
# QUASAR
## Communication Technology Holdings Limited

annual report 2006

stock code : 8171

QUASAR COMMUNICATION TECHNOLOGY

# CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. GEM listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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# CORPORATE INFORMATION

## EXECUTIVE DIRECTORS

| | |
|---|---|
| Chan Ka Wo | Chairman (Appointed on 16 January 2006) |
| Ra Chang Ju | Chief Executive Officer |
| Ong Se Mon | |
| Cho Hui Jae | (Appointed on 6 March 2007) |

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Lo Hang Fong
Li Meng Long
Choy Mun Kei

## COMPLIANCE OFFICER

Ra Chang Ju

## COMPANY SECRETARY

Shum Hoi Luen

## AUTHORISED REPRESENTATIVES

Ra Chang Ju
Shum Hoi Luen

## QUALIFIED ACCOUNTANT

Shum Hoi Luen

## AUDIT COMMITTEE

Lo Hang Fong
Li Meng Long
Choy Mun Kei

## REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

12th Floor, Crocodile House 1
50 Connaught Road Central
Hong Kong

## PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
DBS Bank (Hong Kong) Limited
HSBC HK
Korea Exchange Bank
Standard Chartered Bank

## PRINCIPAL SHARE REGISTER AND TRANSFER OFFICE

Bank of Bermuda (Cayman) Limited
36C Bermuda House, 3rd Floor
P.O. Box 513 GT, Dr. Roy's Drive
George Town, Grand Cayman
Cayman Islands, British West Indies

## HONG KONG BRANCH SHARE REGISTER AND TRANSFER OFFICE

Abacus Share Registrars Limited
26th Floor, Tesbury Centre
28 Queen's Road East, Wanchai
Hong Kong

## AUDITORS

Cachet Certified Public Accountants Limited and CCIF CPA Limited

## LEGAL ADVISERS

**As to Cayman Islands Law**
Conyers Dill & Pearman

**As to Hong Kong Law**
Michael Li & Co

## STOCK QUOTE

8171

## WEBSITE OF THE COMPANY

www.quasarcomm.com

# CHAIRMAN'S STATEMENT

2006 marks a productive year for the PRC mobile phone industry.

Both the improving purchasing power of residents and the appreciation of RMB in the PRC are, among others, general economic factors driving the growth of the PRC mobile phone industry. Based on the estimates by eMarketer, around 25% of mobile phone subscribers in China fall within 20 – 24 age range. Young adults of this age group have strong purchasing power and thus always look for smartphones featuring high profile and "extra-slim" size as they switch from conventional handsets. To accommodate the purchasing patterns and demands from these young adults, foreign mobile phone manufacturers have invested heavily in mobile phone design and multimedia functions for shortening the product life cycle of smartphones, complemented with a competitive pricing strategy aimed at addressing the particular needs of this market niche. It is expected that domestic mobile phone manufacturers will follow the same move as well to maintain their market shares.

Minister of Information Industry of the PRC, Mr. Wang Xudong said that China remains optimistic about the launch of 3G services prior to the Olympic Games to be held in Beijing in 2008. It is therefore expected that China's telecommunication regulators will take various measures to ensure the smooth launch of the 3G project in China in 2007. According to Analysys International, investments in major 3G equipment will total RMB310.5 billion in the next six years. Both foreign mobile phone giants and major domestic mobile phone manufacturers have committed to make huge investments in 3G development for the preparations of the coming 3G era in China. It is believed that the acceleration of the 3G development in China will be a market focus in the near future.

The growth in the number of mobile phone subscribers in big cities, such as Beijing, Shenzhen and Guangzhou, starts to slow down, given the very high penetration rate in these big cities as compared to the extremely low penetration rate in rural areas. China's rural market is much different from that in the big cities of western countries in the way that one fixed-line phone or mobile phone is usually shared among homes in China's rural villages. In view of this shortage of communication means, the "Cuncun Tong Project", aimed at connecting every rural village through fixed telephone lines and mobile phones, has been launched as part of the telecommunication development programme under China's 11th Five-Year Plan. Two domestic telecommunication operators, China Mobile and China Unicom, have capitalised on this opportunity by building up extensive marketing and distribution channels in rural areas, and satisfactory results have been achieved initially.

In summary, the mobile phone industry in the PRC remains competitive and dynamic, given different consumer preferences and behaviour in different geographic locations. As the soon-to-be-out telecommunications law is expected to create an improved environment for fair competition and operations, it is generally believed that the PRC mobile phone industry will remain very optimistic in 2007 and be able to maintain a double-digit growth in the near future. We are therefore very confident that the PRC mobile phone industry will flourish again during another prosperity period of the industry. We are also confident that the Group will be able to capitalise on every opportunity that may arise from time to time and strive to maximise returns for our shareholders.

## FINANCIAL REVIEW

During the year ended 31 December 2006, the Group recorded a turnover from continuing operations of approximately HK$250,523,000 (2005: HK$273,760,000), representing a decrease of 8.49%. Despite of this, we have achieved a revenue of HK$150,559,000 from the last two quarters of the year, representing an increase of 10.54% over the same period of last year (2005: HK$136,199,000). The decline in turnover from continuing operations in the first two quarters was mainly attributable to (i) the ongoing consolidation of the Group's business in the PRC in the current year and (ii) intense competition in the PRC mobile phone industry.

# CHAIRMAN'S STATEMENT

During the year ended 31 December 2006, the Group recorded a profit from continuing operations of approximately HK$6,224,000 (2005: HK$6,438,000), representing a decrease of 3.32%. The decrease was resulted from a gain on disposal of a subsidiary of HK$2,989,000 recorded in last year which was a one off exceptional item. Taking such effect into account, the adjusted profit from continuing operations for the year ended 31 December 2005 amounted to HK$3,449,000. An increase of 80.46% was noted in the adjusted profit from continuing operations. The upsurge in the profit was mainly due to (i) the firm customer base of the Group and (ii) effective cost control. The persistent rise in profit for the year in the two consecutive periods suggests that the Group is already back to the right track and will strive to maintain the growth momentum.

In spite of the intense competition in the PRC mobile phone industry, the Group was still able to uplift its gross profit ratio through continuous offer of quality mobile phone solutions and after-sales services to our customers, and change of the product mix by the sales of parts and components with a higher profit margin.

Upon completion of the disposal of Quasar Communication Technology Korea Ltd. ("Quasar Korea") on 17 October 2005, the Group's net profit for the year ended 31 December 2006 further improved as a result of the business integration and human resource restructuring. Apart from the success in disposing of the loss-suffering operation, the Group has also been able to maintain its profitability and record a profit for the year with a growing trend for two consecutive years since the Group recorded a loss in 2004.

## OPERATIONAL REVIEW

The acquisition of 東莞市晶捷電訊產品有限公司 was finally terminated on 31 July 2006. The termination did not have any material adverse impact on the business operation of the Group and was in the best interests of the shareholders. The Group still takes an active interest in identifying other opportunities that may help uplift its competitive advantages in future by enhancing its quality control in the manufacturing processes.

The Company entered into two subscription agreements with two new subscribers on 8 May 2006 and 9 October 2006, respectively, raising approximately HK$11,208,000 in total which has been fully utilised as general working capital for funding the acceleration of the growth of the Group and minimising any unnecessary finance costs which may have been incurred.

With the encouraging results achieved in the current year, the Group will continue to optimise and improve operational efficiency while at the same time ensuring the quality of products and services to be delivered to our customers in future.

## OUTLOOK

We have every confidence in the PRC mobile phone market which is currently the largest around the globe, with growing number of mobile phone subscribers over the past several years.

Based on the statistics released by the Ministry of Information Industry, the number of mobile phone subscribers in the PRC reached 461 million as at the end of December 2006, representing an increase of 68 million over the beginning of 2006. eMarketer has forecasted that the number of mobile phone subscribers in China will top 635 million by 2010. All these statistics suggest that the mobile phone industry in the PRC looks promising in the medium term.

# CHAIRMAN'S STATEMENT

The Group entered into sale and purchase agreements (the "Agreements") with Korea Technology Investment Corporation and KTIC M&A, Inc. on 29 December 2006 for the purchase of 22.49% shares in KBT Mobile Co., Limited ("KBT"), a South Korean company which has the capability to develop 3G mobile appliances, to capitalise on the new potential business opportunity arising from this area. Together with the advanced technology of KBT to develop 3G mobile appliances and the existing firm customer base of the Group in the PRC, the Group will form a business alliance through a proposed acquisition to make preparations for the new 3G era in China in the near future. Certain terms of the Agreements are subject to negotiation for amendments and the proposed acquisition is expected to be completed by the end of May 2007.

The Group always keeps abreast of technology upgrades on mobile appliances. We possess profound knowledge of the telecommunication sector, product features and the needs of our customers. We will continue to provide innovative product ideas to our customers to help reinforce and maintain their market positioning, and will grow together with them as our ongoing business partners.

Having already been fully aware of the demand for smartphones in the PRC market several years ago, the Group is now well-positioned for the development of the smartphone business. The Group's unique strength in making ongoing innovative product features catering for customers' needs is expected to contribute substantially in the long term to the switch from conventional handsets to smartphones by young adults who have strong purchasing power.

We expect 2007 to be a more promising and challenging year for the Group. Leveraging on our prudent and experienced management as well as our strong and committed workforce, we will strive to maintain and further expand our market share while at the same time bringing along greater return to our shareholders.

The growth and success of the Group can only be accomplished with the efforts and excellent performance of our entire staff, as well as the support of our business partners and bankers. I would like to take this opportunity to express my most sincere gratitude towards their contributions. We will devote every and each of our efforts to delivering the best performance and results in 2007 and the years ahead.

**Chan Ka Wo**
*Chairman*

Hong Kong, 26 March 2007

# MANAGEMENT DISCUSSION AND ANALYSIS

## LIQUIDITY, FINANCIAL RESOURCES AND GEARING

The Group continued to finance its operation and capital expenditure through internally generated fund, and support certain product solutions development and business expansion from the listing proceeds as disclosed in the prospectus of the Company. The Group maintained a healthy liquidity position with a current ratio of approximately 4.16 (2005: 1.82) and total cash and bank balances amounted to approximately HK$23,571,000 (2005: HK$62,602,000) with no pledged deposits placed in banks for securing any borrowings or banking facilities. As at 31 December 2006, the gearing ratio based on total liabilities over total assets was approximately 23.73% (2005: 52.11%).

## CAPITAL STRUCTURE AND FLUCTUATION IN EXCHANGE

Saved as disclosed in the consolidated statement of changes in equity and the note 25 to financial statements, there is no movement in the capital structure during the year.

During the year under review, sales and purchases of the Group were mainly transacted in US dollars and Hong Kong dollars. As at 31 December 2006, substantial portion of the assets and liabilities of the Group were current in nature, and the amounts were principally denominated in US dollars and Hong Kong dollars, foreign exchange risk was considered to be minimal.

## EMPLOYEES

As at 31 December 2006, there was a total of 22 (2005: 22) full-time staff employed by the Group. The staff costs, for the year including directors' remuneration were approximately HK$5,287,000 (2005: HK$5,008,000).

## SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS

During the year under review, the Group did not have any significant investment or material acquisitions. The proposed acquisition of KBT, which is mentioned under the section Outlook above, constitutes a major transaction under GEM Listing Rules and will be subject to the approval by the shareholders of the Company in the extraordinary general meeting later.

## CHARGE, CONTINGENT LIABILITIES AND COMMITMENTS

There were guarantees to the extent of HK$40,000,000 (2005: HK$240,000,000) given to banks by the Company in respect of banking facilities available to certain wholly owned subsidiaries. As at 31 December 2006, the Group had commitment under operating lease amounting to approximately HK$399,000 (2005: HK$912,000) and there was no charges on any assets of the Group.

# MANAGEMENT DISCUSSION AND ANALYSIS

## PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities during the year.

## BOARD PRACTICES AND PROCEDURES

The Company was in compliance with the Board Practices and Procedures as set out in Rule 5.34 of the GEM Listing Rules throughout the year.

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the directors or management shareholders of the Company (as defined in the GEM Listing Rules) has an interest in a business which competes or may compete with the business of the Group.

# MANAGEMENT PROFILE

## EXECUTIVE DIRECTORS

Chan Ka Wo, aged 46, is the Chairman of the Group. He is responsible for the overall management of the board. Mr. Chan holds a master degree in electronic engineering and a bachelor degree in electrical and electronic engineering from James Cook University in Australia. Mr. Chan has over 19 years of experience in the field of telecommunications. Mr. Chan participated in many telecommunication infrastructure projects in Hong Kong and the PRC and through his participation in these infrastructure projects, Mr. Chan gained knowledge on the development of the infrastructure for the telecommunication industry. Mr. Chan joined the Group in January 2006.

Ra Chang Ju, aged 43, is the Chief Executive Officer of the Group. He is responsible for the overall strategic planning and organisation of the Company. Mr. Ra holds a bachelor degree in economics from Korea University in South Korea. Before joining the Group in June 2001, he held senior management position in international firm and has accumulated experience in the computer and consumer electronic appliance field.

Ong Se Mon, aged 43, holds a bachelor degree in statistics and computer science from the University of New South Wales, Australia. He has over 15 years of experience in the computer industry and held senior management position in an actuary and consulting firm.

Mr. Cho Hui Jae, aged 68, holds a bachelor degree in electrical engineering from Yonsei University in Korea. Mr. Cho has over 40 years of experience in the field of electronics and telecommunications in Korea and Hong Kong. Mr. Cho joined the Group in March 2007.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Lo Hang Fong, aged 44. Mr. Lo is a solicitor practicing in Hong Kong and is currently a partner with Messrs. Stevenson Wong & Co. Solicitors & Notaries. He has acquired over 15 years of experience in corporate advisory on mergers and acquisitions, initial public offerings and loan syndication.

Li Meng Long, aged 44. Mr. Li is currently a partner of a law firm in Peoples' Republic of China (the "PRC"). He has been served as a practicing solicitor in the PRC for over 9 years. Mr. Li graduated from 哈爾濱理工大學 of the PRC with bachelor of engineer degree in 1985 and 中國人民大學 of the PRC with bachelor of law degree in 1989.

Choy Mun Kei, aged 43. Mr. Choy is currently a company secretary of a company listed in the main board of the Stock Exchange. He received a Master of Corporate Finance from The Hong Kong Polytechnic University and is a fellow member of the Association of Chartered Certified Accountants and a certified public accountant (practising) of The Hong Kong Institute of Certified Public Accountants.

## COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Shum Hoi Luen, aged 31, is the company secretary and senior accounting manager of the Group. He holds a bachelor degree in accountancy from The Hong Kong Polytechnic University. Mr. Shum is an associate member of The Hong Kong Institute of Certified Public Accountants. He has over 9 years of experience in accounting and auditing field.

# REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2006.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 16 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

## RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2006 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 22 to 65.

The directors do not recommend the payment of a dividend for the year.

## SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 66. This summary does not form part of the audited financial statements.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the financial statements.

## SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital during the year are set out in note 25 to the financial statements.

There was no movement in the Company's share options during the year.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws of the Company or the laws of Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

# REPORT OF THE DIRECTORS

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

## RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 27(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

## DISTRIBUTABLE RESERVES

At 31 December 2006, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Law Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to HK$63,763,000. This includes the Company's share premium account, in the amount of HK$51,579,000 which may be distributed provided that immediately following the date, on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. The share premium account may be distributed in the form of fully paid bonus shares.

## MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 69.95% of the total sales for the year and sales to the largest customer included therein accounted for to 22.36%. Purchases from the Group's five largest suppliers accounted for 48.03% of the total purchases for the year and purchases to the largest supplier included therein 19.00%.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.

## DIRECTORS

The directors of the Company during the year were:

**Executive directors:**

Mr. Chan Ka Wo (appointed on 16 January 2006)
Mr. Ra Chang Ju
Mr. Ong Se Mon

**Independent non-executive directors:**

Mr. Lo Hang Fong
Mr. Li Meng Long
Mr. Choy Mun Kei

# REPORT OF THE DIRECTORS

Subsequent to the balance sheet date on 6 March 2007, Mr. Cho Hui Jae was appointed as an executive director of the Company.

In accordance with Clause 87 of the Company's Articles of Association, Mr. Ong Se Mon, Mr. Cho Hui Jae and Mr. Lo Hang Fong will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmations of independence from Mr. Lo Hang Fong, Mr. Li Meng Long and Mr. Choy Mun Kei as at the date of this report. As such, the Company considers them to be independent.

## DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 9 of the annual report.

## DIRECTORS' SERVICE CONTRACTS

All the executive directors of the Company have each entered into a service contract with the Company for an initial term of three years, except for Mr. Chan Ka Wo and Mr. Cho Hui Jae. All the above-mentioned service contracts are continuous until terminated by either party giving to the other not less than six months' notice in writing, or otherwise in accordance with its terms.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

## DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at general meetings and monitored by the remuneration committee on a continuous basis. Other emoluments are determined by the Company's remuneration committee with reference to directors' duties, responsibilities and performance and the results of the Group.

## DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2006, the interests and short positions of the directors and chief executive in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Rule 5.46 of the GEM Listing Rules, were as follows:

*Long positions in ordinary shares of the Company:*

| | | Number of shares held, capacity and nature of interest | | |
|---|---|---|---|---|
| Name of director | *Notes* | Through controlled corporation | Total | Percentage of the Company's issued share capital |
| Mr. Chan Ka Wo | *1* | 74,621,186 | 74,621,186 | 14.17% |
| Mr. Ra Chang Ju | *2* | 14,338,235 | 14,338,235 | 2.72% |
| Mr. Ong Se Mon | *3, 4* | 55,536,000 | 55,536,000 | 10.55% |

*Notes:*

1. These shares are registered in the name of Choice Media Investments Limited ("Choice Media"). Mr. Chan Ka Wo legally and beneficially owns the entire issued share capital of Choice Media. Accordingly, Mr. Chan Ka Wo is deemed to be interested in all the share registered in the name of Choice Media.

2. These shares are registered in the name of Digit Success Investments Limited ("Digit Success"). Mr. Ra Chang Ju legally and beneficially owns the entire issued share capital of Digit Success. Accordingly, Mr. Ra Chang Ju is deemed to be interested in all the shares registered in the name of Digit Success.

3. These shares are registered in the name of Pilot Choice Management Limited ("Pilot Choice"). Mr. Ong Se Mon legally and beneficially owns the entire issued capital of Pilot Choice. Accordingly, Mr. Ong Se Mon is deemed to be interested in all the shares registered in the name of Pilot Choice.

4. Saved as disclosed in note 3 above, Mr. Ong Se Mon is also beneficially interested in the shares registered under the name of i.Concept Inc. ("i.Concept") and i.Concept is an indirect wholly owned subsidiary of PINE Technology Holdings Limited ("PINE Technology") and Mr. Ong Se Mon is beneficially interested in an approximately 0.61% of the issued share capital of PINE Technology. PINE Technology has 7.93% indirect interest in the Company.

Save as disclosed above, as at 31 December 2006, none of the directors or chief executive had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Rule 5.46 of the GEM Listing Rules.

# REPORT OF THE DIRECTORS

## CONTRACT OF SIGNIFICANCE

No contract of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2006, the following interests and short positions of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

***Long positions:***

| Name of shareholder | *Notes* | Capacity and nature of interest | Number of ordinary shares held | Percentage of the Company's issued share capital |
|---|---|---|---|---|
| Shin Dong Hoon | | Beneficial owner | 81,200,000 | 15.42% |
| Choice Media | *1* | Beneficial owner | 74,621,186 | 14.17% |
| Pilot Choice | *2* | Beneficial owner | 55,536,000 | 10.55% |
| i.Concept | *3* | Beneficial owner | 41,740,196 | 7.93% |
| Pan Eagle Limited | *3* | Corporate interests | 41,740,196 | 7.93% |
| Pine Technology (BVI) Limited | *3* | Corporate interests | 41,740,196 | 7.93% |
| PINE Technology | *3* | Corporate interests | 41,740,196 | 7.93% |
| KTIC M&A Inc. ("KTIC") | *4* | Beneficial owner | 39,000,000 | 7.41% |
| Shenyin Wanguo Strategic Investments (H.K.) Limited | *5* | Beneficial owner | 20,000,000 | 3.80% |
| Shenyin Wanguo Trading (H.K.) Limited | *5* | Beneficial owner | 21,628,000 | 4.11% |
| Shenyin Wanguo (H.K.) Limited | *5* | Corporate interests | 41,628,000 | 7.91% |

***Short positions:***

| Name of shareholder | *Notes* | Capacity and nature of interest | Number of ordinary shares held | Percentage of the Company's issued share capital |
|---|---|---|---|---|
| i.Concept | *3* | Beneficial owner | 20,312,575 | 3.86% |
| Pan Eagle Limited | *3* | Corporate interests | 20,312,575 | 3.86% |
| Pine Technology (BVI) Limited | *3* | Corporate interests | 20,312,575 | 3.86% |
| PINE Technology | *3* | Corporate interests | 20,312,575 | 3.86% |

# REPORT OF THE DIRECTORS

*Notes:*

1. These shares are registered in the name of Choice Media. Mr. Chan Ka Wo legally and beneficially owns the entire issued share capital of Choice Media. Accordingly, Mr. Chan Ka Wo is deemed to be interested in all the share registered in the name of Choice Media.

2. The entired issued share capital of Pilot Choice is legally and beneficially owned by Mr. Ong Se Mon. The shares referred to herein relate to the same parcel of shares in the Company held by Pilot Choice.

3. The entire issued share capital of i.Concept is legally and beneficially owned by Pan Eagle Limited and the entire issued share capital of Pan Eagle Limited is legally and beneficially owned by Pine Technology (BVI) Limited. The entire issued share capital of Pine Technology (BVI) Limited is, in turn, legally and beneficially owned by PINE Technology. Accordingly, each of Pan Eagle Limited, Pine Technology (BVI) Limited and PINE Technology is deemed to be interested in all the shares registered in the name of i.Concept.

4. The issued share capital of KTIC is owned as to approximately 45.05% by Korea Technology Investment Corporation.

5. The entire issued share capital of Shenyin Wanguo Strategic Investments (H.K.) Limited and Shenyin Wanguo Trading (H.K.) Limited are legally and beneficially owned by Shenyin Wanguo (H.K.) Limited. Accordingly, Shenyin Wanguo (H.K.) Limited to be interested in all the shares registered in the name of Shenyin Wanguo Strategic Investments (H.K.) Limited and Shenyin Wanguo Trading (H.K.) Limited.

Save as disclosed above, as at 31 December 2006, no person, other than the directors and chief executive of the Company, whose interests are set out in the section "Directors' and chief executive's interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

## SUFFICIENCY OF PUBLIC FLOAT

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

## DIRECTORS' INTERESTS IN A COMPETING BUSINESS

None of the directors, initial management shareholders or their respective associates of the Company has an interest in a business which competes or may compete with the business of the Group.

## AUDIT COMMITTEE

The Group's audited results for the year ended 31 December 2006 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

## AUDITORS

Cachet Certified Public Accountants Limited and CCIF CPA Limited retire and a resolution for their reappointment as joint auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

**Chan Ka Wo**
*Chairman*

Hong Kong
26 March 2007

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE PRACTICES

Committed to the establishment and implementation of good corporate governance standards helps the Group to achieve its corporate objectives and fulfill the expectations of shareholders and stakeholders effectively. Therefore, the Board (the "Board") of directors of the Company fully applied the principles and complied with the requirements of the Code on Corporate Governance Practices (the "CG Code") of the Rules Governing the Listing of Securities (the "GEM Listing Rules") on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), except for certain minor deviations in respect of the service term and rotation of directors. The current practices will be reviewed and updated regularly to follow the latest practices in corporate governance.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the rules set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code for dealing in securities of the Company by the directors. All directors confirmed that they complied with the required standards as set out in the Rules 5.48 to 5.67 of the GEM Listing Rules throughout the year.

## BOARD OF DIRECTORS

The Board of the Company as at the date of the annual report comprises:

| | | |
|---|---|---|
| Executive directors : | Mr. Chan Ka Wo | (Appointed on 16 January 2006) |
| | Mr. Ra Chang Ju | |
| | Mr. Ong Se Mon | |
| | Mr. Cho Hui Jae | (Appointed on 6 March 2007) |
| Independent non-executive directors : | Mr. Lo Hang Fong | |
| | Mr. Li Meng Long | |
| | Mr. Choy Mun Kei | |

The Board is responsible for the leadership and control of the Company. It also oversees the Group's businesses, strategic decisions and directions, and performances. The management was delegated the authority and responsibility by the Board for the general management of the Group. In addition, the Board has also delegated various responsibilities to other committees. Further details of other committees are set out in this report.

# CORPORATE GOVERNANCE REPORT

The Board has four scheduled regular meetings a year at quarterly interval and meets as and when required. During the year ended 31 December 2006, the Board held 14 meetings. The attendance of each director at the board meetings during the year are as follows:

| Directors | Number of attendance |
|---|---|
| Mr. Chan Ka Wo | 14/14 |
| Mr. Ra Chang Ju | 14/14 |
| Mr. Ong Se Mon | 14/14 |
| Mr. Cho Hui Jae | 0/0* |
| Mr. Lo Hang Fong | 14/14 |
| Mr. Li Meng Long | 14/14 |
| Mr. Choy Mun Kei | 14/14 |

* Mr. Cho Hui Jae was appointed as an executive director of the Company since 6 March 2007.

Board minutes are kept by the company secretary of the Company. Draft and final versions of the Board minutes are sent to the directors for their comments and records, in both cases within a reasonable time after the meeting.

The directors enable, upon the reasonable request, to seek independent professional advice under appropriate circumstances, at the Company's expenses, in order to discharge their responsibilities and duties under appropriate independent professional advice.

Appropriate insurance cover has been arranged in respect of legal action against its directors.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Currently, the Chairman and Chief Executive Officer of the Company is Mr. Chan Ka Wo and Mr. Ra Chang Ju, respectively.

The Chairman's and the Chief Executive Officer's responsibility is to manage the Board and the Group's day-to-day business, respectively.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

The three independent non-executive directors of the Company are persons of high calibre, with academic and professional qualifications in the field of accounting and law. With their solid experience, they can provide strong support to perform their duties delegated by the Board effectively.

All independent non-executive directors are considered to be independent by the Board as the Board received the annual confirmation of independence from each of them as required by the GEM Listing Rules.

# CORPORATE GOVERNANCE REPORT

## REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company established a remuneration committee (the "Remuneration Committee") in December 2005. All of the members of the Remuneration Committee are the independent non-executive directors of the Company, namely Mr. Li Meng Long, Mr. Lo Hang Fong and Mr. Choy Mun Kei. During the year, one meeting was held for the review and recommendation to the Board in respect of the salaries and bonuses of the directors and the senior management.

The Remuneration Committee annually sets out its recommendation on the remuneration package of the executive directors and the senior management.

Details of the directors' emoluments of the Company is set out in the note 8 to the financial statements.

## APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Company has no fixed terms of appointment for independent non-executive directors. However, they are appointed subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provision of the Bye-laws. Such practice deviates from the provision A.4.1 of the CG Code which requires that non-executive directors be appointed for a specific term. The Board has discussed and concluded that the current practice of appointing independent non-executive directors without specific terms but otherwise subject to rotation and re-election by shareholders was fair and reasonable, and does not intend to change the current practice at the moment.

## EXTERNAL AUDITORS

For the year ended 31 December 2006, Cachet Certified Public Accountants Limited and CCIF CPA Limited, the existing external joint auditors provided the following services to the Group:

| | 2006 |
|---|---|
| | *HK$'000* |
| Annual audit services | 320 |
| Taxation advisory services | 80 |
| Other advisory services | – |

## AUDIT COMMITTEE

The audit committee currently comprises all three independent non-executive directors of the Company, Mr. Li Meng Long as the Chairman and Mr. Lo Hang Fong and Mr. Choy Mun Kei as the members, who among themselves possess management experience in the accounting and law. The attendance of each member at the meeting during the year is set out as follows:

| | | Number of attendance |
|---|---|---|
| Mr. Li Meng Long | (Chairman) | 4/4 |
| Mr. Lo Hang Fong | | 4/4 |
| Mr. Choy Mun Kei | | 4/4 |

Full minutes of audit committee meetings are kept by a duly appointed secretary of the meeting. Draft and final versions of minutes of the audit committee meetings are sent to all members of the committee for their comments and records, in both cases within a reasonable time after the meeting.

The audit committee reviews the quarterly results, interim and annual reports before submission to the Board. The audit committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the GEM Listing Rules and the legal requirements in the review of the Company's quarterly, interim and annual reports.

# INDEPENDENT AUDITORS' REPORT

CACHET
Cachet Certified Public Accountants Limited
德揚會計師事務所有限公司
Suite 913, 9/F, Sun Hung Kai Centre
30 Harbour Road, Wanchai, Hong Kong

CCIF
CCIF CPA LIMITED
20/F Sunning Plaza
10 Hysan Avenue
Causeway Bay Hong Kong

To the shareholders
QUASAR Communication Technology Holdings Limited
*(Incorporated in Cayman Islands with limited liability)*

We have audited the consolidated financial statements of QUASAR Communication Technology Holdings Limited (the "Company") set out on pages 22 to 65, which comprise the consolidated and Company balance sheets as at 31 December 2006, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

# INDEPENDENT AUDITORS' REPORT

## OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2006 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Cachet Certified Public Accountants Limited**
*Certified Public Accountants*

Chan Chi Yuen
Practising Certificate Number P02671
26 March 2007
Hong Kong

**CCIF CPA Limited**
*Certified Public Accountants*

Betty P.C. Tse
Practising Certificate Number P03024
26 March 2007
Hong Kong

# CONSOLIDATED INCOME STATEMENT

*Year ended 31 December 2006*

| | Notes | 2006 HK$'000 | 2005 HK$'000 |
|---|---|---|---|
| CONTINUING OPERATIONS | | | |
| REVENUE | 5 | 250,523 | 273,760 |
| Cost of sales | | (230,725) | (254,889) |
| Gross profit | | 19,798 | 18,871 |
| Other income and gains | 5 | 1,885 | 4,481 |
| Research and development costs | | – | (168) |
| Depreciation of property, plant and equipment | | (103) | (203) |
| Staff costs | 7 | (5,287) | (5,008) |
| Other expenses | | (4,570) | (6,991) |
| Impairment loss on available-for-sale investments | | (2,300) | (3,000) |
| Finance costs | 6 | (2,397) | (906) |
| PROFIT BEFORE TAXATION | 7 | 7,026 | 7,076 |
| Taxation | 10 | (802) | (638) |
| PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS | | 6,224 | 6,438 |
| LOSS FROM DISCONTINUED OPERATION | 11 | – | (711) |
| PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY | 12 | 6,224 | 5,727 |
| EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY | | | |
| Basic | | | |
| – For profit for the year | 13 | 1.35 cents | 1.41 cents |
| – For profit from continuing operations | 13 | 1.35 cents | 1.58 cents |
| Diluted | | | |
| – For profit for the year | 13 | N/A | N/A |
| – For profit from continuing operations | 13 | N/A | N/A |

# CONSOLIDATED BALANCE SHEET

*31 December 2006*

| | Notes | 2006 HK$'000 | 2005 HK$'000 |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 14 | 159 | 234 |
| Other intangible assets | 15 | – | – |
| Available-for-sale investments | 17 | 1,342 | 3,642 |
| Deferred tax assets | 24 | 246 | 246 |
| Prepaid licence fees | 18 | – | 4,368 |
| Total non-current assets | | 1,747 | 8,490 |
| CURRENT ASSETS | | | |
| Inventories | 19 | 5,325 | 9,875 |
| Contract works in progress | 20 | 18,899 | 20,595 |
| Trade receivables | 21 | 53,275 | 46,487 |
| Prepayments, deposits and other receivables | | 16,539 | 11,742 |
| Non-current assets held for sale | 22 | 3,822 | – |
| Cash and bank balances | | 23,571 | 62,602 |
| Total current assets | | 121,431 | 151,301 |
| CURRENT LIABILITIES | | | |
| Trade payables | 23 | 1,934 | 7,810 |
| Bill payables | | 4,544 | 15,639 |
| Trust receipt loans | | 12,911 | 54,854 |
| Other payables and accruals | | 5,165 | 979 |
| Tax payable | | 4,668 | 3,965 |
| Total current liabilities | | 29,222 | 83,247 |
| NET CURRENT ASSETS | | 92,209 | 68,054 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 93,956 | 76,544 |
| NON-CURRENT LIABILITIES | | | |
| Deferred tax liabilities | 24 | 4 | 24 |
| Net assets | | 93,952 | 76,520 |
| EQUITY | | | |
| Equity attributable to equity holders of the Company | | | |
| Issued capital | 25 | 5,265 | 4,063 |
| Reserves | | 88,687 | 72,457 |
| Total equity | | 93,952 | 76,520 |

**Chan Ka Wo**
*Director*

**Ra Chang Ju**
*Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*Year ended 31 December 2006*

| | Equity attributable to equity holders of the Company | | | | | |
|---|---|---|---|---|---|---|
| | Issued capital HK$'000 | Share premium HK$'000 | Exchange reserve HK$'000 | Capital reserve HK$'000 (Note) | Retained profits HK$'000 | Total HK$'000 |
| At 1 January 2005 | 4,063 | 41,573 | 408 | 11,157 | 14,000 | 71,201 |
| Profit for the year | – | – | – | – | 5,727 | 5,727 |
| Exchange realignment | – | – | (10) | – | – | (10) |
| Disposal of a subsidiary | – | – | (398) | – | – | (398) |
| At 31 December 2005 and at 1 January 2006 | 4,063 | 41,573 | – | 11,157 | 19,727 | 76,520 |
| Profit for the year | – | – | – | – | 6,224 | 6,224 |
| Issue of shares | 1,202 | 10,006 | – | – | – | 11,208 |
| At 31 December 2006 | 5,265 | 51,579 | – | 11,157 | 25,951 | 93,952 |

*Note:*

1. Capital reserve represents the difference between the nominal value of the share capital issued by the Company as consideration and the underlying net assets of the subsidiaries acquired pursuant to the group reorganisation.

# CONSOLIDATED CASH FLOW STATEMENT

*Year ended 31 December 2006*

| | Notes | 2006 HK$'000 | 2005 HK$'000 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before taxation | | 7,026 | 6,365 |
| Adjustments for: | | | |
| Impairment losses on available-for-sale investments | | 2,300 | 3,000 |
| Impairment of trade receivables | 7 | 302 | 605 |
| Finance costs | | 2,397 | 906 |
| Interest income | | (291) | (268) |
| Loss on disposal of property, plant and equipment | | – | 2,132 |
| Gain on disposal of a subsidiary | 5 | – | (2,989) |
| Depreciation of property, plant and equipment | 14 | 103 | 1,522 |
| Amortisation of other intangible assets and prepaid licence fees | | 546 | 1,106 |
| | | 12,383 | 12,379 |
| Decrease/(increase) in inventories | | 4,550 | (3,563) |
| Decrease in contract works in progress | | 1,696 | 11,005 |
| Increase in trade receivables | | (7,090) | (20,730) |
| Increase in prepayments, deposits and other receivables | | (4,797) | (3,129) |
| Decrease in trade and bill payables | | (16,971) | (33,285) |
| Increase in other payables and accruals | | 4,186 | 7,635 |
| Cash used in operations | | (6,043) | (29,688) |
| Interest received | | 291 | 268 |
| Interest paid | | (2,397) | (906) |
| Profits tax paid | | (119) | (55) |
| Net cash outflow from operating activities | | | |
| – Continuing operations | | (8,268) | (30,381) |
| – Discontinued operation | | – | – |
| | | (8,268) | (30,381) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchases of property, plant and equipment | 14 | (28) | (1,573) |
| Disposal of a subsidiary | 28 | – | (3,462) |
| Net cash outflow from investing activities | | | |
| – Continuing operations | | (28) | (5,035) |
| – Discontinued operation | | – | – |
| | | (28) | (5,035) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from issue of shares | | 11,208 | – |
| (Repayment of)/new trust receipt loans | | (41,943) | 40,715 |
| Net cash (outflow)/inflow from financing activities | | | |
| – Continuing operations | | (30,735) | 40,715 |
| – Discontinued operation | | – | – |
| | | (30,735) | 40,715 |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | | (39,031) | 5,299 |
| Cash and cash equivalents at beginning of year | | 62,602 | 57,417 |
| Effect of foreign exchange rate changes, net | | – | (114) |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | | 23,571 | 62,602 |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | | |
| Cash and bank balances | | 8,252 | 33,083 |
| Non-pledged time deposits with original maturity of less than three months when acquired | | 15,319 | 29,519 |
| | | 23,571 | 62,602 |

# BALANCE SHEET

*31 December 2006*

| | Notes | 2006 HK$'000 | 2005 HK$'000 |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Other intangible assets | 15 | – | – |
| Interests in subsidiaries | 16 | 69,024 | 58,579 |
| Total non-current assets | | 69,024 | 58,579 |
| CURRENT ASSETS | | | |
| Prepayments, deposits and other receivables | | 150 | 150 |
| Cash and bank balances | | 11 | 16 |
| Total current assets | | 161 | 166 |
| CURRENT LIABILITIES | | | |
| Other payables and accruals | | 157 | 142 |
| Total current liabilities | | 157 | 142 |
| NET CURRENT ASSETS | | 4 | 24 |
| Net assets | | 69,028 | 58,603 |
| EQUITY | | | |
| Issued capital | 25 | 5,265 | 4,063 |
| Reserves | 27 | 63,763 | 54,540 |
| Total equity | | 69,028 | 58,603 |

**Chan Ka Wo**
*Director*

**Ra Chang Ju**
*Director*

# NOTES TO FINANCIAL STATEMENTS

*31 December 2006*

## 1. CORPORATE INFORMATION

QUASAR Communication Technology Holdings Limited is a limited liability company incorporated in Cayman Islands. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111 Cayman Islands.

During the year, the Group was involved in sales and marketing of mobile appliance and its relevant parts solution in Mainland China.

## 2.1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure acquirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial instruments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

### Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2006. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

## 2.2. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures. The adoption of these new and revised standards and interpretation has had no material effect on these financial statements.

| | |
|---|---|
| HKAS 21 Amendment | Net Investment in a Foreign Operation |
| HKAS 27 Amendment | Consolidated and Separate Financial Statements: Amendments as a consequence of the Companies (Amendment) Ordinance 2005 |
| HKAS 39 and HKFRS 4 Amendments | Financial Guarantee Contracts |
| HKAS 39 Amendment | Cash Flow Hedge Accounting of Forecast Intragroup Transactions |
| HKAS 39 Amendment | The Fair Value Option |
| HK(IFRIC)-Int 4 | Determining whether an Arrangement contains a Lease |

## 2.2. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

The principal changes in accounting policies are as follows:

### (a) HKAS 21 The Effects of Changes in Foreign Exchange Rates

Upon the adoption of the HKAS 21 Amendment regarding a net investment in a foreign operation, all exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised in a separate component of equity in the consolidated financial statements irrespective of the currency in which the monetary item is denominated. This change has had no material impact on these financial statements as at 31 December 2006 or 31 December 2005.

### (b) HKAS 27 Consolidated and Separate Financial Statements

The adoption of the revised HKAS 27 has resulted in a change in accounting policy relating to the definition of a subsidiary for the purpose of the consolidated financial statements and this change has had no impact on these financial statements as at 31 December 2006 or 31 December 2005.

### (c) HKAS 39 and HKFRS4 Financial Guarantee Contracts

In the current year, the Group has adopted the amendments to HKAS 39 "Financial Instruments: Recognition and Measurement – Financial Guarantee Contracts" which is effective for annual period beginning on or after 1 January 2006.

A financial guarantee contract is defined by HKAS 39 "Financial Instruments: Recognition and Measurement" as a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

*The Company acts as the issuer of financial guarantee contracts*

Prior to 1 January 2006, financial guarantee contracts were not accounted for in accordance with HKAS 39 and those contracts were disclosed as contingent liabilities. A provision for financial guarantee was only recognised when it was probable that an outflow of resources would be required to settle the financial guarantee obligation and the amount can be estimated reliably.

Upon the adoption of these amendments, a financial guarantee contract issued by the Company and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Company measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 "Revenue".

In connection with a financial guarantee granted to certain banks over the repayment under trust receipt loans and certain factoring by subsidiaries, this change in accounting policy has had no material effect on the Group's and Company's amounts reported for the current and prior accounting periods.

## 2.2. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

### (d) Amendment for the Fair Value Option

This amendment has changed the definition of a financial instrument classified as fair value through profit or loss and has restricted the use of the option to designate any financial asset any financial liability to be measured at fair value through the income statement. The Group had not previously used this option, and hence the amendment has had no effect on the financial statements.

### (e) HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease

The Group has adopted this interpretation as of 1 January 2006, which provides guidance in determining whether arrangements contain a lease to which lease accounting must be applied. This interpretation has had no material impact on these financial statements.

## 2.3. IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

| | |
|---|---|
| HKAS 1 Amendment | Capital Disclosures |
| HKFRS 7 | Financial Instruments: Disclosures |
| HK(IFRIC)-Int 7 | Applying the Restatement Approach under HKAS 29 "Financial Reporting in Hyperinflationary Economies" |
| HK(IFRIC)-Int 8 | Scope of HKFRS 2 |
| HK(IFRIC)-Int 9 | Reassessment of Embedded Derivatives |
| HK(IFRIC)-Int 10 | Interim Financial Reporting and Impairment |

The HKAS 1 Amendment shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 shall be applied for annual periods beginning on or after 1 January 2007. The standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments and also incorporates many of the disclosure requirements of HKAS 32.

HK(IFRIC)-Int 7, HK(IFRIC)-Int 8, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 10 shall be applied for annual periods beginning on or after 1 March 2006, 1 May 2006, 1 June 2006 and 1 November 2006, respectively.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of the HKAS 1 Amendment and HKFRS 7 may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Subsidiaries

A subsidiary is an entity whose financial and operating policies are under the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

### Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets and non-current assets held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset and certain financial assets is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d); or

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e).

### Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

| | |
|---|---|
| Furniture and fixtures | 20% to 25% |
| Office and computer equipment | 20% to 25% |
| Motor vehicles | 25% |

# NOTES TO FINANCIAL STATEMENTS

*31 December 2006*

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Property, plant and equipment and depreciation *(Continued)*

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

### Non-current assets held for sale and discontinued operations

i) Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets and its sale must be highly probable.

Non-current assets (other than deferred tax assets and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell.

ii) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale (see (i) above), if earlier. It also occurs when the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the consolidated income statement, which comprises:

– the post-tax profit or loss of the discontinued operation; and

– the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Other intangible assets

The useful lives of other intangible assets are assessed to be either finite or indefinite. Other intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for other intangible asset with a finite useful life are reviewed at least at each balance sheet date.

*Trademarks*

Trademarks are stated at cost and are amortised on the straight-line basis over their estimated useful lines.

*Research and development costs*

All research costs are charged to the income statement as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products commencing from the date when the products are put into commercial production.

### Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases are charged to the income statement on the straight-line basis over the lease terms.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group considers whether a contract contains an embedded derivative when the Group first becomes a party to it. The embedded derivatives are separated from the host contract which is not measured at fair value through profit or loss when the analysis shows that the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

*Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Gains or losses on investments held for trading or these financial assets are recognised in the income statement.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

*Held-to-maturity investments*

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Held-to-maturity investments are subsequently measured at amortised cost. Amortised cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interests method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. Gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Investments and other financial assets *(Continued)*

*Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities that are designated as available for sale or are not classified in any of the other three categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimate is significant for that investment, or (b) the probabilities or the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

*Fair value*

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

### Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

*Assets carried at amortised cost*

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Impairment of other financial assets *(Continued)*

*Assets carried at amortised cost (Continued)*

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

*Assets carried at cost*

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

*Available-for-sale financial assets*

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. Impairment losses on equity instruments classified as available-for-sale are not reversed through the income statement.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

### Financial liabilities at amortised cost (including interest-bearing loans and borrowings)

Financial liabilities including trade and other payables, bill payables and trust receipt loans are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

### Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial guarantee contracts

Financial guarantee contracts in the scope of HKAS 39 are accounted for a financial liabilities. A financial guarantee contract is recognised initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract, except when such contract is recognised at fair value through profit or loss. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 "Provision, Contingent Liabilities and Contingent Assets", and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 "Revenue ".

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

### Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheets, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

### Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Income tax *(Continued)*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

### Revenue recognition

*Contract*

The Group enters into cellular phone solution contracts with customers whereby a number of elements are bundled together in one contract - i.e. design and development of product, supply of components and parts, provision of engineering support, post delivery support services and related consultancy works. The contract price cannot be allocated to individual elements and the Group invoices its customers at a margin over certain defined costs. The Group refers to these contracts as “cost plus contracts”.

Revenue from costs plus contracts is recognised by reference to stage of completion of the cost plus contracts, including post delivery service support, at the balance sheet date. The stage of completion is measured by reference to costs incurred to date as a percentage to the estimated total costs for the contract.

*Technical consultancy income and agency fee income*

Technical consultancy income and agency fee income are recognised when the services are rendered.

*Interest income*

Interest income is recognised on an accrual basis using the effective interest method.

### Employee benefits

*Paid leave carries forward*

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Employee benefits *(Continued)*

*Retirement benefits scheme*

The Group operates defined contribution retirement benefits schemes under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. With respect of the Mandatory Provident Fund retirement benefits scheme, the Group's employer contributions vest fully with the employees when contributed into the scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when an employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the scheme.

The mandatory provident fund scheme cost charged to the income statement represents contributions payable by the Group to the schemes.

### Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date and, their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in a separate component of the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

### Judgements

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

### Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in note 24 to the financial statements.

### Fair value of unlisted equity investments

The unlisted equity investments have been valued based on the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics. This valuation requires the Group to make estimates about expected future cash flows and discount rates, and hence they are subject to uncertainty. The fair value of the unlisted equity investments at 31 December 2006 was HK$1,342,000 (2005: HK$3,642,000).

### Provision for impairment of receivables

The policy for the provision for impairment of receivables of the Group is based on the evaluation of collectibility and ageing analysis of accounts and on the management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer.

### Estimated fair value of financial assets

The estimation of fair value of financial assets required the Group to estimate the future market value expected to be recovered from the disposal of the financial assets and a suitable discount rate in order to calculate the present value.

# NOTES TO FINANCIAL STATEMENTS

*31 December 2006*

## 4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

Segment information is presented by way of the Group's primary segment reporting basis, by business segment. In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. No further geographical segment information is presented as over 90% of the Group's revenue is derived from customers based in Mainland China, and over 90% of the Group's assets are located in Mainland China.

Segment information is presented by way of the Group's primary segment reporting basis. No further business segment information is presented as over 90% of the Group's revenue and assets relate to the business of provision of cellular phone solutions to the in Mainland China market.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

## 5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the value of services rendered during the year.

An analysis of revenue, other income and gains is as follows:

| | Note | 2006<br>HK$'000 | 2005<br>HK$'000 |
|---|---|---|---|
| Revenue | | | |
| Rendering of services | | | |
| – Continuing operations | | 250,523 | 273,760 |
| – Discontinued operation | | – | 31,283 |
| | | 250,523 | 305,043 |
| Other income | | | |
| Bank interest income | | 291 | 247 |
| Others | | 1,511 | 1,245 |
| | | 1,802 | 1,492 |
| Gains | | | |
| Exchange gain, net | | 83 | – |
| Gain on disposal of a subsidiary | 28 | – | 2,989 |
| | | 1,885 | 4,481 |

# NOTES TO FINANCIAL STATEMENTS

*31 December 2006*

## 6. FINANCE COSTS

Finance costs represent interests on bank borrowings wholly repayable within five years.

## 7. PROFIT BEFORE TAXATION

The Group's profit before taxation is arrived at after charging/(crediting):

| | 2006<br>*HK$'000* | 2005<br>*HK$'000* |
|---|---|---|
| Cost of sales | 230,725 | 254,889 |
| Amortisation of prepaid licence fees * | 546 | 1,092 |
| Amortisation of other intangible assets | – | 14 |
| Minimum lease payments under operating leases in respect of land and buildings | 545 | 459 |
| Auditors' remuneration | 320 | 300 |
| Employee benefits expense (including directors' remuneration *(note 8)*): | | |
| Wages and salaries | 4,987 | 4,777 |
| Others | 196 | 142 |
| Pension scheme – defined contributions | 104 | 123 |
| Less: Forfeited contributions | – | (34) |
| Net pension scheme contributions ** | 104 | 89 |
| | 5,287 | 5,008 |
| Impairment of available-for-sale investments | 2,300 | 3,000 |
| Impairment of trade receivables | 302 | 605 |

* The amortisation of prepaid licence fees for the year are included in "Cost of sales" on the face of the consolidated income statement.

** At 31 December 2006, the Group did not have forfeited contributions (2005: HK$34,000) available to reduce its contributions to the pension schemes in future years.

# NOTES TO FINANCIAL STATEMENTS

*31 December 2006*

## 8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the GEM Listing Rules and Section 161 of the Hong Kong Companies Ordinance is as follows:

| | Group | |
|---|---|---|
| | **2006** | 2005 |
| | ***HK$'000*** | *HK$'000* |
| Fees | **298** | 298 |
| Other emoluments: | | |
| Salaries, allowances and benefits in kind | **1,915** | 2,454 |
| Pension scheme contributions | **32** | 56 |
| | **1,947** | 2,510 |
| | **2,245** | 2,808 |

### (a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

| | **2006** | 2005 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Mr. Lo Hang Fong | **120** | 120 |
| Mr. Lee Kin Keung * | **–** | 101 |
| Mr. Li Meng Long | **58** | 58 |
| Mr. Choy Mun Kei | **120** | 19 |
| | **298** | 298 |

There were no other emoluments payable to the independent non-executive directors during the year (2005: Nil).

During the year, no emoluments have been paid to the directors as an inducement to join or upon joining the Group, or as compensation for loss of office.

* *Resigned on 4 November 2005.*

# NOTES TO FINANCIAL STATEMENTS

*31 December 2006*

## 8. DIRECTORS' REMUNERATION *(Continued)*

### (b) Executive directors

| | Fees | Salaries, allowances and benefits in kind | Pension scheme contributions | Total remuneration |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **2006** | | | | |
| Executive directors: | | | | |
| Mr. Chan Ka Wo ** | **–** | **550** | **11** | **561** |
| Mr. Ra Chang Ju | **–** | **750** | **10** | **760** |
| Mr. Ong Se Mon | **–** | **615** | **11** | **626** |
| | **–** | **1,915** | **32** | **1,947** |
| 2005 | | | | |
| Executive directors: | | | | |
| Mr. Ra Chang Ju | – | 825 | 11 | 836 |
| Mr. Kim Kwang Hoe * | – | 771 | 34 | 805 |
| Mr. Ong Se Mon | – | 655 | 11 | 666 |
| Mr. Park Seung Rae * | – | 203 | – | 203 |
| | – | 2,454 | 56 | 2,510 |

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

During the year, no emoluments have been paid to the directors as an inducement to join or upon joining the Group, or as compensation for loss of office.

* *Resigned on 4 November 2005.*

** *Appointed on 16 January 2006.*

# NOTES TO FINANCIAL STATEMENTS

*31 December 2006*

## 9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2005: three) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2005: two) non-director, highest paid employees for the year are as follows:

| | Group | |
|---|---|---|
| | **2006** | 2005 |
| | ***HK$'000*** | *HK$'000* |
| Salaries, allowances and benefits in kind | **1,274** | 1,188 |
| Pension scheme contributions | **24** | 22 |
| | **1,298** | 1,210 |

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

| | Number of employees | |
|---|---|---|
| | **2006** | 2005 |
| Nil to HK$1,000,000 | **2** | 2 |

# NOTES TO FINANCIAL STATEMENTS

*31 December 2006*

## 10. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

| | **2006** | 2005 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Group: | | |
| Current tax – Hong Kong | | |
| Charge for the year | **822** | 638 |
| Deferred tax *(note 24)* | **(20)** | – |
| | **802** | 638 |

A reconciliation of the tax expense applicable to profit before taxation using the statutory rates for the countries/jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

| | **2006** | | 2005 | |
|---|---|---|---|---|
| | ***HK$'000*** | **%** | *HK$'000* | % |
| Profit before taxation (including loss for discontinued operation) | **7,026** | | 6,365 | |
| Tax at the statutory tax rate | **1,230** | **17.5** | 1,114 | 17.5 |
| Income not subject to tax | **(760)** | **(10.8)** | (94) | (1.5) |
| Expenses not deductible for tax | **737** | **10.4** | 106 | 1.7 |
| Tax losses utilised | **(501)** | **(7.1)** | (697) | (11.0) |
| Tax losses not recognised | **147** | **2.1** | 184 | 2.9 |
| Others | **(51)** | **(0.7)** | 25 | 0.4 |
| Tax charge at effective rate | **802** | **11.4** | 638 | 10.0 |
| Tax charge attributable to discontinued operation | **–** | | – | |
| | **802** | | 638 | |

## 11. DISCONTINUED OPERATION

On 17 October 2005, the shareholders of the Company approved the disposal of the entire issued share capital of Quasar Communication Technology Korea Ltd ("Quasar Korea"), a wholly owned subsidiary of the Company, which was completed on 19 October 2005. Quasar Korea is principally engaged in the development of software and solutions for mobile appliances in the Republic of Korea.

The results of Quasar Korea are as follow:

| | **Period from 1 January 2005 to 19 October 2005** *HK$'000* |
|---|---|
| REVENUE | |
| – External sales | 31,283 |
| – Intercompany sales | 451 |
| | 31,734 |
| Cost of sales | (25,737) |
| Gross profit | 5,997 |
| Expenses | (6,708) |
| Loss before tax | (711) |
| Tax | – |
| Loss for the period | (711) |

## 12. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to equity holders of the Company for the year ended 31 December 2006 includes a loss of HK$783,000 (2005: loss of HK$976,000) which has been dealt with in the financial statements of the Company *(note 27(b))*.

# NOTES TO FINANCIAL STATEMENTS

*31 December 2006*

## 13. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amounts is based on the profit for the year attributable to equity holders of the Company, and the weighted average number of ordinary shares in issue during the year.

A diluted earnings per share amount for the years ended 31 December 2006 and 2005 has not been disclosed as no diluting events existed during the years.

The calculations of basic and diluted earnings per share are based on:

| | 2006<br>*HK$'000* | 2005<br>*HK$'000* |
|---|---|---|
| Earnings | | |
| Profit attributable to equity holders of the Company, used in the basic earnings per share calculation: | | |
| From continuing operations | 6,224 | 6,438 |
| From discontinued operation | – | (711) |
| Profit attributable to equity holders of the Company | 6,224 | 5,727 |

| | Number of shares<br>2006 | <br>2005 |
|---|---|---|
| Shares | | |
| Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation | 461,934,240 | 406,251,500 |

# NOTES TO FINANCIAL STATEMENTS

*31 December 2006*

## 14. PROPERTY, PLANT AND EQUIPMENT

Group

| | Furniture and fixtures *HK$'000* | Office and computer equipment *HK$'000* | Motor vehicles *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|
| **31 December 2006** | | | | |
| At 31 December 2005 and at 1 January 2006: | | | | |
| Cost | 290 | 250 | 414 | 954 |
| Accumulated depreciation | (135) | (171) | (414) | (720) |
| Net carrying amount | 155 | 79 | – | 234 |
| At 1 January 2006, net of accumulated depreciation | 155 | 79 | – | 234 |
| Additions | – | 28 | – | 28 |
| Depreciation provided during the year | (57) | (46) | – | (103) |
| At 31 December 2006, net of accumulated depreciation | 98 | 61 | – | 159 |
| At 31 December 2006: | | | | |
| Cost | 290 | 278 | 414 | 982 |
| Accumulated depreciation | (192) | (217) | (414) | (823) |
| Net carrying amount | 98 | 61 | – | 159 |

# NOTES TO FINANCIAL STATEMENTS

*31 December 2006*

## 14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

**Group**

| | Furniture and fixtures *HK$'000* | Office and computer equipment *HK$'000* | Motor vehicles *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|
| 31 December 2005 | | | | |
| At 31 December 2004 and at 1 January 2005: | | | | |
| Cost | 2,656 | 4,714 | 428 | 7,798 |
| Accumulated depreciation | (901) | (1,040) | (343) | (2,284) |
| Net carrying amount | 1,755 | 3,674 | 85 | 5,514 |
| At 1 January 2005, net of accumulated depreciation | 1,755 | 3,674 | 85 | 5,514 |
| Additions | 799 | 774 | – | 1,573 |
| Depreciation provided during the year | (512) | (930) | (80) | (1,522) |
| Disposals | (1,128) | (999) | (5) | (2,132) |
| Disposal of a subsidiary | (791) | (2,514) | – | (3,305) |
| Exchange realignment | 32 | 74 | – | 106 |
| At 31 December 2005, net of accumulated depreciation | 155 | 79 | – | 234 |
| At 31 December 2005: | | | | |
| Cost | 290 | 250 | 414 | 954 |
| Accumulated depreciation | (135) | (171) | (414) | (720) |
| Net carrying amount | 155 | 79 | – | 234 |

## 15. OTHER INTANGIBLE ASSETS

**Group and Company**

| | HK$'000 |
|---|---|
| **31 December 2006:** | |
| At 1 January 2006: | |
| Cost | 17 |
| Accumulated amortisation | (17) |
| Net carrying amount | – |
| Cost at 1 January 2006, net of accumulated amortisation | – |
| Amortisation provided during the year | – |
| At 31 December 2006 | – |
| At 31 December 2006: | |
| Cost | **17** |
| Accumulated amortisation | **(17)** |
| Net carrying amount | – |
| **31 December 2005:** | |
| At 1 January 2005: | |
| Cost | 17 |
| Accumulated amortisation | (3) |
| Net carrying amount | 14 |
| Cost at 1 January 2005, net of accumulated amortisation | 14 |
| Amortisation provided during the year | (14) |
| At 31 December 2005 | – |
| At 31 December 2005: | |
| Cost | 17 |
| Accumulated amortisation | (17) |
| Net carrying amount | – |

# NOTES TO FINANCIAL STATEMENTS

*31 December 2006*

## 16. INTERESTS IN SUBSIDIARIES

| | Company | |
|---|---|---|
| | **2006** | 2005 |
| | ***HK$'000*** | *HK$'000* |
| Unlisted shares, at cost | **14,882** | 14,882 |
| Due from subsidiaries | **54,142** | 44,141 |
| Due to a subsidiary | **–** | (444) |
| | **69,024** | 58,579 |

The amounts due from and to subsidiaries are unsecured, interest-free and have no fixed repayment terms.

The carrying amounts of these amounts due from and to subsidiaries approximate to their fair values.

Particulars of the subsidiaries are as follows:

| Name of subsidiary | Place of incorporation/ registration and operations | Nominal value of issued ordinary/ registered share capital | Percentage of equity attributable to the Company Direct | Indirect | Principal activities |
|---|---|---|---|---|---|
| Ace Solution Technology Limited | British Virgin Islands | 10,200 ordinary shares of US$1 each | 100 | – | Investment holding |
| Gold Glory Development Limited | British Virgin Islands | 2,000 ordinary shares of US$1 each | – | 100 | Sales and marketing of mobile appliance solution and investment holding |
| Hanbit I & T (HK) Co., Limited | Hong Kong | 800,000 ordinary shares of HK$1 each | – | 100 | Sales and marketing of mobile appliance solution and relevant components |
| Qualfield Ltd. | British Virgin Islands | 100 ordinary shares of US$1 each | – | 100 | Provision of agency services and investment holding |

# NOTES TO FINANCIAL STATEMENTS

*31 December 2006*

## 16. INTERESTS IN SUBSIDIARIES *(Continued)*

| Name of subsidiary | Place of incorporation/ registration and operations | Nominal value of issued ordinary/ registered share capital | Percentage of equity attributable to the Company Direct | Indirect | Principal activities |
|---|---|---|---|---|---|
| Quasar Communication Technology Limited | Hong Kong | 10,000 ordinary shares of HK$1 each | – | 100 | Sales and marketing of mobile appliance solution |
| Synerex Inc. | British Virgin Islands | 10,200 ordinary shares of US$1 each | – | 100 | Investment holding |
| Zetta Global Limited | Hong Kong | 100 ordinary shares of HK$1 each | – | 100 | Provision of management services to group companies |
| Zetta Media Holdings Limited | British Virgin Islands | 100 ordinary shares of US$1 each | – | 100 | Investment holding |

## 17. AVAILABLE-FOR-SALE INVESTMENTS

| | Group | |
|---|---|---|
| | **2006** | 2005 |
| | ***HK$'000*** | *HK$'000* |
| Unlisted shares, at cost | **9,142** | 9,142 |
| Impairment loss | **(7,800)** | (5,500) |
| | **1,342** | 3,642 |

## 18. PREPAID LICENCE FEES

Balance represented prepaid FTA licence fee which is amortisable over its useful economic life. The FTA licence, which is the full-type approval certificate for testing and accreditation of mobile appliances under a set of required testing standards, was reclassified in "Non-current assets held for sale" in the current year (note 22).

## 19. INVENTORIES

| | Group | |
|---|---|---|
| | 2006 | 2005 |
| | HK$'000 | HK$'000 |
| Finished goods | 5,325 | 9,875 |

## 20. CONTRACT WORKS IN PROGRESS

| | Group | |
|---|---|---|
| | 2006 | 2005 |
| | HK$'000 | HK$'000 |
| Contract costs for development of mobile appliance solution | 29,770 | 31,000 |
| Less: Amount charged to consolidated income statement | (10,871) | (10,405) |
| | 18,899 | 20,595 |

## 21. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally for a period of one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest bearing.

An aged analysis of the trade receivables as at the balance sheet date, based on the invoice date, is as follows:

| | Group | |
|---|---|---|
| | 2006 | 2005 |
| | HK$'000 | HK$'000 |
| Within 1 month | 27,205 | 11,955 |
| 1 to 2 months | 9,622 | 15,099 |
| 2 to 3 months | 2,274 | 14,171 |
| Over 3 months | 14,174 | 5,262 |
| | 53,275 | 46,487 |

# NOTES TO FINANCIAL STATEMENTS

*31 December 2006*

## 22. NON-CURRENT ASSETS HELD FOR SALE

Balance represented the prepaid FTA licence fee which was included in non-current assets in last year. As the FTA licence will no longer be utilised by the Group in its operation and will be transferred to KTIC M&A Inc. ("KTIC") as part of the consideration for the acquisition of the 15.61% equity interest in KBT Mobile Co., Limited ("KBT"), the prepaid FTA licence fee was reclassified as "Non-current assets held for sale" at the balance sheet date.

## 23. TRADE PAYABLES

An aged analysis of the trade payables as at the balance sheet date, based on the invoice date, is as follows:

| | Group | |
|---|---|---|
| | **2006** | 2005 |
| | ***HK$'000*** | *HK$'000* |
| Within 1 month | **–** | 6,004 |
| 1 to 2 months | **–** | 839 |
| 2 to 3 months | **–** | 290 |
| Over 3 months | **1,934** | 677 |
| | **1,934** | 7,810 |

The trade payables are non-interest bearing and are normally settled on 60-day terms.

## 24. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

### Deferred tax liabilities

Group

| | Depreciation allowance in excess of related depreciation | |
|---|---|---|
| | **2006** | 2005 |
| | ***HK$'000*** | *HK$'000* |
| At beginning of year | **24** | 175 |
| Deferred tax credit to income statement during the year | **(20)** | – |
| Disposal of a subsidiary during the year | **–** | (154) |
| Exchange differences | **–** | 3 |
| Gross deferred tax liabilities at balance sheet date | **4** | 24 |

### Deferred tax assets

Group

| | Losses available for offset against future taxable profit | |
|---|---|---|
| | **2006** | 2005 |
| | ***HK$'000*** | *HK$'000* |
| At beginning of year and at balance sheet date | **246** | 246 |
| Net deferred tax assets at balance sheet date | **242** | 222 |

At 31 December 2006, the Group has unused tax losses of approximately HK$6,026,000 (2005: HK$5,855,000) available indefinitely for offset against future profits. A deferred tax has been recognised in respect of tax losses of HK$1,626,000 (2005: HK$1,626,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of HK$4,400,000 (2005: HK$4,229,000) due to the unpredictability of future profit streams.

# NOTES TO FINANCIAL STATEMENTS

*31 December 2006*

## 25. SHARE CAPITAL

| Shares | 2006 HK$'000 | 2005 HK$'000 |
|---|---|---|
| Authorised: | | |
| 1,000,000,000 (2005: 1,000,000,000) ordinary shares of HK$0.01 each | 10,000 | 10,000 |
| Issued and fully paid: | | |
| 526,451,500 (2005: 406,251,500) ordinary shares of HK$0.01 each | 5,265 | 4,063 |

During the year, 81,200,000 shares of HK$0.01 each and 39,000,000 shares of HK$0.01 each were issued for cash at a subscription price of HK$0.09 per share and HK$0.1 per share on 24 May 2006 and 1 November 2006, respectively, for a total cash consideration, before expenses, of HK$11,208,000.

A summary of the transactions during the year with reference to the above movements in the Company's issued ordinary share capital is as follows:

| | Number of shares in issue | Issued share capital HK$'000 | Share premium account HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| At 1 January 2005 and 1 January 2006 | 406,251,500 | 4,063 | 41,573 | 45,636 |
| Issue of shares: | | | | |
| On 24 May 2006 | 81,200,000 | 812 | 6,496 | 7,308 |
| On 1 November 2006 | 39,000,000 | 390 | 3,510 | 3,900 |
| | 120,200,000 | 1,202 | 10,006 | 11,208 |
| At 31 December 2006 | 526,451,500 | 5,265 | 51,579 | 56,844 |

**Share options**

Details of the Company's share option scheme are included in note 26 to the financial statements.

## 26. SHARE OPTION SCHEME

Pursuant to a written resolution of all shareholders of the Company passed on 16 July 2002, the Company adopted a share option scheme (the "Scheme") for the purpose of providing incentive to directors and eligible employees and, unless otherwise cancelled or amended, will expire on 30 July 2012. Under the Scheme, the directors of the Company may grant options to eligible employees, including executive directors of the Company, and any of its subsidiaries, to subscribe for shares in the Company.

The total number of share in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue, or if such 10% limit is refreshed, the maximum aggregate number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme must not exceed 30% of the total number of share of the Company in issue from time to time. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company then issue, without prior approval from the Company's shareholders. Each grant of options to any director, chief executive or substantial shareholder must be approved by independent non-executive directors. Where any grant of options to a substantial shareholder or any of their respective associates would result in the shares of the Company issued and to be issued upon exercise of options already granted and to be granted in excess of HK$5,000,000 in the 12 month period up to the date of grant, then grant must be approved in advance by the Company's shareholders.

HK$1 shall be paid to the Company upon acceptance of the grant. Options may be exercised in accordance with the terms of the Scheme at any time during a period to be determined and notified by the directors of the Company, which period may not expire earlier than 3 years and later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. The exercise price is determined by the directors of the Company, and will not be less than the higher of closing price of the Company's shares on the date of grant, and the average closing price of the shares for the five business days immediately preceding the date of grant.

No option had been granted or agreed to be granted by the Company under the Scheme during the year and as at the balance sheet dates.

## 27 RESERVES

### (a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 24 of the financial statements.

## 27 RESERVES *(Continued)*

### (b) Company

| | Special reserve HK$'000 (Note) | Share premium HK$'000 | Accumulated losses HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| At 1 January 2005 | 14,879 | 41,573 | (936) | 55,516 |
| Loss for the year | – | – | (976) | (976) |
| At 31 December 2005 and at 1 January 2006 | 14,879 | 41,573 | (1,912) | 54,540 |
| Loss for the year | – | – | (783) | (783) |
| Issue of shares | – | 10,006 | – | 10,006 |
| At 31 December 2006 | 14,879 | 51,579 | (2,695) | 63,763 |

*Notes:*

1. On 16 July 2002, pursuant to a group reorganisation (the "Reorganisation") in preparation for the listing of the Company's shares on the GEM of the Stock Exchange, the Company acquired the entire issued share capital of Ace Solution Technology Limited, the holding company of the group prior to the Reorganisation, through a share swap and became the holding company of Ace Solution Technology Limited and its subsidiaries.

   The special reserve of the Company represents the difference between the underlying net assets of the Ace Solution Technology Limited acquired by the Company as at the date of the Reorganisation, and the nominal amount of the Company's share capital issued as consideration for the acquisition.

2. Under section 34 of the Companies Law (2001 Second Revision) of the Cayman Islands, the special reserve and share premium is available for distribution to shareholders subject to the provisions of the Articles of Association of the Company and no distribution may be paid to shareholders out of the special reserve and share premium unless, immediately following the date on which the distribution or dividend is proposed to be paid, the Company shall be able to pay its debts as they fall due in the ordinary course of business.

In the opinion of the directors, the Company's reserves available for distribution to shareholders are as follows:

| | **2006 HK$'000** | 2005 HK$'000 |
|---|---|---|
| Special reserve | **14,879** | 14,879 |
| Share premium | **51,579** | 41,573 |
| Accumulated losses | **(2,695)** | (1,912) |
| | **63,763** | 54,540 |

## 28. DISPOSAL OF A SUBSIDIARY

| | Note | 2006 HK$'000 | 2005 HK$'000 |
|---|---|---|---|
| Net liabilities disposed of: | | | |
| Property, plant and equipment | | – | 3,306 |
| Research and development | | – | 401 |
| Inventories | | – | 789 |
| Cash and bank balances | | – | 3,462 |
| Trade receivables | | – | 23,006 |
| Prepayments and other receivables | | – | 1,059 |
| Trade payables | | – | (24,238) |
| Accruals and other payables | | – | (8,843) |
| Deferred tax liabilities | | – | (154) |
| | | – | (1,212) |
| Exchange reserve | | – | (398) |
| Gain on disposal of a subsidiary | 5 | – | 2,989 |
| | | – | 1,379 |
| Satisfied by: | | | |
| Cash | | – | – |
| Waiver of loan * | | – | 1,379 |
| | | – | 1,379 |

* *Such waiver of loan is one of the conditions to be fulfilled for the completion of the disposal of Quasar Korea.*

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

| | 2006 HK$'000 | 2005 HK$'000 |
|---|---|---|
| Cash consideration | – | – |
| Cash and bank balances disposed of | – | (3,462) |
| Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary | – | (3,462) |

# NOTES TO FINANCIAL STATEMENTS

*31 December 2006*

## 29. CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities at the balance sheet dates.

The Company had the following contingent liabilities as at the balance sheet date:

| | Company | |
|---|---|---|
| | **2006** | 2005 |
| | ***HK$'000*** | *HK$'000* |
| Corporate guarantee given in respect of banking facilities extended to certain subsidiaries | **40,000** | 240,000 |
| Amount of facilities utilised by the subsidiaries | **35,145** | 84,059 |

## 30. OPERATING LEASE COMMITMENTS

The Group leases certain of its office properties under operating leases. Leases for properties are negotiated for terms ranging from 2 to 5 years

At 31 December 2006, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

| | Group | |
|---|---|---|
| | **2006** | 2005 |
| | ***HK$'000*** | *HK$'000* |
| Within one year | **310** | 535 |
| In the second to fifth years, inclusive | **89** | 377 |
| | **399** | 912 |

## 31. POST BALANCE SHEET EVENT

On 29 December 2006, the Company entered into sale and purchase agreements with KTIC and Korea Technology Investment Corporation ("Korea Technology") to acquire 15.61% and 6.88% equity interest in KBT from KTIC and Korea Technology, at a consideration of HK$19,479,504 and HK$5,063,296 respectively. KBT is engaged in the development and manufacturing of electronic products and parts of GSM mobile phones.

The consideration of the proposed acquisition in the aggregate amount of HK$24,542,800 will be settled by:

(i) the issue and allotment of 165,428,000 shares of HK$0.01 each in the share capital of the Company at an agreed issue price of HK$0.10 each;

(ii) the transfer of the CDMA solution which is the technical known-how and solution development of the mobile appliances under the CDMA communication standard, with carrying amounts of HK$3,661,000 at the balance sheet. The CDMA solution was included in contract work in progress (note 20) in the consolidated balance sheet; and

(iii) the transfer of the FTA licence to KTIC at its carrying value of HK$3,822,000 at the balance sheet date. The FTA licence was included in non-current assets held for sale (note 22).

Subsequent to the balance sheet date in early January 2007, KBT notified the Company that there were certain adjustments to be made in the financial statements of KBT for the year ended 31 December 2006. As such, the Company, Korea Technology and KTIC have been in negotiation to amend certain terms of the sales and purchase agreements to accommodate for these adjustments, which may lead to changes to the structure and terms as stipulated above. Further details of the above mentioned transaction are set out in the Company's announcement dated 9 January 2007, 31 January 2007 and 12 March 2007.

## 32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank loans and overdrafts, and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

It is, and has been, throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, foreign currency risk, credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

### *Cash flow interest rate risk*

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's trust receipt loans with a floating interest rate.

## 32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

### *Foreign currency risk*

The Group has minimal transactional currency exposures as the sales and purchases of the Group were mainly transacted in US dollars and HK dollars.

### *Credit risk*

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the management.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and available-for-sale financial assets, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

### *Liquidity risk*

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans.

## 33. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current year's presentation.

## 34. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 March 2007.

# FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below.

| | Year ended 31 December | | | | |
|---|---|---|---|---|---|
| | **2006** | 2005 | 2004 | 2003 | 2002 |
| | ***HK$'000*** | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| REVENUE | | | | | |
| Continuing operations | | | | | |
| – External sales | **250,523** | 273,760 | 488,352 | 1,155,286 | 1,355,946 |
| – Intercompany sales | **–** | – | – | 27,534 | – |
| | **250,523** | 273,760 | 488,352 | 1,182,820 | 1,355,946 |
| Discontinued operation | | | | | |
| – External sales | **–** | 31,283 | 161,404 | 404 | – |
| – Intercompany sales | **–** | 451 | 212,419 | 347,310 | – |
| | **–** | 31,734 | 373,823 | 347,714 | – |
| | **250,523** | 305,494 | 862,175 | 1,530,534 | 1,355,946 |
| Elimination of intercompany sales | **–** | (451) | (212,419) | (374,844) | – |
| | **250,523** | 305,043 | 649,756 | 1,155,690 | 1,355,946 |
| Cost of sales | **(230,725)** | (280,175) | (621,704) | (1,107,218) | (1,331,831) |
| Gross profit | **19,798** | 24,868 | 28,052 | 48,472 | 24,115 |
| Gross profit attributable to discontinued operation | **–** | (5,997) | (18,515) | (22,809) | – |
| Gross profit attributable to continuing operations | **19,798** | 18,871 | 9,537 | 25,663 | 24,115 |
| Other income and gains | **1,885** | 4,481 | 58 | 142 | 16,152 |
| Research and development costs | **–** | (168) | – | – | – |
| Depreciation of property, plant and equipment | **(103)** | (203) | (93) | (208) | (139) |
| Staff costs | **(5,287)** | (5,008) | (7,651) | – | (2,477) |
| Other expenses | **(4,570)** | (6,991) | (3,927) | (8,330) | (8,495) |
| Impairment loss on investment in securities | **–** | – | (2,500) | (10,994) | – |
| Impairment loss on available-for-sale investments | **(2,300)** | (3,000) | – | – | – |
| Finance costs | **(2,397)** | (906) | (591) | (81) | – |
| PROFIT/(LOSS) BEFORE TAXATION | **7,026** | 7,076 | (5,167) | 6,192 | 29,156 |
| Taxation | **(802)** | (638) | (812) | (740) | (1,600) |
| PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS | **6,224** | 6,438 | (5,979) | 5,452 | 27,556 |
| PROFIT/(LOSS) FROM DISCONTINUED OPERATION | **–** | (711) | (2,862) | 3,078 | (2,077) |
| | **6,224** | 5,727 | (8,841) | 8,530 | 25,479 |
| **ASSETS AND LIABILITIES** | | | | | |
| TOTAL ASSETS | **123,178** | 159,791 | 172,728 | 195,294 | 222,654 |
| TOTAL LIABILITIES | **(29,226)** | (83,271) | (101,527) | (115,567) | (147,404) |
| | **93,952** | 76,520 | 71,201 | 79,727 | 75,250 |

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an annual general meeting of QUASAR Communication Technology Holdings Limited (the "**Company**") will be held at 11:00 a.m. on Monday, 25 June 2007 at 12th Floor, Crocodile House 1, 50 Connaught Road Central Hong Kong to transact the following ordinary business:

1. to receive and consider the audited consolidated financial statements of the Company and its subsidiaries and the reports of the directors (the "**Directors**") and auditors for the year ended 31 December 2006;

2. to re-elect the retiring Director and to authorise the board of Directors to fix the Directors' remuneration;

3. to re-appoint auditors and to authorise the board of Directors to fix their remuneration;

4. To consider as special business and, if thought fit, pass with or without amendments, the following resolution as a special resolution:

"**THAT**:

(a) subject to paragraph (c) below, pursuant to the Rules (the "**GEM Listing Rules**") Governing the Listing of Securities on the Growth Enterprises Market (the "**GEM**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with unissued Shares and to make or grant offers, agreements and options, including warrants to subscribe for Shares, which might require the exercise of such powers be and the same is hereby generally and unconditionally approved;

(b) the approval in paragraph (a) above shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;

(c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to options or otherwise), issued or dealt with by the Directors pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); or (ii) the exercise of any options granted under the share option scheme of the Company; or (iii) any scrip dividend or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles in force from time to time; or (iv) any issue of Shares upon the exercise of rights of subscription or conversion under the terms of any warrants of the Company or any securities which are convertible into Shares, shall not exceed the aggregate of:

(aa) 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this resolution; and

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(bb) (if the Directors are so authorised by a separate ordinary resolution of the shareholders of the Company) the nominal amount of any share capital of the Company repurchased by the Company subsequent to the passing of this resolution (up to a maximum equivalent to 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this resolution),

and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and

(d) for the purposes of this resolution:

"**Relevant Period**" means the period from the date of the passing of this resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles, the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "**Companies Law**") or any other applicable law of the Cayman Islands to be held; and

(iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors by this resolution;

"**Rights Issue**" means an offer of Shares, or offer or issue of warrants, options or other securities giving rights to subscribe for Shares open for a period fixed by the Directors to holders of Shares on the register on a fixed record date in proportion to their then holdings of Shares (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction outside Hong Kong or any recognised regulatory body or any stock exchange outside Hong Kong)."

5. to consider as special business and, if thought fit, passing the following resolutions as ordinary resolutions:

(a) the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all powers of the Company to purchase the Shares on the Stock Exchange or any other stock exchange on which the Shares may be listed and recognised by the Securities and Futures Commission and the Stock Exchange for such purpose, and otherwise in accordance with the rules and regulations of the Securities and Futures Commission, the Stock Exchange, the Companies Law and all other applicable laws in this regard, be and the same is hereby generally and unconditionally approved;

(b) the aggregate nominal amount of Shares which may be purchased by the Company pursuant to the approval in paragraph (a) during the Relevant Period shall not exceed 10 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of this resolution and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and

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(c) for the purposes of this resolution, "**Relevant Period**" means the period from the date of the passing of this resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles, the Companies Law or any other applicable law of the Cayman Islands to be held; and

(iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors of the Company by this resolution.

6. "**THAT** the Directors be and they are hereby authorised to exercise the authority referred to in paragraph (a) of resolution no. 4 above in respect of the share capital of the Company referred to in sub-paragraph (bb) of paragraph (c) of such resolution."

By order of the Board
**QUASAR Communication Technology Holdings Limited**
**Chan Ka Wo**
*Chairman*

Hong Kong, 26 March 2007

*Registered office:*
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

*Head office and principal place of business in Hong Kong:*
12th Floor
Crocodile House 1
50 Connaught Road Central
Hong Kong

# NOTICE OF ANNUAL GENERAL MEETING

*Notes:*

1. A member entitled to attend and vote at the annual general meeting convened by the above notice is entitled to appoint one or more proxy to attend and, subject to the provisions of the Articles, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the annual general meeting to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

2. A form of proxy for use at the annual general meeting will be sent to the shareholders before annual general meeting. Such form of proxy will also be published on the GEM website at www.hkgem.com. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority, at the branch share registrar of the Company in Hong Kong, Abacus Share Registrars Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the annual general meeting or any follow-up meeting thereof. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the annual general meeting or any adjournment thereof, should he so wish.

3. In the case of joint holders of shares, any one of such holders may vote at the annual general meeting, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holders are present at the annual general meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.

4. In relation to proposed resolution no. 2 above, Mr. Ong Se Mon and Mr. Lo Hang Fong will retire from their offices by rotation at the annual general meeting pursuant to Article 87(1) and Mr. Cho Hui Jae will retire from his office at the annual general meeting pursuant to Article 86(3) and being eligible, will offer themselves for re-election at the annual general meeting.

5. The Articles are written in English. There is no official Chinese translation in respect thereof. Therefore, the Chinese version of proposed resolution no. 4 above on amendments of the Articles is purely a translation only. Should there be any discrepancy, the English version shall prevail.

6. In relation to proposed resolutions nos. 5 and 7 above, approval is being sought from the shareholders for the grant to the Directors of a general mandate to authorise the allotment and issue of Shares under the GEM Listing Rules. The Directors have no immediate plans to issue any new Shares other than Shares which may fall to be issued under the share option scheme of the Company or any scrip dividend scheme which may be approved by the shareholders.

7. In relation to proposed resolution no. 6 above, the Directors wish to state that they will exercise the powers conferred thereby to purchase Shares in circumstances which they deem appropriate for the benefit of the shareholders. An explanatory statement containing the information necessary to enable the shareholders to make an informed decision to vote on the proposed resolution as required by the GEM Listing Rules is set out in the accompanying document.