Annual Report 2008

China Trends Holdings Limited
中國趨勢控股有限公司

(formerly "QUASAR Communication Technology Holdings Limited")
(incorporated in the Cayman Islands with limited liability) (Stock Code: 8171)

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

GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the Stock Exchange. 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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors of China Trends Holdings Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange for the purpose of giving information with regard to China Trends Holdings Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Siu Pang, *Chairman*
Mr. Im Kai Chuen Stephen, *Chief Executive Officer*
Mr. Xiang Xin
Mr. Wong Chak Keung
Mr. Cho Hui Jae

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Leung Wing Kin
Mr. Zhang Zhan Liang
Mr. Zhang Jun

COMPLIANCE OFFICER

Mr. Xiang Xin

COMPANY SECRETARY

Mr. Wong Chak Keung

AUTHORISED REPRESENTATIVES

Mr. Wong Chak Keung
Mr. Xiang Xin

AUDIT COMMITTEE

Mr. Zhang Zhan Liang, *Chairman*
Mr. Leung Wing Kin
Mr. Zhang Jun

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

26/F, No. 9 Des Voeux Road West
Sheung Wan
Hong Kong

PRINCIPAL BANKERS

Bank of China
DBS Bank
HSBC
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

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

AUDITORS

Cachet Certified Public Accountants Limited

LEGAL ADVISERS

As to Cayman Islands Law
Conyers Dill & Pearman

As to Hong Kong Law
Michael Li & Co

STOCK CODE

8171

WEBSITE OF THE COMPANY

www.8171.com.hk

CHAIRMAN'S STATEMENT

On behalf of the Board (the "Board") of directors (the "Directors") of China Trends Holdings Limited (the "Company"), I am pleased to present to you the audited results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2008.

FINANCIAL REVIEW

During the year ended 31 December 2008, the Group recorded a turnover of approximately HK$81,127,000 (2007: HK$380,523,000), representing a decrease of 78.7%. The decrease in turnover was due to the deterioration of the general business as a whole and the fierce competition in the current business operations of the Group.

During the year ended 31 December 2008, the Group incurred a loss of approximately HK$32,847,000 (2007: HK$8,199,000). The loss for the year was mainly due to (i) the drop in the profit margin of the current business operations including the impairment loss made on the contract works in progress and the inventories in the amount of approximately HK$4,125,000, (ii) compensation paid to customers in the amount of HK$8,761,000 and (iii) the equity-settled share option expenses in the amount of approximately HK$7,442,000.

OPERATIONAL REVIEW

The Group is principally engaged in sales and marketing of mobile phone appliance and the relevant parts solution in Mainland China market. As there is fierce competition in the current business operations of the Group, the Board has been seeking opportunities to increase the business scope and the foundation of the Group.

In view of the intense competition and falling profit margin, the Company is actively seeking opportunities to other business with higher return than the existing business. Further details of the Company's participation in other businesses and the status of development are set out in note 33 to the financial statements.

PROSPECT

The Board anticipates that the worsening financial and economic crisis will further curtail consumer and corporate demand for goods and services thereby pulling down sales volume and results for year 2009. However, the Company's directors and management will dedicate their best effort to lead the Group to strive for the best interests for its shareholders.

Siu Pang
Chairman

Hong Kong
30 April 2009

MANAGEMENT DISCUSSION AND ANALYSIS

BOOKS AND RECORDS MAINTAINED BY CERTAIN SUBSIDIARIES

The directors of the Company are responsible to prepare the Group's consolidated financial statements based on the books and records maintained by the Company and its subsidiaries (the "Group"). However, after the change of the board of directors of the Company and certain subsidiaries during the year ended 31 December 2008, the Company no longer has access to certain books and records of certain subsidiaries of the Group. The present directors of the Company have tried to get assistance from the former directors of the Company and certain subsidiaries to locate the relevant information and documents of the certain subsidiaries. However, the present directors of the Company lost contact with certain former directors and were therefore unable to obtain access to the relevant information and documents of the certain subsidiaries within the time constraint in the preparation of these consolidated financial statements. Hence, only limited books and records of the certain subsidiaries are accessible by the present directors of the Company. In view of the foregoing, no representations as to the completeness of the books and records the certain subsidiaries could be given by the present directors of the Company although due care has been taken in the preparation of the consolidated financial statements to mitigate the effect of the incomplete books and records of the certain subsidiaries.

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. The Group maintained a liquidity position with a current ratio of approximately 9.50 (2007: 5.75) and total cash and bank balances amounted to approximately HK$7,590,000 (2007: HK$24,742,000) with no pledged deposits placed in banks for securing any borrowings or banking facilities. As at 31 December 2008, the gearing ratio based on total liabilities over total assets was approximately 10.35% (2007: 17.30%).

As at 31 December 2008, the Company entered into a placing agreement pursuant to which the Company had conditionally agreed to place, through a placing agent on a best effort basis, in aggregate of 117,290,300 placing shares to not fewer than six placees. The placing of 117,288,000 shares of the Company of HK$0.01 each at a placing price of HK$0.07 per share was completed on 21 January 2009 with a net proceeds of approximately HK$8,127,000 received by the Company.

CAPITAL STRUCTURE AND FLUCTUATION IN EXCHANGE

Saved as disclosed in the consolidated statement of changes in equity and note 30 to financial statements, there was no movement in the capital structure during the year.

During the year under review, sales and purchases of the Group were mainly transacted in United States dollars and Hong Kong dollars. As at 31 December 2008, a substantial portion of the assets and liabilities of the Group were current in nature, and the amounts were principally denominated in United States dollars and Hong Kong dollars, foreign exchange risk was considered to be minimal.

EMPLOYEES

As at 31 December 2008, there were a total of 9 (2007: 15) full-time staff employed by the Group. The staff costs for the year including directors' remuneration were approximately HK$2,750,000 (2007: HK$4,495,000) and equity-settled share option expenses were approximately HK$7,442,000 (2007: nil).

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS

During the year, the Group had the significant investments and material acquisitions, the detail of which was disclosed in note 33 to the financial statements.

CHARGE, CONTINGENT LIABILITIES AND COMMITMENTS

As at 31 December 2008, there were no guarantees (2007: HK$50,000,000) given to banks by the Company in respect of banking facilities available to certain wholly-owned subsidiaries. As at 31 December 2008, apart from the commitments arising from the proposed acquisition as mentioned in note 33 to the financial statements, the Group had commitments under operating lease amounting to approximately HK$3,049,000 (2007: HK$1,085,000) and there were no charges on any assets of the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed 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 A 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

Mr. Siu Pang ("Mr. Siu"), aged 47, the Chairman, joined the Company as an executive director on 6 February 2009. Mr. Siu has worked in a number of government organizations and state-owned enterprises in the People's Republic of China (the "PRC"). Mr. Siu has extensive experience in corporate management. He has also extensive experience in strategy planning and management. Mr. Siu is certified as a Certified International Organization Planning Manager issued by the American Certification Institute.

Mr. Im Kai Chuen Stephen ("Mr. Im"), aged 36, the Chief Executive officer, joined the Company as an executive director on 10 November 2008. Mr. Im has been in the financial sector in Hong Kong for more than 10 years. Mr. Im was graduated from the University of Toronto, Canada with a bachelor degree in economics. Before joining the Company, Mr. Im had extensive experience in credit risk control management and compliance while he was working for Emperor Securities Limited and MasterLink Securities (Hong Kong) Corporation Limited. Mr. Im gained the board experience of private trustee, corporate finance, private equity and equity capital market related businesses while he was working for HSBC Republic Bank (Suisse) SA And Vinco Finance Group Limited. Mr. Im is a registered person permitted to carry out type 1 and type 9 regulated activities (as defined under Schedule 5 to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)) relating to the dealing of securities and asset management respectively.

Mr. Xiang Xin ("Mr. Xiang"), aged 46, was the Chief Executive Officer of the Group during the period from 25 February 2008 to 9 September 2008 and the Chairman of the Board during the period from 21 March 2008 to 6 February 2009. Mr. Xiang has worked in a number of large organizations in the PRC and has been engaged in technology project management and corporate strategy research for a long time. Mr. Xiang also possesses many years of experience in project investment and telecommunications network businesses. Mr. Xiang holds a bachelor's degree in science and a master's degree in engineering from Nanjing University of Science & Technology. Mr. Xiang is currently an executive director and the chief executive officer of China Innovation Investment Limited ("China Innovation"). Mr. Xiang joined the Group on 25 February 2008.

Mr. Wong Chak Keung ("Mr. Wong"), aged 42, holds a bachelor degree in business from The University of Southern Queensland in Australia. He is also a member of the Hong Kong Institute of Certified Public Accountants and CPA Australia respectively. Mr. Wong has been in the accounting profession for over 15 years. Mr. Wong worked in various positions in an international accounting firm, corporate finance, educational business and manufacturing sector in Hong Kong. Mr. Wong is currently an executive director and a company secretary of China Innovation. Mr. Wong joined the Group on 25 February 2008.

Mr. Cho Hui Jae ("Mr. Cho"), aged 70, 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 on 6 March 2007.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Leung Wing Kin ("Mr. Leung"), aged 51, has over 20 years of management experience in the leisure and tourism business. He is also the vice chief of the 中國扶貧開發協會甘泉工程監督委員會 (Audit Committee of Project Ganquan of the Chinese Association of Poverty Alleviation and Development*) managed by The State Council Leading Group Office of Poverty Alleviation and Development. Mr. Leung joined the Group on 7 December 2007.

Mr. Zhang Zhan Liang ("Mr. Zhang"), aged 38, is a qualified lawyer in the People's Republic of China and is currently the chief officer and partner of 北京市仁豐律師事務所 (JenRich Law Office in Beijing*). Mr. Zhang has 10 years of experience in litigations and advising on legal matters relating to corporate finance and real estates. Mr. Zhang holds a bachelor's degree in law and a master degree from China University of Political Science and Law. Mr. Zhang joined the Group on 23 January 2008.

Mr. Zhang Jun ("Mr. Zhang"), aged 45, is currently a partner of Zhong Huan Certified Public Accountants. He is a member of Chinese Institute of Certified Public Accountants and Chinese Certified Tax Agents Association. He has over 20 years of experience in accounting, auditing and taxation sectors. Mr. Zhang joined the Group on 6 February 2009.

* *For identification purpose only*

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 2008.

CHANGE OF COMPANY NAME

Pursuant to a special resolution approving the change of name of the Company by the shareholders on 24 September 2008 and approved by the relevant authorities in Cayman Islands on 3 October 2008, the name of the Company was changed from QUASAR Communication Technology Holdings Limited to China Trends Holdings Limited 中國趨勢控股有限公司. The Chinese translation of the name of the Company, which was for identification purpose, was "思拓通訊科技控股有限公司" before the change of Company name.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 18 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 loss for the year ended 31 December 2008 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 24 to 28.

The directors do not recommend the payment of any dividends in respect of 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 pages 87 to 88. 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 Company and the Group during the year are set out in note 13 to the financial statements.

SHARE CAPITAL, SHARE OPTIONS AND WARRANTS

Details of movements in the Company's share capital during the year are set out in note 27 to the financial statements.

Details of movements in the Company's share options and warrants during the year are set out in notes 28 and 29 to the financial statements, respectively.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association 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.

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions during the year ended 31 December 2008 are disclosed in note 34 to the financial statements.

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 30(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2008, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Law Cap 22 (Law 3 of 1961, as 2007 Revision) of the Cayman Islands, amounted to HK$77,833,000. This includes the Company's share premium account, in the amount of HK$68,379,000 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 95% of the total sales for the year and sales to the largest customer included therein accounted for 44%. Purchases from the Group's five largest suppliers accounted for 69% of the total purchases for the year and purchases from the largest supplier included therein accounted for 24%.

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 and up to the date of this report were:

Executive directors:

Mr. Xiang Xin	(appointed on 25 February 2008)
Mr. Wong Chak Keung	(appointed on 25 February 2008)
Mr. Im Kai Chuen Stephen	(appointed on 10 November 2008)
Mr. Yang Xiao Ming	(appointed on 9 September 2008 and resigned on 2 January 2009)
Mr. Li Tan Yeung, Richard	(resigned on 9 September 2008)
Ms. Yu Xiao Min	(resigned on 21 March 2008)
Mr. Cho Hui Jae	

Subsequent to the balance sheet date on 6 February 2009, Mr. Siu Pang was appointed as an executive director of the Company.

Independent non-executive directors:

Mr. Leung Wing Kin	
Mr. Sze Lin Tang	
Mr. Zhang Zhan Liang	(appointed on 23 January 2008)
Mr. Li Meng Long	(resigned on 23 January 2008)

Subsequent to the balance sheet date on 6 February 2009, Mr. Zhang Jun was appointed as an independent non-executive director of the Company, and on 11 February 2009, Mr. Sze Lin Tang resigned as an independent non-executive director of the Company.

Mr. Siu Pang, Mr. Im Kai Chuen Stephen, Mr. Cho Hui Jae, and Mr. Zhang Jun will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmations of independence from the independent non-executive directors 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 7 and 8 of the annual report.

DIRECTORS' SERVICE CONTRACTS

None of the executive directors of the Company has each entered into a service contract with the Company. 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

Apart from those details in note 34 to the financial statements, 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

Apart from those details in note 34 to the financial statements, 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 2008, 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:

Share options

Name of Director	Date of grant	Exercise period	Capacity	Exercise price per share *HK$*	No. of underlying shares of the Company comprised the share options outstanding as at 31 December 2008	Approximate percentage of interest
Xiang Xin	9 Apr 2008	9 Apr 2008 to 8 Apr 2013	Beneficiary	0.28	5,000,000	0.85%
Wong Chak Keung	9 Apr 2008	9 Apr 2008 to 8 Apr 2013	Beneficiary	0.28	5,000,000	0.85%
Cho Hui Jae	9 Apr 2008	9 Apr 2008 to 8 Apr 2013	Beneficiary	0.28	5,000,000	0.85%
Leung Wing Kin	9 Apr 2008	9 Apr 2008 to 8 Apr 2013	Beneficiary	0.28	2,500,000	0.43%
Zhang Zhan Liang	9 Apr 2008	9 Apr 2008 to 8 Apr 2013	Beneficiary	0.28	2,500,000	0.43%
Sze Ling Tang	9 Apr 2008	9 Apr 2008 to 8 Apr 2013	Beneficiary	0.28	2,500,000*	0.43%
					22,500,000	

* Sze Ling Tang resigned as an independent non-executive director of the Company subsequent to the balance sheet date on 11 February 2009 and the share options will be lapsed accordingly.

Save as disclosed above, as at 31 December 2008, 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.

CONTRACT OF SIGNIFICANCE

Apart from those details in note 34 to the financial statements, 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 2008, the following interests and short positions of 5% or more of the issued share capital and underlying shares 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/short position in the shares of the Company

		Number of share held			
Name of shareholder	**Capacity**	**Long position**	**Percentage of interests**	**Short position**	**Percentage of interests**
Jo Won Seob	Beneficiary	81,200,000	13.85%	–	–
Pretty Profit Enterprises Ltd.	Beneficiary	60,000,000	10.23%	60,000,000	10.23%
Cheung Chun Yip *(note 1)*	Corporate	60,000,000	10.23%	60,000,000	10.23%
Morgan Strategic Limited	Beneficiary	60,000,000	10.23%	–	–
Top Ten International s.a r.l. *(note 2)*	Corporate	60,000,000	10.23%	–	–
Chen Darren *(note 2)*	Deemed	60,000,000	10.23%	–	–
Shenyin Wanguo (H.K.) Limited *(note 3)*	Corporate	40,900,000	6.97%	–	–
Shenyin Wanguo Strategic Investments (H.K.) Limited *(note 3)*	Beneficiary	20,000,000	3.41%	–	–
Shenyin Wanguo Trading (H.K.) Ltd. *(note 3)*	Beneficiary	20,900,000	3.56%	–	–
Korea Technology Investment Corporation	Beneficiary	37,000,000	6.31%	–	–

Long/short position in the unlisted warrant of the Company

		Number of underlying shares in respect of unlisted warrants to be held			
Name		**Long position**	**Percentage of interests**	**Short position**	**Percentage of interests**
Pretty Profit Enterprises Ltd.	Beneficiary	45,000,000	7.67%	45,000,000	7.67%
Cheung Chun Yip *(note 1)*	Corporate	45,000,000	7.67%	45,000,000	7.67%
Morgan Strategic Limited	Beneficiary	45,000,000	7.67%	–	–
Top Ten International s.a r.l. *(note 2)*	Corporate	45,000,000	7.67%	–	–
Chen Darren	Deemed	45,000,000	7.67%	–	–

The unlisted warrants entitle the holders to subscribe for new shares of the Company at the subscription price of HK$0.28 per share (subject to adjustment) until 11 December 2009.

Notes:

1. Pretty Profit Enterprises Ltd. was a private company wholly and beneficially owned by Ms. Cheung Chun Yip. Accordingly, Ms. Cheung Chun Yip was deemed to be interested in the shares of the Company held by Pretty Profit Enterprises Limited.

2. Morgan Strategic Limited was a private company wholly and beneficially owned by Top Ten International s.a r.l. ("Top Ten") and Top Ten was a private company wholly and beneficially owned by Chen Darren. Accordingly, Top Ten and Chen Darren were interested in the shares of the Company held by Morgan Strategic Limited.

3. The entire issued share capital of Shenyin Wanguo Strategic Investments (H.K.) Limited and Shenyin Wanguo Trading (H.K.) Ltd. were legally and beneficially owned by Shenyin Wanguo (H.K.) Limited. Accordingly, Shenyin Wanguo (H.K.) Limited was 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.) Ltd.

Save as disclosed above, as at 31 December 2008, 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 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 2008 have been reviewed by the audit committee, which was of the opinion that subject to qualifications as mentioned by the auditors of the Company in the auditors' report on pages 19 to 23 of this annual report, the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

AUDITORS

The financial statements for the year ended 31 December 2006 were jointly audited by Cachet Certified Public Accountants Limited and CCIF CPA Limited.

The financial statements for the years ended 31 December 2007 and 2008 have been audited by Cachet Certified Public Accountants Limited, who retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Xiang Xin
Executive director

Hong Kong
30 April 2009

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 and segregation of duties of the Chairman and Chief Executive Officer. 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. Siu Pang	(appointed on 6 February 2009)
	Mr. Xiang Xin	(appointed on 25 February 2008)
	Mr. Wong Chak Keung	(appointed on 25 February 2008)
	Mr. Im Kai Chuen Stephen	(appointed on 10 November 2008)
	Mr. Cho Hui Jae	
Independent non-executive directors :	Mr. Leung Wing Kin	
	Mr. Zhang Zhan Liang	(appointed on 23 January 2008)
	Mr. Zhang Jun	(appointed on 6 February 2009)

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.

The Board has four scheduled regular meetings a year at quarterly interval and meets as and when required. During the year ended 31 December 2008, the Board held 18 meetings. The attendance of each director at the board meetings during the year are as follows:

Directors		**Number of attendance**
Mr. Siu Pang	(appointed on 6 February 2009)	N/A
Mr. Im Kai Chuen Stephen	(appointed on 10 November 2008)	3/3
Ms. Yu Xiao Min	(resigned on 21 March 2008)	3/5
Mr. Li Tan Yeung, Richard	(resigned on 9 September 2008)	8/11
Mr. Xiang Xin	(appointed on 25 February 2008)	15/15
Mr. Wong Chak Keung	(appointed on 25 February 2008)	15/15
Mr. Cho Hui Jae	(appointed on 6 March 2007)	0/18
Mr. Yang Xiao Ming	(appointed on 9 September 2008 and resigned on 2 January 2009)	3/5
Mr. Chan Ka Wo	(resigned on 31 January 2008)	0/1
Mr. Sze Lin Tang	(resigned on 11 February 2009)	0/18
Mr. Leung Wing Kin	(appointed on 7 December 2007)	3/18
Mr. Zhang Zhan Liang	(appointed on 23 January 2008)	2/17
Mr. Zhang Jun	(appointed on 6 February 2009)	N/A

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 are able, 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 and senior management.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Xiang Xin was appointed as the Chairman of the Board during the period from 21 March 2008 to 5 February 2009 and Mr. Xiang was also appointed as the chief executive officer of the Company during the period from 25 February 2008 to 8 September 2008. The non-segregation of duties of Chairman and chief executive officer deviated from provision A.2.1 of the CG Code was on a temporary basis only.

Mr. Siu Pang was appointed as the Chairman of the Board with effect from 6 February 2009. Mr. Yang Xiao Ming was appointed as the chief executive officer of the Company during the period from 9 September 2008 to 9 November 2008 while Mr. Im Kai Chuen Stephen was appointed as the chief executive officer of the Company with effect from 10 November 2008.

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 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.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company established a remuneration committee (the "Remuneration Committee") in December 2005. Currently, all of the members of the Remuneration Committee are the independent non-executive directors of the Company, namely Mr. Leung Wing Kin, Mr. Zhang Zhan Liang and Mr. Zhang Jun. During the year, two meetings were held for 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.

Name	Number of attendance
Mr. Sze Lin Tang	2/2
Mr. Leung Wing Kin	2/2
Mr. Zhang Zhan Liang	2/2
Mr. Zhang Jun	N/A

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 Articles of Association. Such practice deviates from 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 2008, Cachet Certified Public Accountants Limited, the existing external auditors, provided the following services to the Group:

	2008
	HK$'000
Annual audit services	
– Annual audit	238
– Interim audit	250
Other assurance services	430
	918

AUDIT COMMITTEE

The audit committee currently comprises all three independent non-executive directors of the Company, Mr. Zhang Zhan Liang as the Chairman and Mr. Zhang Jun and Mr. Leung Wing Kin as the members, who among themselves possess management experience in the accounting and law. The attendance of each member at the meetings during the year is set out as follows:

		Number of attendance
Mr. Zhang Zhan Liang	(appointed on 23 January 2008)	4/4
Mr. Leung Wing Kin		4/4
Mr. Zhang Jun	(appointed on 6 February 2009)	N/A
Mr. Sze Lin Tang	(resigned on 11 February 2009)	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 Certified Public Accountants Limited
德揚會計師事務所有限公司
13F Neich Tower, 128 Gloucester Road
Wanchai, Hong Kong

To the shareholders of China Trends Holdings Limited
(Formerly known as "Quasar Communication Technology Holdings Limited")
(Incorporated in Cayman Islands with limited liability)

We have audited the financial statements of China Trends Holdings Limited (formerly known as "Quasar Communication Technology Holdings Limited", the "Company") set out on pages 24 to 86, which comprise the consolidated and Company balance sheets as at 31 December 2008, 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 ("HKICPA") 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. Our 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.

Except for the limitation in the scope of our work as explained below, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. 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. However, because of the matter described in the basis for disclaimer of opinion section, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

BASIS FOR DISCLAIMER OF OPINION

1. Scope limitation – loss of access to certain books and records maintained by certain subsidiaries

As more fully explained in note 2.1(a) to the financial statements, the underlying books and records of certain subsidiaries of the Company were not accessible due to the changes to the board of directors of the Company and certain subsidiaries during the year. Although the present board of directors of the Company have represented that they have taken due care in the preparation of the consolidated financial statements of the Group, they were unable to give representation as to the completeness of the books and records of certain subsidiaries of the Company during the year ended 31 December 2008. The present board of directors was unable to represent that all transactions entered by these subsidiaries of the Company during the year ended 31 December 2008 have been properly included in the consolidated financial statements. Accordingly, we were unable to carry out adequate audit procedures we considered necessary to satisfy ourselves as to the timing, accuracy and completeness of the assets and liabilities of the Group as at 31 December 2008 and of its loss and cash flows for the year then ended. We qualified our opinion in respect of the limitation of scope in our auditors' report of the assets and liabilities of the Group as at 31 December 2008 and of its loss and cash flows for the year ended 31 December 2008 and the related disclosures thereof in the financial statements.

2. Scope limitation – inventories

Included in the consolidated balance sheet were inventories stated at net realisable value of approximately HK$1,700,000 (with a total cost of HK$2,443,783) as at 31 December 2008. We had not been invited to attend the physical inventory count on or about 31 December 2008 and we had not been provided with sufficient and appropriate evidences for verification of the existence, completeness and valuation of the inventories. We have not been able to carry out alternative audit procedures we considered necessary to satisfy ourselves as to the existence, completeness and valuation of the inventories as stated in the consolidated balance sheet of the Group as at 31 December 2008 and that the inventories were free from material misstatement and were fairly stated. Any adjustments to the balance of the inventories as at 31 December 2008 found to be necessary would affect the Group's net assets as at 31 December 2008 and have a consequential effect on its loss for the year then ended and the related disclosure thereof in the financial statements.

3. Scope limitation – contract works in progress

As detailed in note 20 to the financial statements, included in the consolidated balance sheet was contract works in progress of approximately HK$34,340,000 as at 31 December 2008. We had not been invited to attend physical inventory count on or about 31 December 2008 and we had not been provided with a detailed information and explanation of the nature and the future utilisation of the contract works in progress. Due to the lack of sufficient and appropriate evidences available to us, we have not been able to carry out audit procedures we considered necessary to satisfy ourselves as to the existence, completeness and valuation of the contract works in progress as stated in the consolidated balance sheet of the Group as at 31 December 2008 and that the contract works in progress was properly classified,

BASIS FOR DISCLAIMER OF OPINION *(Continued)*

3. Scope limitation – contract works in progress *(Continued)*

free from material misstatement and was fairly stated as at 31 December 2008. Any adjustments to the balance of the contract works in progress as at 31 December 2008 found to be necessary would affect the Group's net assets as at 31 December 2008 and have a consequential effect on its loss for the year then ended and the related disclosure thereof in the financial statements.

4. Scope limitation – trade receivables

Included in the consolidated balance sheet were trade receivables of approximately HK$63,287,000 and HK$610,000 after impairment provision of approximately HK$1,211,000 and HK$3,888,000 respectively as at 31 December 2007 and 2008. As detailed in note 2.1(a) to the financial statements, we had not been provided with certain books and records of certain subsidiaries of the Company and we had not been provided with sufficient and appropriate evidences for verification of the settlement of the trade receivables throughout the year ended 31 December 2008. We have not been able to carry out alternative audit procedures we considered necessary to satisfy ourselves that the trade receivables and the impairment as stated in the consolidated balance sheet at 31 December 2008 were free from material misstatement and were fairly stated. Any adjustments to the balance of the trade receivables as at 31 December 2008 found to be necessary would affect the Group's net assets as at 31 December 2008 and have a consequential effect on its loss and cash flows for the year then ended and the related disclosures thereof in the financial statements.

5. Scope limitation – trade deposits paid

As detailed in note 22 to the financial statements, included in prepayments, deposits and other receivables in the consolidated balance sheet were deposits of approximately HK$8,200,000 as at 31 December 2008. The deposits were paid by a subsidiary of the Company to a supplier during the year as deposits for the supply of mobile phones and related appliance and accessories. We had not been provided with sufficient and appropriate explanation and evidences as to the nature of the deposits, including but not limited to the arrangement for the subsequent recovery of the deposits or the ability of the supplier in fulfillment of the obligation in supplying the mobile phones and related appliance and accessories to the Group. No subsequent settlement or goods have been received by the Group up to the date of this report and we have not been able to obtain sufficient information we considered necessary for the assessment of the recoverability of the deposits. We were unable to carry out alternative audit procedures we considered necessary to satisfy ourselves as to the existence and valuation of the trade deposits and that the trade deposits were free from material misstatement and were fairly stated as at 31 December 2008. Any adjustments to the balance of the trade deposits as at 31 December 2008 found to be necessary would affect the Group's net assets as at 31 December 2008 and have a consequential effect on its loss for the year then ended and the related disclosure thereof in the financial statements.

BASIS FOR DISCLAIMER OF OPINION *(Continued)*

6. Scope limitation – revenue and cost of sales

As detailed in note 2.1(a) to the financial statements, included in revenue and cost of sales of HK$81,127,000 and HK$84,409,000 shown in the consolidated income statement were certain sales transactions and the related cost of sales amounting to approximately HK$26,979,000 and HK$28,177,000, respectively, for which we had not been provided with sufficient and appropriate information and explanation for our verification of their occurrence, completeness and valuation. We have not been able to carry out alternative audit procedures we considered necessary to satisfy ourselves that the revenue and cost of sales as stated in the consolidated income statement for the year ended 31 December 2008 were free from material misstatement and were fairly stated. Any adjustments to the amount of the revenue and cost of sales for the year ended 31 December 2008 found to be necessary would affect the loss of the Group for the year ended 31 December 2008 and have a consequential effect on its cash flows for the year ended 31 December 2008, its net assets as at 31 December 2008 and the related disclosures thereof in the financial statements.

7. Scope limitation – carrying amounts of investments in subsidiaries and amounts due from subsidiaries

Included in the Company's balance sheet were investments in subsidiaries of approximately HK$14,882,000 and amounts due from subsidiaries of approximately HK$47,437,000 as at 31 December 2008. Due to the scope limitations in respect of items (1), (2), (3), (4), (5) and (6) above and the lack of sufficient and appropriate evidences available to us, we have not been able to carry out audit procedures we considered necessary to satisfy ourselves as to the accuracy and valuation of the balances of investments in and amounts due from subsidiaries and whether any impairment loss is required. We have not been able to perform alternative audit procedures we considered necessary to satisfy ourselves as to whether the carrying amounts of the investments in subsidiaries and amounts due from subsidiaries were free from material misstatement and were fairly stated. Any adjustments to the carrying amounts of investments in and amounts due from subsidiaries as at 31 December 2008 found to be necessary would affect the Company's net assets as at 31 December 2008 and have a consequential effect on its loss for the year then ended and the related disclosure thereof in the financial statements.

BASIS FOR DISCLAIMER OF OPINION *(Continued)*

DISCLAIMER OF OPINION: DISCLAIMER ON VIEW GIVEN BY FINANCIAL STATEMENTS

Because of the significance of the matters described in the basis for disclaimer of opinion section, we do not express an opinion on the financial statements as to whether they give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2008 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and as to whether the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

REPORT ON MATTERS UNDER SECTIONS 141(4) AND 141(6) OF THE HONG KONG COMPANIES ORDINANCE

In respect alone of the limitation on our work relating to points (1), (2), (3), (4), (5), (6) and (7) in the basis for disclaimer of opinion section:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether proper books of account had been kept.

Cachet Certified Public Accountants Limited
Certified Public Accountants

Chan Chi Yuen
Practising Certificate Number P02671

Hong Kong
30 April 2009

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
REVENUE	5	81,127	380,523
Cost of sales		(84,409)	(359,220)
Gross (loss)/profit		(3,282)	21,303
Other income and gains	5	194	465
Administrative and other operating expenses		(25,835)	(10,546)
Finance costs	7	(758)	(1,503)
Other impairment losses	6	(2,677)	(17,604)
LOSS BEFORE TAX	6	(32,358)	(7,885)
Tax	10	(489)	(314)
LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	11	(32,847)	(8,199)
DIVIDENDS		Nil	Nil
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	12		
Basic		(5.60) cents	(1.55) cents
Diluted		N/A	N/A

CONSOLIDATED BALANCE SHEET

31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
NON–CURRENT ASSETS			
Property, plant and equipment	13	**1,251**	406
Available-for-sale investments	14	**–**	–
Other intangible assets	15	**–**	–
Deferred tax assets	16	**280**	306
Prepaid licenses fee	17	**–**	–
Total non-current assets		**1,531**	712
CURRENT ASSETS			
Inventories	19	**1,700**	–
Contract works in progress	20	**34,340**	3,382
Trade receivables	21	**610**	63,287
Prepayments, deposits and other receivables	22	**43,250**	35,095
Cash and bank balances	23	**7,590**	24,742
Total current assets		**87,490**	126,506
CURRENT LIABILITIES			
Trade payables	24	**219**	–
Trust receipt loans	25	**–**	12,040
Other payables and accruals		**3,827**	4,752
Tax payable		**4,946**	5,046
Due to a related company	26	**221**	167
Total current liabilities		**9,213**	22,005
NET CURRENT ASSETS		**78,277**	104,501
TOTAL ASSETS LESS CURRENT LIABILITIES		**79,808**	105,213
Net assets		**79,808**	105,213
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	27	**5,865**	5,865
Reserves	30	**73,943**	99,348
Total equity		**79,808**	105,213

Xiang Xin
Director

Wong Chak Keung
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2008

	Attributable to equity holders of the Company						
	Issued capital	**Share premium account**	**Warrant reserve**	**Share option reserve**	**Capital reserve**	**(Accumulated losses)/ Retained profits**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(note a)*	*HK$'000*	*HK$'000*
At 1 January 2007	5,265	51,579	–	–	11,157	25,951	93,952
Issue of shares *(note 27(a)(ii))*	600	16,800	–	–	–	–	17,400
Issue of warrants *(note 27(a)(i) and (ii))*	–	–	2,060	–	–	–	2,060
Loss for the year	–	–	–	–	–	(8,199)	(8,199)
At 31 December 2007 and at 1 January 2008	5,865	68,379	2,060	–	11,157	17,752	105,213
Equity-settled share option arrangements *(note 28)*	–	–	–	7,442	–	–	7,442
Share options lapsed during the year	–	–	–	(465)	–	465	–
Warrant lapsed during the year *(note 27(a)(i))*	–	–	(1,160)	–	–	1,160	–
Loss for the year	–	–	–	–	–	(32,847)	(32,847)
At 31 December 2008	5,865	68,379	900	6,977	11,157	(13,470)	79,808

Note a: Capital reserve represents the difference between the nominal value of shares issued by the Company as consideration and the underlying net assets of the subsidiaries acquired pursuant to the group reorganisation in relation to the listing of the shares of the Company on the Stock Exchange of Hong Kong Limited on 25 July 2002.

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2008

	2008 HK$'000	2007 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(32,358)	(7,885)
Adjustments for:		
Impairment of available-for-sale investments	–	1,342
Impairment of trade receivables	2,677	304
Impairment of contract works in progress	–	12,136
Impairment of non-current assets held for sales	–	3,822
Equity-settled share option expenses	7,442	–
Finance costs	758	1,503
Interest income	(148)	(404)
Loss on disposal of items of property, plant and equipment	–	49
Depreciation of property, plant and equipment	170	95
	(21,459)	10,962
(Increase)/decrease in inventories	(1,700)	5,325
(Increase)/decease in contract works in progress	(30,958)	3,381
Decrease/(increase) in trade receivables	60,000	(10,316)
(Increase)/decrease in prepayments, deposits and other receivables	(8,155)	11,444
Increase/(decrease) in trade payables	219	(6,478)
Decrease in other payables and accruals	(925)	(413)
Increase in amount due to a related company	54	167
Cash (used in)/generated from operations	(2,924)	14,072
Interest received	148	404
Interest paid	(758)	(1,503)
Hong Kong profits tax paid	(563)	–
Net cash (outflow)/inflow from operating activities	(4,097)	12,973
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(1,015)	(391)
Deposits paid for proposed acquisitions	–	(30,000)
Net cash outflow from investing activities	(1,015)	(30,391)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	–	17,400
Proceeds from issue of warrants	–	2,060
Repayment of trust receipt loans, net	(12,040)	(871)
Net cash (outflow)/inflow from financing activities	(12,040)	18,589
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(17,152)	1,171
Cash and cash equivalents at beginning of year	24,742	23,571
CASH AND CASH EQUIVALENTS AT END OF YEAR	7,590	24,742
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	7,590	21,683
Non-pledged time deposits with original maturity of less than three months when acquired	–	3,059
	7,590	24,742

BALANCE SHEET

31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**946**	–
Other intangible assets	15	**–**	–
Interests in subsidiaries	18	**47,259**	42,586
Total non-current assets		**48,205**	42,586
CURRENT ASSETS			
Prepayments, deposits and other receivables	22	**30,459**	30,150
Cash and bank balances	23	**7,172**	15,036
Total current assets		**37,631**	45,186
CURRENT LIABILITIES			
Other payables and accruals		**1,238**	174
Total current liabilities		**1,238**	174
NET CURRENT ASSETS		**36,393**	45,012
Net assets		**84,598**	87,598
EQUITY			
Issued capital	27	**5,865**	5,865
Reserves	30(b)	**78,733**	81,733
Total equity		**84,598**	87,598

Xiang Xin
Director

Wong Chak Keung
Director

NOTES TO FINANCIAL STATEMENTS

31 December 2008

1. CORPORATE INFORMATION

China Trends Holdings Limited (formerly known as "QUASAR Communication Technology Holdings Limited") (the "Company") is a limited liability company incorporated in the Cayman Islands. Pursuant to a special resolution passed by the shareholders of the Company on 24 September 2008 and approved by the relevant authorities in Cayman Islands on 3 October 2008, the name of the Company was changed from "Quasar Communication Technology Holdings Limited" to "China Trends Holdings Limited 中國趨勢控股有限公司". The Chinese translation of the name of the Company, which was for identification purposes, was "思拓通訊科技控股有限公司" before the change of Company name.

The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business in Hong Kong is situated at 26/F., No.9 Des Voeux Road West, Sheung Wan, Hong Kong.

The Company is an investment holding company. The Group's principal activities have not changed during the year and were involved in sales and marketing of mobile phone appliance and the relevant application 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 include all Hong Kong Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosure required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2008. 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 income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

2.1(a) STATE OF BOOKS AND RECORDS MAINTAINED BY CERTAIN SUBSIDIARIES

The directors of the Company are responsible to prepare the Group's consolidated financial statements based on the books and records maintained by the Company and its subsidiaries (the "Group"). However, after the change of the board of directors of the Company and certain subsidiaries during the year ended 31 December 2008, other than Friendly Group Limited and Pacific Vision Technologies Limited which were newly incorporated during the year, the Company no longer has access to certain books and records of certain subsidiaries of the Group, namely Hanbit I & T (HK) Co., Limited, Quasar Communication Technology Limited, Zetta Global Limited, Ace Solution Technology Limited, Gold Glory Development Limited, Qualfield Limited, Synerex Inc. and Zetta Media Holdings Limited (collectively, the "Concerned Subsidiaries"). The present directors of the Company have tried to get assistance from the former directors of the Company to locate the relevant information and documents of the Concerned Subsidiaries. However, the present directors of the Company lost contact with certain former directors and were therefore unable to obtain access to the relevant information and documents of the Concerned Subsidiaries within the time constraint in the preparation of these consolidated financial statements. Hence, only limited books and records of the Concerned Subsidiaries are accessible by the present directors of the Company. In view of the foregoing, no representations as to the completeness of the books and records the Concerned Subsidiaries could be given by the present directors of the Company although due care has been taken in the preparation of the consolidated financial statements to mitigate the effect of the incomplete books and records of the Concerned Subsidiaries. The present directors of the Company have, in the assessment of the Group's assets and liabilities, taken such steps as they considered practicable to establish these assets and liabilities based on the information of which they were aware and have made provisions and adjustments as they considered appropriate in the preparation of these consolidated financial statements.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new interpretations and amendments to 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 interpretations and amendments has had no significant effect on these financial statements.

HKAS 39 and HKFRS 7 Amendments	Amendments to HKAS 39 Financial Instruments: Recognition and Measurement and HKFRS 7 Financial Instruments: Disclosures – Reclassification of Financial Assets
HK(IFRIC)–Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC)–Int 12	Service Concession Arrangement
HK(IFRIC)–Int 14	HKAS19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

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

The principal effects of adopting these new and revised HKFRSs are as follows:

HKAS 39 and HKFRS 7 Amendments – Amendments to HKAS 39 Financial Instruments: Recognition and Measurement and HKFRS 7 Financial Instruments: Disclosures – Reclassification of Financial Assets

The amendments to HKAS 39 permit an entity to reclassify a non-derivative financial asset classified as held for trading, other than a financial asset designated by an entity as at fair value through profit or loss upon initial recognition, out of the fair value through profit or loss category if the financial asset is no longer held for the purpose of selling or repurchasing it in the near term if specified criteria are met.

A debt instrument that would have met the definition of loans and receivables (if it had not been required to be classified as held for trading at initial recognition) may be classified out of the fair value through profit or loss category or (if it had not been designated as available for sale) may be classified out of the available-for-sale category to the loans and receivables category if the entity has the intention and ability to hold it for the foreseeable future or until maturity.

In rare circumstances, financial assets that are not eligible for classification as loans and receivables may be transferred from the held-for-trading category to the available-for-sale category or to the held to maturity category (in the case of a debt instrument), if the financial asset is no longer held for the purpose of selling or repurchasing in the near term.

The financial asset shall be reclassified at its fair value on the date of reclassification and the fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost, as applicable. The amendments to HKFRS 7 require extensive disclosures of any financial asset reclassified in the situations described above. The amendments are effective from 1 July 2008.

As the Group has not reclassified any of its financial instruments, the amendments have had no impact on the financial position or results of operations of the Group.

HK(IFRIC) – Int 11 HKFRS 2 – Group and Treasury Share Transactions

HK(IFRIC)-Int 11 requires arrangements whereby an employee is granted rights to the Group's equity instruments to be accounted for as an equity-settled scheme, even if the Group buy the instruments from another party, or the shareholders provide the equity instruments needed. HK(IFRIC)-Int 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group. As the Group currently has no such transactions, the interpretation has had no impact on the financial position or results of operations of the Group.

HK(IFRIC) – Int 12 Service Concession Arrangements

HK(IFRIC)-Int 12 applies to service concession operators and explains how to account for obligation undertaken and the rights received in service concession arrangements. As the Group currently has no such arrangements, the interpretation has had no effect on these financial statements.

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

HK(IFRIC) – Int 14 HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

HK(IFRIC)-Int 14 addresses how to assess the limit under HKAS 19 Employee Benefits, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, including situations, when a minimum funding requirement exists. As the Group has no defined benefit scheme, the interpretation has had no effect on these financial statements.

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

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

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 First-time Adoption of HKFRSs and HKAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [1]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards [2]
HKFRS 2 Amendments	Amendments to HKFRS 2 Share-based Payment – Vesting Conditions and Cancellations [1]
HKFRS 3 (Revised)	Business Combinations [2]
HKFRS 7 Amendments	Amendments to HKFRS 7, Disclosures about Financial Instruments [1]
HKFRS 8	Operating Segments [1]
HKAS 1 (Revised)	Presentation of Financial Statements [1]
HKAS 23 (Revised)	Borrowing Costs [1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [2]
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 Financial Instruments: Presentation and HKAS 1 Presentation of Financial Statements-Puttable Financial Instruments and Obligations Arising on Liquidation [1]
HKAS 39 Amendments	Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items [2]
HK (IFRIC)–Int 9 and HKAS 39 Amendments	Amendments to HK (IFRIC)–Int 9 and HKAS 39 Embedded Derivatives [5]
HK (IFRIC)–Int 13	Customer Loyalty Programmes [3]
HK (IFRIC)–Int 15	Agreements for the Construction of Real Estate [1]
HK (IFRIC)–Int 16	Hedges of a Net Investment in a Foreign Operation [4]
HK (IFRIC)–Int 17	Distributions of Non-cash Assets to Owners [2]
HK (IFRIC)–Int 18	Transfers of Assets from Customers [6]

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

Apart from the above, the HKICPA has also issued Improvements to HKFRSs* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarify wording. Except for the amendment to HKFRS 5 which is effective for the annual periods on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

[1] Effective for annual periods beginning on or after 1 January 2009

[2] Effective for annual periods beginning on or after 1 July 2009

[3] Effective for annual periods beginning on or after 1 July 2008

[4] Effective for annual periods beginning on or after 1 October 2008

[5] Effective for annual periods ending on or after 30 June 2009

[6] Effective for transfers of assets from customers received on or after 1 July 2009

* *Improvements to HKFRSs contain amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.*

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 HKFRS 8 and HKAS 1 (Revised) may result in new or amended disclosures and the adoption of HKFRS 3 (Revised), HKAS 27 (Revised) and HKAS 23 (Revised) may result in changes in accounting policies, 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 ACCOUNT 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 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, contract works in progress and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNT POLICIES *(Continued)*

Impairment of non-financial assets *(Continued)*

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 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 an 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, but 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 an impairment loss is credited to the income statement in the period in which it arises.

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;

(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, an individual referred to in (d) or (e).

2.4 SUMMARY OF SIGNIFICANT ACCOUNT POLICIES *(Continued)*

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. 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:

Leasehold improvements	20%
Furniture and fixtures	20%
Office and computer equipment	25%
Motor vehicles	25%

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 the depreciation method are reviewed, and adjusted if appropriate, at lease 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.

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 lives.

2.4 SUMMARY OF SIGNIFICANT ACCOUNT POLICIES *(Continued)*

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 lessee, rentals payable under operating leases are charged to the income statement on the straight-line basis over the lease terms.

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 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 assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the 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. The net fair value gain or loss recognised in the income statement does not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policy set out for “Revenue recognition” below.

2.4 SUMMARY OF SIGNIFICANT ACCOUNT POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

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 less any allowance for impairment. 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.

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 two 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. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the income statement as “Other income and gains” in accordance with the policies set out for “Revenue recognition” below. Losses arising from the impairment of such investments are recognised in the income statement as “Impairment losses on available-for-sale financial assets” and are transferred from the available-for-sale investment revaluation reserve.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment, or (b) the probabilities of 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNT POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

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. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

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 by adjusting the allowance account. 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 and other 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, and significant changes in the technological, market, economic or legal environment that have an adverse effect on 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. A provision for impairment is made for available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgement. In addition, the Group evaluates other factors, such as the share price volatility. Impairment losses on equity instruments classified as available-for-sale are not reversed through the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNT 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 payables, trust receipt loans, other payables and accruals and due to a related company 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. The related interest expense is recognised with "finance cost" in the income statement.

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any interest charged on these financial liabilities.

2.4 SUMMARY OF SIGNIFICANT ACCOUNT POLICIES *(Continued)*

Financial liabilities at fair value through profit or loss *(Continued)*

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Financial guarantee contracts

Financial guarantee contracts in the scope of HKAS 39 are accounted for as financial liabilities. A financial guarantee contract is recognised initially at its fair value less 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 of the best estimate of the expenditure required to settle the present obligation at the balance sheet date; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 "Revenue".

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.

Inventories

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNT POLICIES *(Continued)*

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 that are readily convertible into known amounts of cash, 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 cash equivalents 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.

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 year directly in equity.

Current tax assets and liabilities for the current and prior years 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNT POLICIES *(Continued)*

Income tax *(Continued)*

Deferred tax assets are recognised for all deductible temporary differences, carryforward 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.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year 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

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and

(b) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNT POLICIES *(Continued)*

Employee benefits

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a Black-Scholes Option Pricing Model, further details of which are given in note 28 to the financial statements. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the year in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a year represents the movement in the cumulative expense recognised as at the beginning and end of that year.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.4 SUMMARY OF SIGNIFICANT ACCOUNT POLICIES *(Continued)*

Employee benefits *(Continued)*

Share-based payment transactions (Continued)

The Group has adopted the transitional provisions of HKFRS 2 in respect of the entity settled awards and has applied HKFRS 2 only to equity settled award granted after 7 November 2002 that had not been vested by 1 January 2005.

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees those employees who are eligible to participate in the MPF Scheme. 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 MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

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 dates 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 dates. All differences are taken to income statement. 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 equity. 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 judgements, 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 judgment 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. Future details are contained in note 16 to the financial statements.

Assessment of impairment of non-current assets

The Group tests annually whether non-current assets has suffered any impairment based on their value in use or their net selling price.

Fair value of unlisted equity investments

The unlisted equity investments have been assessed for impairment based on the financial information available for those investments. This assessment requires the Group to make estimates about expected future performance of the investments and hence they are subject to uncertainty. The unlisted equity investments have been fully impaired in the previous year. Future details are included in note 14 to the financial statements.

Useful lives of property, plant and equipment

The management of the Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of the property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovation. Management will change the depreciation charge where useful lives are different from the previously estimated lives. It will also write-off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

Provision for impairment of receivables

The policy for the provision for impairment of receivables of the Group is based on the evaluation of collectibles and ageing analysis of accounts and on the management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including these 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.

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 the Group's revenue and assets relate entirely to the business of sales and marketing of mobile phone appliance and the relevant application solution 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 net invoiced value of goods sold, after allowances for returns and trade discounts.

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

	2008 ***HK$'000***	2007 *HK$'000*
Revenue		
Sales of goods	**81,127**	380,523
Other income and gains		
Bank interest income	**148**	404
Others	**46**	61
	194	465
Total revenue, other income and gains	**81,321**	380,988

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	2008 *HK$'000*	2007 *HK$'000*
Cost of sales#	**84,409**	359,220
Auditors' remuneration:		
Annual audit	**238**	350
Interim audit	**250**	–
Other assurance services	**430**	–
	918	350
Depreciation	**170**	95
Loss on disposal of items of property, plant and equipment	**–**	49
Exchange losses, net	**50**	201
Employee benefits expenses		
(including directors' remuneration *(note 8)*):		
Wages and salaries	**2,702**	4,318
Others	**35**	85
Pension scheme contributions	**13**	92
Equity-settled share option expenses	**7,442**	–
	10,192	4,495
Minimum lease payments under operating leases:		
Land and buildings	**730**	373
Impairment of available-for-sale investments	**–**	1,342
Impairment of trade receivables	**2,677**	304
Impairment of contract works in progress	**–**	12,136
Impairment of non-current assets held-for-sales	**–**	3,822
	2,677	17,604
Bank interest income	**(148)**	(404)

\# *Included an amount of HK$743,760 (2007: nil) in respect of write-down of inventories to net realisable value.*

7. FINANCE COSTS

	2008 *HK$'000*	2007 *HK$'000*
Interest:		
Bank borrowings wholly repayable within five years	**252**	600
Factoring of receivables	**506**	903
	758	1,503

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:

	2008 *HK$'000*	2007 *HK$'000*
Fees	**3**	283
Other emoluments:		
Salaries, allowances and benefits in kind	**336**	1,743
Pension scheme contributions	**7**	31
Equity-settled share option expenses	**5,117**	–
	5,460	1,774
	5,463	2,057

8. DIRECTORS' REMUNERATION *(Continued)*

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Equity-settled share option expenses HK$'000	Total remuneration HK$'000
2008					
Executive directors:					
Mr. Cho Hui Jae *(a)*	–	–	–	930	930
Mr. Li Tan Yeung, Richard *(b)*	–	–	–	930	930
Mr. Xiang Xin *(c)*	–	–	–	930	930
Mr. Wong Chak Keung *(c)*	–	128	3	930	1,061
Mr. Im Kai Chuen Stephen *(d)*	–	100	2	–	102
Mr. Yang Xiao Ming *(e)*	–	58	1	–	59
Mr. Chan Ka Wo *(f)*	–	50	1	–	51
Ms. Yu Xiao Min *(g)*	–	–	–	–	–
	–	336	7	3,720	4,063
Independent non-executive directors:					
Mr. Sze Lin Tang *(i)*	–	–	–	465	465
Mr. Leung Wing Kin *(j)*	–	–	–	466	466
Mr. Zhang Zhan Liang *(k)*	–	–	–	466	466
Mr. Li Meng Long *(n)*	3	–	–	–	3
	3	–	–	1,397	1,400
Total	3	336	7	5,117	5,463

8. DIRECTORS' REMUNERATION *(Continued)*

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Equity-settled share option expenses	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2007					
Executive directors:					
Mr. Cho Hui Jae *(a)*	–	–	–	–	–
Mr. Chan Ka Wo *(f)*	–	600	12	–	612
Mr. Ra Chang Ju *(h)*	–	500	7	–	507
Mr. Ong Se Mon *(h)*	–	643	12	–	655
Ms. Yu Xiao Min *(g)*	–	–	–	–	–
Mr. Li Tan Yeung, Richard *(b)*	–	–	–	–	–
	–	1,743	31	–	1,774
Independent non-executive directors:					
Mr. Sze Lin Tang *(i)*	–	–	–	–	–
Mr. Leung Wing Kin *(j)*	–	–	–	–	–
Mr. Lo Hang Fong *(l)*	111	–	–	–	111
Mr. Choy Mun Kei *(m)*	58	–	–	–	58
Mr. Li Meng Long *(n)*	114	–	–	–	114
	283	–	–	–	283
Total	283	1,743	31	–	2,057

8. DIRECTORS' REMUNERATION *(Continued)*

Notes:

(a) *Appointed on 6 March 2007*
(b) *Appointed on 7 December 2007 and resigned on 9 September 2008*
(c) *Appointed on 25 February 2008*
(d) *Appointed on 10 November 2008*
(e) *Appointed on 9 September 2008 and resigned on 2 January 2009*
(f) *Resigned on 31 January 2008*
(g) *Appointed on 4 December 2007 and resigned on 21 March 2008*
(h) *Resigned on 12 December 2007*
(i) *Appointed on 4 December 2007 and resigned on 11 February 2009*
(j) *Appointed on 7 December 2007*
(k) *Appointed on 23 January 2008*
(l) *Resigned on 4 December 2007*
(m) *Resigned on 12 December 2007*
(n) *Resigned on 23 January 2008*

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 (2007: Nil).

The number of directors, whose remuneration fell within the following bands is as follows:

	Number of directors	
	2008	2007
Nil to HK$1,000,000	**11**	11
HK$1,000,001 to HK$2,000,000	**1**	–
	12	11

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2007: three) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining one (2007: two) non-directors, highest paid employees for the year are as follows:

	2008 *HK$'000*	2007 *HK$'000*
Salaries, allowances and benefits in kind	**570**	1,200
Equity-settled share option expenses	**465**	–
Pension scheme contributions	**–**	24
	1,035	1,224

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

	Number of employees	
	2008	2007
Nil to HK$1,000,000	**–**	2
HK$1,000,001 to HK$2,000,000	**1**	–
	1	2

10. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2007:17.5%) 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 in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2008 HK$'000	2007 HK$'000
Current tax – Hong Kong		
Charge for the year	47	378
Underprovision in previous year	416	–
	463	378
Deferred tax		
Charge/(credit) for the year *(note 16)*	26	(64)
Total tax charge for the year	489	314

A reconciliation of the tax expense applicable to loss before tax using the statutory rates for the countries 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:

	2008		2007	
	HK$'000	%	HK$'000	%
Loss before tax	(32,358)		(7,885)	
Tax at the statutory tax rate	(5,339)	16.5	(1,380)	17.5
Income not subject to tax	(1)	–	(184)	2.3
Expenses not deductible for tax	1,001	(3.1)	1,964	(24.9)
Tax losses utilised	–	–	(195)	2.5
Tax benefit not recognised	4,343	(13.4)	165	(2.1)
Underprovision in previous years	416	(1.3)	–	–
Effect of changes in tax rates	69	(0.2)	–	–
Others	–	–	(56)	0.7
Tax charge at the Group's effective tax rate	489	(1.5)	314	(4.0)

11. LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated loss attributable to equity holders of the Company for the year ended 31 December 2008 includes a loss of HK$10,442,000 (2007: HK$890,000) which has been dealt with in the financial statements of the Company *(note 30(b))*.

12. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

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

The calculations of basic loss per share are based on:

	2008	2007
	HK$'000	*HK$'000*
Earnings		
Loss for the year attributable to equity holders of the Company, used in the basic loss per share calculation	**(32,847)**	(8,199)

	Number of shares	
	2008	2007
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	**586,451,500**	529,739,171

The diluted loss per share amounts for the years ended 31 December 2008 and 2007 have not been disclosed as the share options and warrants outstanding during the year had an anti-dilutive effect on the basic loss per share.

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold improvements *HK$'000*	Furniture and fixtures *HK$'000*	Office and computer equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
31 December 2008					
1 January 2008:					
Cost	–	370	360	414	1,144
Accumulated depreciation	–	(70)	(254)	(414)	(738)
Net carrying amount	–	300	106	–	406
At 1 January 2008, net of accumulated depreciation	–	300	106	–	406
Additions	838	136	41	–	1,015
Depreciation provided during the year	(51)	(79)	(40)	–	(170)
At 31 December 2008, net of accumulated depreciation	787	357	107	–	1,251
At 31 December 2008:					
Cost	838	506	401	414	2,159
Accumulated depreciation	(51)	(149)	(294)	(414)	(908)
Net carrying amount	787	357	107	–	1,251

13. 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 2007				
At 1 January 2007:				
Cost	290	278	414	982
Accumulated depreciation	(192)	(217)	(414)	(823)
Net carrying amount	98	61	–	159
At 1 January 2007, net of accumulated depreciation	98	61	–	159
Additions	309	82	–	391
Disposals	(49)	–	–	(49)
Depreciation provided during the year	(58)	(37)	–	(95)
At 31 December 2007, net of accumulated depreciation	300	106	–	406
At 31 December 2007:				
Cost	370	360	414	1,144
Accumulated depreciation	(70)	(254)	(414)	(738)
Net carrying amount	300	106	–	406

13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Company

	Leasehold improvements *HK$'000*	Furniture and fixtures *HK$'000*	Office and computer equipment *HK$'000*	Total *HK$'000*
31 December 2008				
At 1 January 2008:				
Cost	–	–	–	–
Accumulated depreciation	–	–	–	–
Net carrying amount	–	–	–	–
At 1 January 2008, net of accumulated depreciation	–	–	–	–
Additions	838	136	34	1,008
Depreciation provided during the year	(51)	(9)	(2)	(62)
At 31 December 2008, net of accumulated depreciation	787	127	32	946
At 31 December 2008:				
Cost	838	136	34	1,008
Accumulated depreciation	(51)	(9)	(2)	(62)
Net carrying amount	787	127	32	946

14. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2008	2007
	HK$'000	*HK$'000*
Unlisted shares, at cost	**9,142**	9,142
Impairment	**(9,142)**	(9,142)
	–	–

As at the balance sheet date, all the unlisted equity investments were stated at cost less impairment. As the range of reasonable fair value estimates is so significant, the directors are of the opinion that their fair value cannot be measured reliably.

15. OTHER INTANGIBLE ASSETS

	Group and Company	
	2008	2007
	HK$'000	*HK$'000*
Cost	**17**	17
Accumulated amortisation	**(17)**	(17)
Net carrying amount	**–**	–

The other intangible assets represented the trade mark of QUASAR.

16. DEFERRED TAX ASSETS

	Group		
	Accelerated depreciation	**Tax losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2007	(4)	246	242
Deferred tax credited to income statement during the year *(note 10)*	20	44	64
At 31 December 2007 and at 1 January 2008	16	290	306
Deferred tax credited/(charged) to income statement during the year *(note 10)*	10	(36)	(26)
At 31 December 2008	26	254	280

At 31 December 2008, the Group has unused tax losses of approximately HK$33,426,000 (2007: HK$6,835,000) available indefinitely for offset against future profits. A deferred tax has been recognised in respect of tax losses of HK$1,538,000 (2007: HK$1,657,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of HK$31,888,000 (2007: HK$5,178,000) due to the unpredictability of future profit streams.

17. PREPAID LICENSES FEE

	Group	
	2008	2007
	HK$'000	*HK$'000*
Cost	**5,460**	5,460
Accumulated amortisation	**(5,460)**	(5,460)
Net carrying value	**–**	–

17. PREPAID LICENSES FEE *(Continued)*

The balance represented prepaid Free To Air ("FTA") licence fee which was amortisable over its useful economic life. The FTA licence, which was the full-type approval certificate for testing and accreditation of mobile phone appliances under a set of required testing standards. The FTA licence would no longer be utilised by the Group in its operation.

In view of the non-performance of the FTA licence as well as a lack of expected performance in the foreseeable future, a full impairment loss was made on the FTA licence during the year ended 31 December 2007.

18. INTERESTS IN SUBSIDIARIES

	Company	
	2008	2007
	HK$'000	*HK$'000*
Unlisted shares, at cost	**14,882**	14,882
Due from subsidiaries	**47,437**	47,517
Due to subsidiaries	**(15,060)**	(19,813)
	47,259	42,586

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

In the opinion of the directors of the Company, the carrying amounts of these amounts due from/(to) subsidiaries approximate to their fair values.

18. INTERESTS IN SUBSIDIARIES *(Continued)*

Particulars of the subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
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 phone appliance and the relevant application 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 phone appliance and the relevant application solution and relevant components
Friendly Group Limited*	British Virgin Islands	100 ordinary shares of US$1 each	100	–	Investment holding
Pacific Vision Technologies Limited#	Hong Kong	1 ordinary share of HK$1 each	–	100	Trading of mobile phone and mobile accessories
Qualfield Limited	British Virgin Islands	100 ordinary shares of US$1 each	–	100	Provision of agency services and investment holding
Quasar Communication Technology Limited	Hong Kong	10,000 ordinary shares of HK$1 each	–	100	Sales and marketing of mobile phone appliance solution
Synerex Inc.	British Virgin Islands	10,200 ordinary shares of US$1 each	–	100	Investment holding

18. INTERESTS IN SUBSIDIARIES *(Continued)*

Name	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
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

* *Newly incorporated during the year on 10 October 2008.*

\# *Newly incorporated during the year on 29 August 2008.*

After the change of the board of directors of the Company and certain subsidiaries during the year ended 31 December 2008, other than Friendly Group Limited and Pacific Vision Technologies Limited which were newly incorporated Companies during the year, the Company no longer has access to certain books and records of certain subsidiaries of the Group, namely Hanbit I & T (HK) Co., Limited, Quasar Communication Technology Limited, Zetta Global Limited, Ace Solution Technology Limited, Gold Glory Development Limited, Qualfield Limited, Synerex Inc. and Zetta Media Holdings Limited. Further details of which has been stated in note 2.1 (a) to the financial statements.

19. INVENTORIES

	Group	
	2008	2007
	HK$'000	*HK$'000*
Finished goods	**1,700**	–

At 31 December 2008, the carrying amount of inventories that were carried at net realisable value amounted to HK$1,700,000 after the write-down of an amount of HK$743,760 (2007: Nil).

20. CONTRACT WORKS IN PROGRESS

	Group	
	2008	2007
	HK$'000	*HK$'000*
Contract costs for development of mobile phone appliance solution	**34,340**	15,518
Impairment	**–**	(12,136)
	34,340	3,382

During the year, the Group incurred contract costs of HK$34,340,000 for development of mobile phone application solution. In the opinion of the directors of the Company, as detailed in note 2.1(a) to the financial statements, as the directors were unable to obtain access to certain relevant information and documents of certain subsidiaries, they were not able to obtain adequate information in assessing the nature and future utilisation of these contract works in progress. Accordingly, the directors of the Company were not able to assess if the amount of the contract works in progress and the impairment amount, if any, were fairly stated as at 31 December 2008.

21. TRADE RECEIVABLES

	Group	
	2008	2007
	HK$'000	*HK$'000*
Trade receivables	**4,498**	64,498
Impairment	**(3,888)**	(1,211)
	610	63,287

In the opinion of the directors of the Company, as detailed in note 2.1(a) to the financial statements as the directors were unable to obtain access to certain relevant information and documents of certain subsidiaries, they were not able to obtain adequate information in verifying of the settlement of the trade receivables throughout the year. Accordingly, the present directors of the Company were not able to assess if the trade receivables and the impairment were fully stated as at 31 December 2008.

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 team to minimise credit risk. Overdue balances are reviewed regularly by senior management. 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	
	2008	2007
	HK$'000	*HK$'000*
Within 1 month	**610**	14,477
1 to 2 months	**–**	21,680
2 to 3 months	**–**	14,988
Over 3 months	**–**	12,142
	610	63,287

21. TRADE RECEIVABLES *(Continued)*

The movements in provision for impairment of trade receivables are as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
At 1 January	**1,211**	907
Impairment loss recognised during the year	**2,677**	304
At 31 December	**3,888**	1,211

The aged analysis of the trade receivables that are not considered to be impaired is as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Neither past due nor impaired	**610**	36,157
Less than 1 month past due	**–**	14,988
1 to 3 months past due	**–**	12,142
Over 3 months	**–**	–
	610	63,287

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Prepayments	**340**	150	**299**	150
Deposits for proposed acquisitions *(note (a))*	**30,000**	30,000	**30,000**	30,000
Trade deposits paid *(note (b))*	**8,200**	–	**–**	–
Rental deposit *(note 34)*	**281**	–	**160**	–
Other receivables	**340**	856	**–**	–
Tax reserve certificate	**4,089**	4,089	**–**	–
	43,250	35,095	**30,459**	30,150

Notes:

(a) Deposits paid for proposed acquisitions consisted of (i) HK$5,000,000 (2007: HK$30,000,000) paid to Ocean Space Development Limited in respect of the proposed acquisition of a 100% equity interest in Legend Century Investments Limited (note 33(a)) and (ii) HK$25,000,000 (2007: Nil) paid to an independent third party in respect of the proposed acquisition of a 24% equity interest in Guangdong Allwin Culture Development Co., Limited* (廣東愛威文化發展有限公司) (note 33(d)).

The above deposits for proposed acquisitions are unsecured, interest-free and will be refundable if the proposed acquisitions are not executed and completed.

(b) Trade deposits paid represented amounts paid to a supplier as deposits for supply of mobile phones and related appliance and accessories. In the opinion of the directors of the Company, as detailed in note 2.1 (a) to the financial statements, as the directors were unable to obtain access to certain relevant information and documents of certain subsidiaries, they were not able to obtain adequate information in assessing the nature of the deposits, including but not limited to the arrangement for the subsequent recovering of the deposits or the ability of the supplier in fulfilment of the obligations in supplying the mobile phones and related appliance and accessories to the Group in the foreseeable future. Accordingly, the present directors of the Company were not able to assess the valuation of the trade deposits and if there was any impairment and that the amount of the trade deposits was fairly stated as at 31 December 2008.

* *for identification purpose*

23. CASH AND CASH EQUIVALENTS

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**7,590**	21,683	**7,172**	15,036
Time deposits	**–**	3,059	**–**	–
Cash and cash equivalents	**7,590**	24,742	**7,172**	15,036

24. TRADE PAYABLES

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

	Group	
	2008	2007
	HK$'000	*HK$'000*
Over 90 days	**219**	–

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

25. TRUST RECEIPT LOANS – GROUP

As at 31 December 2007, the trust receipt loans of the Group were unsecured, interest bearing at HIBOR/LIBOR + 2.75% per annum and were repayable within 90 days from their respective drawdown dates.

The trust receipt loans had been fully settled and the trust receipt facility had been terminated during the year.

26. DUE TO A RELATED COMPANY

The amount due to a related company, of which a director of certain subsidiaries of the Company is a director, is unsecured, interest-free and has no fixed terms of repayment.

27. SHARE CAPITAL

(a) Shares

	2008	2007
	HK$'000	*HK$'000*
Authorised:		
30,000,000,000 ordinary shares (2007: 1,000,000,000) of HK$0.01 each *(note iii)*	**300,000**	10,000
Issued and fully paid:		
586,451,500 ordinary shares of HK$0.01 each	**5,865**	5,865

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

	Number of authorised ordinary shares	**Number of shares in issue**	**Issued share capital**	**Share premium account**	**Total**
			HK$'000	*HK$'000*	*HK$'000*
At 1 January 2007	1,000,000,000	526,451,500	5,265	51,579	56,844
Issue of shares:					
On 12 December 2007 *(note ii)*	–	60,000,000	600	16,800	17,400
At 31 December 2007	1,000,000,000	586,451,500	5,865	68,379	74,244
Increase of authorised share capital *(note iii)*	29,000,000,000	–	–	–	–
At 31 December 2008	30,000,000,000	586,451,500	5,865	68,379	74,244

27. SHARE CAPITAL *(Continued)*

(a) Shares *(Continued)*

Notes:

i. On 28 May 2007, the Company entered into a warrant placing agreement with an independent third party ("Subscriber A") in relation to a private placing of 58,000,000 warrants at an issue price of HK$0.02 per warrant, which entitle Subscriber A to subscribe for up to 58,000,000 new shares of the Company of the HK$0.01 each at an exercise price of HK$0.50 per new share for a period of 53 weeks commencing from the date of issue of the warrants. The placing of the warrants were completed on 3 July 2007 and a total consideration amounting to HK$1,160,000 was received and credited to the warrant reserve and has been fully applied as the Group's working capital. No warrants have been exercised during the year and the warrants were lapsed on 7 July 2008.

ii. On 21 November 2007, the Company entered into a share subscription agreement and a warrant subscription agreement with an independent third party ("Subscriber B") in relation to (i) the subscription of 60,000,000 new shares of the Company of HK$0.01 each at a subscription price of HK$0.29 per new share; and (ii) 45,000,000 warrants at an issue price of HK$0.02 per warrant, which entitle Subscriber B to subscribe for up to 45,000,000 new shares of the Company of HK$0.01 each at an exercise price of HK$0.28 per new share for a period of 2 years commencing from the date of issue of the warrants. The share subscription and warrant subscription were completed on 12 December 2007 with gross proceeds of HK$17,400,000 and HK$900,000, respectively, which have been fully applied as the Group's working capital. The new shares rank pari passu with the existing shares in issue in all aspects. Total consideration received from the issue of warrants amounting to HK$900,000 has been credited to the warrant reserve and has been fully applied as the Group's working capital. No warrants have been exercised during the year and all the warrants remained outstanding as at 31 December 2008.

iii. Pursuant to an ordinary resolution passed by the shareholders of the Company on 24 September 2008, the authorised share capital of the Company was increased from HK$10,000,000 to HK$300,000,000 by the creation of 290,000,000 additional shares of HK$0.01 each, ranking pari passu in all respects with the existing share capital of the Company.

iv. On 31 December 2008, the Company entered into a placing agreement, a total of 117,288,000 shares of the Company of HK$0.01 each at a placing price of HK$0.07 per share (the "Placing"). The Placing was completed on 21 January 2009 with a net proceeds of approximately HK$8,127,000 received by the Company. The purpose of the Placing was to enlarge the shareholders base and to provide additional working capital for the Group's operation.

(b) Share options

Details of the Company's share option scheme are included in note 28 to the financial statements.

28. SHARE OPTION SCHEME

Pursuant to a written resolution of all the 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 of the Company.

The total number of shares 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 grant and yet to be exercised under the Scheme must not exceed 30% of the total number of shares 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 the grant must be approved in advance by the Company's shareholders.

A consideration of 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 year 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.

On 9 April 2008, the Company granted a total of 40,000,000 share options to the directors and eligible employees under the Scheme of the Company. As at 31 December 2008, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 37,500,000, representing 6.39% of the shares of the Company in issue.

28. SHARE OPTION SCHEME *(Continued)*

Details of the options granted under the Scheme and outstanding at 31 December 2008 are as follows:

Grantee	Date of grant	Exercise period	Outstanding as at 1 January 2008	Granted during the year	Exercise during the year	Lapse during the year	Outstanding as at 31 December 2008	Exercise price per share option
								HK$
Directors								
Xiang Xin	9 Apr 2008	9 Apr 2008 – 8 Apr 2013	–	5,000,000	–	–	5,000,000	0.28
Wong Chak Keung	9 Apr 2008	9 Apr 2008 – 8 Apr 2013	–	5,000,000	–	–	5,000,000	0.28
Cho Hui Jae	9 Apr 2008	9 Apr 2008 – 8 Apr 2013	–	5,000,000	–	–	5,000,000	0.28
Sze Lin Tang	9 Apr 2008	9 Apr 2008 – 8 Apr 2013	–	2,500,000	–	–	2,500,000	0.28
Leung Wing Kin	9 Apr 2008	9 Apr 2008 – 8 Apr 2013	–	2,500,000	–	–	2,500,000	0.28
Zhang Zhan Liang	9 Apr 2008	9 Apr 2008 – 8 Apr 2013	–	2,500,000	–	–	2,500,000	0.28
			–	22,500,000	–	–	22,500,000	
Consultant								
Li Tan Yeung, Richard*	9 Apr 2008	9 Apr 2008 – 8 Apr 2013	–	5,000,000	–	–	5,000,000	0.28
			–	27,500,000	–	–	27,500,000	
Employees	9 Apr 2008	9 Apr 2008 – 8 Apr 2013	–	12,500,000	–	(2,500,000)	10,000,000	0.28
			–	40,000,000	–	(2,500,000)	37,500,000	

* *Li Tan Yeung, Richard was a director of the Company during the year. He resigned as director and became as a consultant of the Company on 9 September 2008.*

Notes:

i. The options granted on 9 April 2008 were measured using the Black-Scholes Option Pricing Model (the "Model") which was performed by an independent valuer, RHL Appraisal Limited. The inputs into the Model are summarised as follows:

Date of grant	9 April 2008
Expected volatility	97.99%
Expected life (year)	5
Risk-free interest rate	2.113%
Expected annual dividend yield	Nil
Fair value per option (HK$)	0.18606

ii. The volatility measured at the standard deviation of expected share price is based on statistical analysis of daily shares over the period of five years from the date immediately preceding the grant date. The above calculation is based on the assumption that there is no material difference between the expected volatility over the whole life of the share options and the historical volatility of the Company shares set out above.

iii. The risk free rate is the yield of the 5-year Hong Kong Exchange Fund Notes as at the date of grant.

28. SHARE OPTION SCHEME *(Continued)*

Notes: (Continued)

iv. The Company recognised total expenses of approximately HK$7,442,000 for the year ended 31 December 2008 in relation to share options granted.

v. The closing market price per ordinary share of HK$0.01 each of the Company immediately before the date on which the options were granted as quoted in the Hong Kong Stock Exchange's daily quotation sheets was HK$0.23.

29. WARRANTS

The Company had a total of 45,000,000 warrants outstanding as at 31 December 2008 and its movements during the year are as follows:

Date of issue	*Note*	Outstanding at 1/1/2008	Issued during the year	Exercised/ (Lapsed) during the year	Outstanding at 31/12/2008	Exercise period	Exercise price per share
3 July 2007	*27(a)(i)*	58,000,000	–	(58,000,000)	–	53 weeks commencing from 3 July 2007	HK$0.50
12 December 2007	*27(a)(ii)*	45,000,000	–	–	45,000,000	2 years commencing from 12 December 2007	HK$0.28
		103,000,000	–	(58,000,000)	45,000,000		

30. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current year are presented in the consolidated statement of changes in equity on page 26 of the financial statements.

(b) Company

	Share premium account	Share option reserve	Warrant reserve	Special reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2007	51,579	–	–	14,879	(2,695)	63,763
Issue of shares *(note 27(a)(ii))*	16,800	–	–	–	–	16,800
Issue of warrants *(note 27(a)(i) and (ii))*	–	–	2,060	–	–	2,060
Loss for the year	–	–	–	–	(890)	(890)
At 31 December 2007 and at 1 January 2008	68,379	–	2,060	14,879	(3,585)	81,733
Equity-settled share option arrangements *(note 28)*	–	7,442	–	–	–	7,442
Share options lapsed during the year	–	(465)	–	–	465	–
Warrants lapsed during the year *(note 27(a)(i))*	–	–	(1,160)	–	1,160	–
Loss for the year	–	–	–	–	(10,442)	(10,442)
At 31 December 2008	68,379	6,977	900	14,879	(12,402)	78,733

30. RESERVES *(Continued)*

(b) Company *(Continued)*

Notes:

i. 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.

ii. Under section 34 of the Companies Law (2007 Revision) of the Cayman Islands, the special reserve and share premium account 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 account 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:

	2008 *HK$'000*	2007 *HK$'000*
Special reserve	14,879	14,879
Share premium account	68,379	68,379
Accumulated losses	(12,402)	(3,585)
	70,856	79,673

31. CONTINGENT LIABILITIES

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

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

	Company	
	2008	2007
	HK$'000	*HK$'000*
Corporate guarantee given in respect of banking facilities granted to certain subsidiaries:		
Maximum amount granted to the subsidiaries	**–**	50,000
Amount of facilities utilised by the subsidiaries	**–**	12,040

No financial liabilities has been provided by the Company in respect of the above guarantee as the fair value amount of the liabilities was not material.

32. OPERATING LEASE COMMITMENTS

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from 2 to 3 years.

At 31 December 2008, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2008	2007
	HK$'000	*HK$'000*
Within one year	**1,370**	410
In the second to fifth years, inclusive	**1,679**	675
	3,049	1,085

33. OTHER COMMITMENTS

In addition to the operating lease commitments detailed in note 32 to the financial statements, the Group and the Company had the following commitments at the balance sheet date:

(a) Pursuant to a non-legally binding memorandum of understanding dated 18 December 2007 (the "MOU ") entered into between the Company and Ocean Space Development Limited ("Ocean Space"), an independent third party, the Company has been in negotiation with Ocean Space for the potential acquisition (the "Legend Acquisition") of the entire issued share capital of Legend Century Investments Limited ("Legend") which would have controlling stakes in a PRC company which is engaging in lift door advertisement publications and convenience store door advertisement publications in certain major cities of the PRC. Pursuant to the MOU, the Company was required to place a refundable deposit in the sum of HK$40 million to Ocean Space in return for the granting of the exclusive right to negotiate the terms of the Legend Acquisition by the Vendor of which HK$30 million had been paid during the year ended 31 December 2007.

Subsequently, there were certain changes in the terms of the Legend Acquisition and on 7 July 2008, the Company entered into a supplemental agreement with Ocean Space pursuant to which, Legend and its subsidiaries (the "Legend Group") will execute a reorganisation and upon completion of the reorgainsation, the principal assets held by the Legend Group will consist of the LED/LCD business and media business but will not hold the life door advertisement publications and convenience store door advertisement publications business.

On 20 September 2008, the Company and Ocean Space entered into another supplemental agreement, pursuant to which, the deposit for the negotiation of the Legend Acquisition be reduced from HK$40,000,000 to HK$5,000,000 and Ocean Space had refunded HK$25,000,000 to a nominee of the Company on 15 October 2008 (see (d) below).

On 18 February 2009, the Company entered into a sale and purchase agreement with Ocean Space in respect of the Legend Acquisition at a consideration of HK$600,000,000 which shall be settled by (i) the net-off of the deposit of HK$5,000,000 paid upon the signing of the MOU and (ii) the issue of a three-year convertible bond of HK$595,000,000 by the Company to Ocean Space which would be convertible into the shares of the Company of HK$0.01 each at a conversion price of HK$0.125 each

33. OTHER COMMITMENTS *(Continued)*

(b) On 28 January 2008, the Company entered into a non-legally binding memorandum of understanding (the "MOU 2") with China Innovation Investment Limited ("China Innovation") a then independent third party and a company listed on the Main Board of the Stock Exchange of Hong Kong Limited, in respect of the strategic co-operation in the civil and military dual-use optoelectronic industry. Pursuant to the MOU 2, China Innovation will base on its first right of refusal to invest in two LED optoelectronic projects, namely 上海大晨光電科技有限公司 (Shanghai Morning Optoelectronic Technology Limited, "SMOTL"), primarily engaged in the New LED lighting Project, and 雲南天達光伏科技股份有限公司 (Yunnan Tianda Photovoltaic Co., Ltd., "Yunnan Tianda"), primarily engaged in the New Solar Energy Project, of 中國兵器工業集團公司 (China North Industries Group Corporation "CNGC") to provide support to the Company on the manufacturing,assembling and development of LED optoelectronic products and related civil and military dual-use products. The Company will provide strategic solutions and distribution channels to the CNGC's optoelectronic enterprises, which are principally engaged in manufacturing of LED optoelectronic products and are also subject to potential investment by China Innovation.

On 18 March 2008, the Company entered into a cooperation letter of intent (the "LOI") with China Innovation and 南京北方信息產業集團有限公司 (Nanjing North Information Industry Group Co., Ltd. "NNII"), a wholly-owned subsidiary of CNGC. Pursuant to the LOI, the Company, China Innovation and NNII will jointly participate in the share restructuring of 南京北方慧華光電有限公司 (Nanjing North Weihaw Optics Electronics Co., Ltd. "NNWO") which is currently controlled by NNII and engaged in the New Media LCD Project. Upon completion of the restructuring, NNWO will continue to regard civil and military dual-use optoelectronic products as its principal scope of business.

On 18 June 2008, the Company, China innovation and 北京北方光電有限公司 (China Opto-Electro Industries Co., Ltd. ("COEI"), a wholly-owned subsidiary of CNGC, entered into a cooperation framework agreement, pursuant to which the Company and China Innovation have been granted a first right of refusal to acquire not more than 30% equity interests or not more than 30 million shares of COEI under the capital restructuring of COEI. The Company and China Innovation have also agreed to contribute to COEI the first right of refusal to invest in SMOTL (New LED Lighting Project), Yunnan Tianda (New Solar Energy Project) and NNWO (New Media LCD Project) to avoid potential competition.

33. OTHER COMMITMENTS *(Continued)*

(c) On 1 February 2008, the Company entered into a non-legally binding memorandum of understanding (the "MOU 3") with Chi Mei Optoelectronics Corporation ("CMO"), an independent third party and the common shares of which are listed on the Taiwan Stock Exchange, and its wholly-owned subsidiary, in respect of the overall co-operation in the LED new lighting products and the LCD related commercial products and technologies. Pursuant to the MOU 3, the Company will (i) provide product specification of the market demand for the purpose of research and development and production of the LED new lighting products; (ii) establish demonstration centres for the LED new lighting products in major cities of the PRC; and (iii) provide distribution channels for the LED new lighting products in the PRC. On the other hand, CMO and its subsidiary will (i) provide the parts for the LED new lighting products as well as procure suppliers of related parts and components; (ii) provide the assembling and manufacturing flow process of LED new lighting products and training to the manufacturers designated by the Company; (iii) use its commercially best effort to ensure long-term stable supply of parts and components and other up-stream products to the manufacturers designated by the Company of LED new lighting products or any new manufacturing entities to be established by the Company in the future; and (iv) use its commercially best effort to provide to the Company the LCD related commercial products and other final products.

(d) On 20 September 2008, the Company entered into a sales and purchase agreement with an independent third party (the "Vendor") pursuant to which, the Company agreed to acquire an enlarged 24% equity interest in Guangdong Allwin Culture Development Co., Limited (廣東愛威文化發展有限公司) (the "Allwin Acquisition") which is principally engaged in media production and integration, advertisement and animation production and broadcasting at a consideration of HK$25,000,000. The Company was required to pay a deposit in the amount of HK$25,000,000 for the Allwin Acquisition which was paid by the direct transfer of the deposit refunded by Ocean Space in respect of the Legend Acquisition to the Vendor on 15 October 2008.

On 27 February 2009, the Company entered into a termination agreement with the Vendor for the Allwin Acquisition. The Vendor shall refund in full the deposit of HK$25,000,000 to the Company if no binding agreement(s) regarding the possible cooperation an/or transaction would be entered into between the Company and the Vendor on or before 30 June 2009.

34. RELATED PARTIES TRANSACTIONS

Save as those disclosed elsewhere in these financial statements, the Group and the Company had the following material transactions with related parties during the year:

	2008 *HK$'000*	2007 *HK$'000*
New Era Group (China) Limited:		
Rental paid	320	–
Rental deposit paid	160	–

The Company entered into a tenancy agreement (the "Tenancy Agreement") with New Era Group (China) Limited (the "Landlord"), a company of which Mr. Xiang Xin, a director of the Company, is also a director. Pursuant to the Tenancy Agreement, the Landlord agreed to lease to the Company an office premise for a term of 36 months commencing on 1 July 2008. The Company shall pay a deposit of HK$160,000 and a monthly rental of HK$80,000 to the Landlord with the rental free period for the period from 1 July 2008 to 31 August 2008. The deposit was included in prepayments, deposits and other receivables (note 22) in the balance sheet.

The related party transactions were conducted on terms negotiated between the Company and the related company.

35. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

31 December 2008

Financial assets

Group

	Financial assets at fair value through profit or loss					
	– designated as such upon initial recognition *HK$'000*	– held for trading *HK$'000*	Held-to -maturity investments *HK$'000*	Loans and receivables *HK$'000*	Available-for-sale financial assets *HK$'000*	Total *HK$'000*
Available-for-sale investments	–	–	–	–	–	–
Trade receivables	–	–	–	610	–	610
Financial assets included in prepayments, deposits and other receivables	–	–	–	38,821	–	38,821
Cash and bank balances	–	–	–	7,590	–	7,590
	–	–	–	47,021	–	47,021

35. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

31 December 2008

Financial liabilities

Group

	Financial liabilities at fair value through profit or loss – designated as such upon initial recognition	– held for trading	Financial liabilities at amortised cost	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	–	–	219	219
Financial liabilities included in other payables and accruals	–	–	3,827	3,827
Due to a related company	–	–	221	221
	–	–	4,267	4,267

31 December 2007

Financial assets

Group

	Financial assets at fair value through profit or loss – designated as such upon initial recognition	– held for trading	Held-to -maturity investments	Loans and receivables	Available -for-sale financial assets	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Available-for-sale investments	–	–	–	–	–	–
Trade receivables	–	–	–	63,287	–	63,287
Financial assets included in prepayments, deposits and other receivables	–	–	–	30,856	–	30,856
Cash and bank balances	–	–	–	24,742	–	24,742
	–	–	–	118,885	–	118,885

35. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

31 December 2007

Financial liabilities

Group

	Financial liabilities at fair value through profit or loss – designated as such upon initial recognition	– held for trading	Financial liabilities at amortised cost	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trust receipt loans	–	–	12,040	12,040
Financial liabilities included in other payables and accruals	–	–	4,752	4,752
Due to a related company	–	–	167	167
	–	–	16,959	16,959

31 December 2008

Financial assets

Company

	Financial assets at fair value through profit or loss – designated as such upon initial recognition	– held for trading	Held-to -maturity investments	Loans and receivables	Available -for-sale financial assets	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets included in prepayments, deposit and other receivables	–	–	–	30,160	–	30,160
Due from subsidiaries	–	–	–	47,437	–	47,437
Cash and bank balances	–	–	–	7,172	–	7,172
	–	–	–	84,769	–	84,769

35. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

31 December 2008

Financial liabilities

Company

	Financial liabilities at fair value through profit or loss – designated as such upon initial recognition HK$'000	– held for trading HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Financial liabilities included in other payables and accruals	–	–	1,238	1,238
Due to subsidiaries	–	–	15,060	15,060
	–	–	16,298	16,298

31 December 2007

Financial assets

Company

	Financial assets at fair value through profit or loss – designated as such upon initial recognition HK$'000	– held for trading HK$'000	Held-to-maturity investments HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Financial assets included in prepayments, deposits and other receivables	–	–	–	30,000	–	30,000
Due from subsidiaries	–	–	–	47,517	–	47,517
Cash and bank balances	–	–	–	15,036	–	15,036
	–	–	–	92,553	–	92,553

35. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

31 December 2007

Financial liabilities

Company

	Financial liabilities at fair value through profit or loss – designated as such upon initial recognition HK$'000	Financial liabilities at fair value through profit or loss – held for trading HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Financial liabilities included in other payables and accruals	–	–	174	174
Due to subsidiaries	–	–	19,813	19,813
	–	–	19,987	19,987

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise trust receipt loans and other payables and accruals. 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 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.

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 (note 25) with a floating interest rate. The trust receipt loans had been fully repaid and the related banking facilities were terminated in August 2008. As at 31 December 2008, the Group has no significant interest-bearing financial assets and liabilities with a floating interest rate.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Interest rate risk *(Continued)*

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's loss before tax (through the impact on floating rate borrowings) and the Group's equity:

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity
	%	*HK$'000*	*HK$'000*
2008			
Hong Kong dollar	**–**	**–**	**–**
	–	**–**	**–**
2007			
Hong Kong dollar	1%	(30)	(30)
	(1%)	30	30

Foreign currency risk

The Group has transactional currency exposures as the sales and purchases of the Group were mainly transacted in United States Dollar ("USD") and Hong Kong dollar ("HKD"). Approximately 100% (2007: 97.8%) of the Group's sales are dominated in currencies other than the functional currency of the operating units marking the sales, and almost 100% (2007: 99.2%) of costs are dominated in currencies other than the units' functional currency.

The Group does not have significant foreign currency risk arising from future commercial transactions and recognised financial assets and liabilities since almost all of them are denominated in USD and HKD, of which the exchange rate of USD was quite stable during the year ended 31 December 2008 and 2007.

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.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk *(Continued)*

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, amounts due from subsidiaries and a joint venturers and other receivables arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Group is also exposed to credit risk through the granting of financial guarantees.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer, by geographical region and by industry sector.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and other receivables are disclosed in note 21 to the financial statements.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdraft bank loans, and trust receipt loans. All of the Group's trust receipt loans would mature in less than one year as at 31 December 2008 and 2007.

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the level of equity indices and the value of individual securities. As at the balance date, the Group has no significant equity price risk.

Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Capital management *(Continued)*

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. Net debt includes trade payables, trust receipts loans, other payables and accruals and due to a related company, less cash and bank balances. Capital includes equity attributable to equity holders of the Company. The gearing ratios as at the balance sheet dates were as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Trade payables	**219**	–
Trust receipt loans	**–**	12,040
Other payables and accruals	**3,827**	4,752
Due to a related company	**221**	167
Less: Cash and bank balances	**(7,590)**	(24,742)
Net debt	**(3,323)**	(7,783)
Total capital:		
Equity attributable to equity holders	**79,808**	105,213
Capital and net debt	**76,485**	97,430
Gearing ratio	**N/A**	N/A

37. COMPARATIVE AMOUNTS

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

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 April 2009.

Five Year Financial Summary

A summary of the results and of the assets, liabilities and minority interests 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. The amounts for each year in the five year financial summary have been reclassified for the discontinue of the watch distribution segment.

	Year ended 31 December				
	2008	2007	2006	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
RESULTS					
CONTINUING OPERATIONS					
REVENUE	**81,127**	380,523	250,523	273,760	488,352
Cost of sales	**(84,409)**	(359,220)	(230,725)	(280,175)	(621,704)
Gross profit/(loss)	**(3,282)**	21,303	19,798	(6,415)	(133,352)
Other income and gains	**194**	465	1,885	4,481	58
Selling and distribution costs	**–**	–	–	(168)	–
Administrative and other operating expenses	**(25,835)**	(10,546)	(7,992)	(8,211)	(10,244)
Other impairment loss	**(2,677)**	(17,604)	(4,268)	(6,991)	(3,927)
Finance costs	**(758)**	(1,503)	(2,397)	(906)	(591)
PROFIT/(LOSS) BEFORE TAX	**(32,358)**	(7,885)	7,026	(18,210)	(148,056)
Tax	**(489)**	(314)	(802)	(638)	(812)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**(32,847)**	(8,199)	6,224	(18,848)	(148,868)
DISCONTINUED OPERATION					
Profit for the year from discontinued operation	**–**	–	–	24,575	140,027
PROFIT/(LOSS) FOR THE YEAR	**(32,847)**	(8,199)	6,224	5,727	(8,841)

Five Year Financial Summary

	Year ended 31 December				
	2008	2007	2006	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Attributable to:					
Equity holders of the Company	**(32,847)**	(8,199)	6,224	5,727	(8,841)
ASSETS AND LIABILITIES					
TOTAL ASSETS	**89,021**	127,218	123,178	159,791	172,728
TOTAL LIABILITIES	**(9,213)**	(22,005)	(29,226)	(83,271)	(101,527)
	79,808	105,213	93,952	76,520	71,201