3,447,931,806	3,668,398
Share options exercised	7,329,324	-	7,329
Deferred consideration realised	2,095,037	-	2,095
Cancellation of deferred shares	-	(3,447,931,806)	(3,447,932)
Buy-back shares via tender offer	(22,170,053)	-	(22,170)
Balance at 1 January 2009	207,720,639	-	207,720
Share options exercised	1,039,578	-	1,039
Buy-back shares via tender offer	(5,614,993)	-	(5,614)
Issue of equity shares	66,611,111	-	66,611
Balance at 31 December 2009	<u>269,756,335</u>	<u>-</u>	<u>269,756</u>

EBT MOBILE CHINA PLC

6 CALLED-UP SHARE CAPITAL - continued

- 1) 115,852 options of EBT Mobile China plc were exercised on 5 August 2008.
- 2) 1,632,686 options of EBT Mobile China plc were exercised on 5 December 2008.
- 3) 5,580,786 options of EBT Mobile China plc were exercised on 16 December 2008
- 4) 732,247 deferred consideration realised on 30 October 2008.
- 5) 244,081 deferred consideration realised on 9 December 2008
- 6) 1,118,709 deferred consideration realised on 15 May 2008
- 7) 3,447,931,806 deferred shares were cancelled on 10 December 2008
- 8) 22,170,053 shares were bought back via tender offer on 17 December 2008.
- 9) 39,578 options of EBT Mobile China plc were exercised on 4 March 2009
- 10) 5,614,993 shares were bought back via special resolution on 11 May 2009
- 11) 1,000,000 options of EBT Mobile China plc were exercised on 26 May 2009.
- 12) EBT Mobile China plc issued 66,611,111 equity shares at 9p per share on 27 August 2009

7 SHARE PREMIUM ACCOUNT

	<u>2009</u> GBP	<u>2008</u> GBP
Balance at 1 January	101,002	19,404,956
Premium arising on issue of equity shares	5,819,232	-
Share options exercised	740	101,002
Cancellation of share premium	-	(19,404,956)
Balance at 31 December	<u>5,920,974</u>	<u>101,002</u>

The share premium was by virtue of a special resolution and with sanction of an Order of the High Court of Justice dated 10 December 2008 cancelled and the balance was transferred to the retained earning reserve as distributable reserve

EBT MOBILE CHINA PLC

8. OTHER RESERVES

	<u>2009</u> GBP	<u>2008</u> GBP
Balance at 1 January	19,118,067	4,004,683
Recognition of share-based payments	93,813	145,377
Deferred consideration for acquisition	-	(2,095)
Cancellation of deferred shares	-	3,447,932
Buy-back shares	5,616	22,170
Creation of special reserve	-	11,500,000
Balance at 31 December	<u>19,217,496</u>	<u>19,118,067</u>

Other reserve represents the share options reserve, deferred consideration reserve, capital redemption reserve and special reserve. The share-based payments are disclosed in note 23 to the group financial statements. The capital redemption reserve and special reserve are created in order to protect the interests of the Company's creditors.

9. RETAINED LOSS

	<u>2009</u> GBP	<u>2008</u> GBP
Balance at 1 January	(1,695,344)	(7,929,931)
Net gain/(loss) for the year	10,588	(340,166)
Cancellation of share premium	-	19,404,956
Creation of special reserve	-	(11,500,000)
Buy-back shares	(336,900)	(1,330,203)
Balance at 31 December	<u>(2,021,656)</u>	<u>(1,695,344)</u>

10. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>2009</u> GBP	<u>2008</u> GBP
Balance at 1 January	17,731,445	19,148,106
Buy-back shares	(336,900)	(1,330,203)
Issues of equity shares	5,885,843	-
Share options exercised	1,780	108,331
Recognition of share-based payments	93,813	145,377
Net gain/(loss) for the year	10,588	(340,166)
Balance at 31 December	<u>23,386,569</u>	<u>17,731,445</u>

* * * *