THE CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Trends Holdings Limited (the "**Company**"), you should at once hand this circular to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities.

CNT

CHINA TRENDS HOLDINGS LIMITED
中國趨勢控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8171)

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION

Independent financial adviser to the Independent Board Committee and the Independent Shareholders

永豐金證券(亞洲)有限公司
SinoPac Securities (Asia) Limited

A letter from the independent committee (the "**Independent Board Committee**") of the board of directors of the Company is set out on page 29 of this circular. A letter from SinoPac Securities (Asia) Limited, the independent financial adviser, containing its advice to the Independent Board Committee and the independent shareholders of the Company is set out on pages 30 to 48 of this circular.

A notice convening an extraordinary general meeting of the Company to be held at 26/F, No. 9 Des Voeux Road West, Sheung Wan, Hong Kong on Friday, 12 June 2009 at 11:00 a.m. is set out on pages 219 to 220 of this circular. A form of proxy for use at the extraordinary general meeting is also enclosed with this circular.

Whether or not you are able to attend the meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong at Tricor Abacus Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the extraordinary general meeting or any adjourned meeting. Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the extraordinary general meeting if you so wish.

This circular will remain on the GEM website at http://www.hkgem.com on the "Latest Company Information" page for seven days from the date of its publication.

26 May 2009

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED

GEM has been positioned as a market designed to accommodate companies to which a higher 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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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DEFINITIONS

In this circular, unless the context requires otherwise, the following expressions shall have the following meanings when used herein:

"Acquisition"	the acquisition of the Sale Share and the Sale Loan by the Company as contemplated under the Sale and Purchase Agreement
"associates"	has the meaning ascribed to this term under the GEM Listing Rules
"Board"	the board of Directors
"Bondholder"	holder of the Convertible Bond
"Business Day"	a day (other than a Saturday, Sunday or public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
"Cachet"	Cachet Certified Public Accountants Limited
"Circular"	the circular of the Company containing, among other things, information as regards to the Acquisition together with a notice convening the EGM to be despatched to Shareholders
"CNP Group"	China Net-PC Ltd., Boss Systems Limited, Boss Power Limited, Protex (China) and Boss Education Limited or where the context so requires in respect of the period before the Target became the holding company of China Net-PC Ltd.
"Company"	China Trends Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on GEM
"Completion"	completion of the sale and purchase of the Sale Share and the Sale Loan in accordance with the terms and conditions of the Sale and Purchase Agreement
"Consideration"	the consideration of HK$600,000,000 payable by the Company to the Vendor for the Acquisition and to be satisfied in the manner as described in this circular
"Conversion Price"	the initial conversion price of HK$0.125 per Conversion Share, subject to adjustments, pursuant to the terms of the Convertible Bond
"Conversion Shares"	new Shares to be allotted and issued upon exercise of the conversion rights attached to the Convertible Bond

"Convertible Bond"	the convertible bond in the agreed form in the principal amount of HK$595,000,000 with no interest, to be issued by the Company in favour of the Vendor, or its nominees, at Completion
"C Y Foundation"	C Y Foundation Group Limited, a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the Stock Exchange
"Deposit"	the deposit in the amount of HK$5,000,000 paid in cash by the Company to the Vendor
"Directors"	the directors of the Company
"EGM"	the extraordinary general meeting of the Company to be held and convened for the purpose of considering and, if thought fit, approving the Sale and Purchase Agreement and the transactions contemplated thereunder, including (i) the issue of the Convertible Bond; and (ii) the issue of the Conversion Shares
"Enlarged Group"	the Group as enlarged by the Acquisition
"GEM"	Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Group"	the Company and its subsidiaries
"Guarantor"	Zhang Shao Cai, the sole director and shareholder of the Vendor
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Honour Sky"	Honour Sky International Limited, a company incorporated in the British Virgin Islands with limited liability and Mr. Xiang is the sole director of the company and Mr. Xiang's family member(s) (excluding Mr. Xiang) is/are the ultimate beneficiaries of such company
"Independent Board Committee"	the independent committee of the Board, comprising the independent non-executive Directors, formed for the purpose of advising Independent Shareholders in relation to the Acquisition
"Independent Shareholders"	Shareholders other than the Vendor, Honour Sky, Mr. Xiang and their respective associates
"Independent Third Party"	any person or company and their respective ultimate beneficial owner(s), to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons

"Latest Practicable Date"	22 May 2009, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
"Maturity Date"	the date falling three years after the date of issue of the Convertible Bond, being the date on which the Convertible Bond matures
"MOU"	the non-legally binding memorandum of understanding entered into between the Company and the Vendor on 18 December 2007 in relation to the Acquisition
"Mr. Xiang"	Xiang Xin, an executive Director
"PRC"	the People's Republic of China
"Prior Acquisition"	the acquisition of the entire share capital of China Net-PC Ltd. by the Vendor from Honour Sky
"Protex China"	博思 (中國) 信息系統有限公司 (Protex (China) Systems Limited#), a company established in the PRC
"Registrar"	Tricor Abacus Limited, the branch share registrar of the Company in Hong Kong
"Reorganisation"	the reorganisation of the Target Group to be conducted prior to Completion, upon completion of which the Target will directly hold the entire issued share capital of China Net-PC Ltd. and will indirectly hold (i) 95% of the entire issued share capital of Boss Systems Limited; (ii) 100% of the entire issued share capital of Boss Power Limited; (iii) 100% of the registered and paid up capital of capital of Protex China; and (iv) 51% of the entire issued share capital of Boss Education Limited. Mr. Xiang Xin, the executive director of the Company, is also the director of all the subsidiaries of the Target
"Sale and Purchase Agreement"	the conditional sale and purchase agreement dated 18 February 2009 entered into between the Company, the Vendor and the Guarantor in relation to the sale and purchase of the Sale Share and the Sale Loan
"Sale Share"	one ordinary share of US$1.00 in the issued share capital of the Target, representing the entire issued share capital of the Target

\# *For identification purpose only*

"Sale Loan"	all obligations, liabilities and debts owing or incurred by the Target to the Vendor on or at any time prior to Completion whether actual, contingent or deferred and irrespective of whether the same is due and payable on Completion which as at 31 December 2008, amounted to approximately HK$3,900,000
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.01 each in the capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"SinoPac"	SinoPac Securities (Asia) Limited, a licensed corporation under the SFO permitted to carry out types 1, 4, 6 and 9 of the regulated activities and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Target"	Legend Century Investments Limited, a company incorporated in the British Virgin Islands, whose entire issued share capital is beneficially owned by the Vendor
"Target Group"	the Target, China Net-PC Ltd., Boss Systems Limited, Boss Power Limited, Protex (China) and Boss Education Limited or where the context so requires in respect of the period before the Target became the holding company of its present subsidiaries, the present subsidiaries of the Target
"Vendor"	Ocean Space Development Limited, a company incorporated in the British Virgin Islands
"Vigers"	Vigers Appraisal & Consulting Limited
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"US$"	United States dollars, the lawful currency of the United States of America
"%"	per cent.

For the purpose of this circular, conversion of HK$ into RMB is calculated at the approximate exchange rate of HK$1.13 to RMB1.00. This exchange rate is for illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be exchanged at this or any other rate at all.

The glossary contains explanations and definitions of certain terms used in this circular in connection with the Target Group and its business. The terms and their meanings may not correspond to standard industry meanings or usage of these terms.

"CMMB"	China Multimedia Mobile Broadcasting is a mobile television and multimedia standard developed and specified in PRC by the State Administration of Radio, Film, and Television
"GPRS"	General Packet Radio Services (GPRS) is a packet-based wireless communication service that promises data rates from 56 up to 114 Kbps and continuous connection to the internet for mobile phone and computer users. It is based on Global System for Mobile (GSM) communication
"GSN"	GSN is a software middleware designed to faciliate the deployment and programming of senior networks
"LED"	light-emitting diode that is an electronic light source
"LED LCD-NC"	a diskless desktop computer device designed with a LED LCD monitor with minimum specifications and the software in the computer device is operated through a computer server network system
"LED LCD TV+NC"	a diskless desktop computer device designed with a LED LCD monitor with minimum specifications and the software in the computer device is operated through a computer server network system. The devised can also be functioned as a television.
"LCD"	a liquid crystal display that is an electronically-modulated optical device shaped into a thin, flat panel made up of any number of color or monochrome pixels filled with liquid crystals and arrayed in front of a light source or reflector
"NC"	a computer with minimal memory, disk storage and processor power designed to connect to a network, especially the Internet. The idea behind network computers is that many users who are connected to a network don't need all the computer power they get from a typical personal computer. Instead, they can rely on the power of the network servers

CHINA TRENDS HOLDINGS LIMITED
中國趨勢控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8171)

Executive Directors:
Mr. Xiang Xin
Mr. Im Kai Chuen Stephen
Mr. Wong Chak Keung
Mr. Cho Hui Jae

Independent non-executive Directors:
Mr. Leung Wing Kin
Mr. Zhang Zhan Liang
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 in Hong Kong:
26/F
No. 9 Des Voeux Road West
Sheung Wan
Hong Kong

26 May 2009

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION

INTRODUCTION

By the announcement dated 13 March 2009, the Company and the Vendor entered into the Sale and Purchase Agreement pursuant to which the Company agreed to buy and the Vendor agreed to sell the Sale Share and Sale Loan at the consideration of HK$600,000,000.

The purpose of this circular is to provide you with, among other matters, further details on the Acquisition.

THE SALE AND PURCHASE AGREEMENT

Date: 18 February 2009

Parties: (1) Purchaser : the Company

(2) Vendor : Ocean Space Development Limited

(3) Guarantor : Zhang Shao Cai, who guarantees in favour of the Company the due and punctual performance of the Vendor under the Sale and Purchase Agreement

The Vendor is principally engaged in investment holding. Pursuant to the Reorganisation, the entire share capital of China Net-PC Ltd. was acquired by the Vendor from Honour Sky and injected into the Target by the Vendor. The Prior Acquisition was completed on 30 November 2007. The consideration for the Prior Acquisition by the Vendor from Honour Sky of the entire share capital of China Net-PC Ltd. was HK$490,670,000. As at the Latest Practicable Date, the balance of the consideration in the amount of HK$441,603,000 had not been settled. The material difference between the consideration for the Prior Acquisition and the Consideration was because the Target Group entered into the co-operation with C Y Foundation in July 2008 which would have a positive effect on LED/LCD solution business and media business of the Target Group. For Further details in relation to such co-operation agreement, please refer to the section headed "Information of the Target Group" below.

Mr. Xiang is a director of China Net-PC Ltd., Boss Systems Limited, Protex (China), Boss Power Limited and Boss Education Limited, which are direct or indirect subsidiaries of the Target. There was no change in the role of Mr. Xiang in the Target Group before and after the Prior Acquisition. Except for the change of legal representative of Protex (China) Systems Limited from Mr. Lee Haeng Woo to Mr. Ling Jun in early July 2008, there was no change in the composition of the board of the members of the Target Group before and after the Prior Acquisition. The Vendor was not involved in the management of China Net-PC Ltd and its subsidiaries. Boss Power Limited and Protex (China) entered into the co-operation with C Y Foundation in July 2008.

The principle subsidiary of the Target Group was Boss Systems Limited when the Company entered into the MOU. Boss Systems Limited entered into a cooperation agreement with independent third parties to form a joint venture to engage in door media business in November 2007. Due to the change in market circumstances, the parties to the joint venture agreed not to continue with such joint venture and such cooperation agreement was terminated in February 2008. The Target Group would change its principal business to LED/LCD solution business and media business upon completion of the Reorganisation.

Assets to be acquired

Pursuant to the Sale and Purchase Agreement, the Company has agreed to acquire and the Vendor has agreed to sell: (i) the Sale Share, representing the entire issued share capital of the Target as at the Latest Practicable Date; and (ii) the Sale Loan, which amounts to approximately HK$3,900,000 as at 31 December 2008.

Consideration

Pursuant to the MOU, the initial deposit of HK$30,000,000 was paid within 14 Business Days from the date of signing of the MOU and the further deposit of HK$10,000,000 was to be paid on the date to be mutually agreed by the Vendor and the Company. Pursuant to the third supplemental memorandum of understanding dated 20 September 2008, the total amount of the deposit was decreased from HK$40,000,000 to HK$5,000,000, the Vendor refunded HK$25,000,000 to a nominee of the Company on 15 October 2008.

The Consideration for the sale and purchase of the Sale Share and Sale Loan shall be satisfied by the Company in the following manner:

(a) HK$5,000,000 has been paid in cash by the Company to the Vendor on the date of the MOU as the Deposit;

(b) HK$595,000,000 shall be satisfied by the Company issuing the Convertible Bond to the Vendor, or its nominees, on Completion.

The Consideration was determined with reference to discount of approximately 70.1% to the valuation on Protex (China) System Limited, indirect subsidiary of the Target by Vigers, an independent valuer, as negotiated and determined between the Company and the Vendor. Based on such preliminary valuation, Protex (China) was valued at RMB1,777,000,000 (equivalent to approximately HK$2,007,910,000). As the valuation was based on income approach and discounted cash flow method was adopted for valuation, there is a difference in the valuation amount of Protex (China) and the net asset value of the Target Group. The Consideration represents an excess of approximately HK$618,060,000 over the net book value of the Target Group as at 31 December 2008.

The Consideration for the Sale Share and the Sale Loan was agreed between the Vendor and the Company after arm's length negotiations after considering the preliminary valuation on Protex (China) by Vigers. As such, the Directors (including the independent non-executive Directors) consider that the terms and conditions of the Acquisition to be fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

In the event that Completion does not take place as a result of the sole default of the Company, the Vendor shall be entitled to retain the Deposit. In the event that Completion does not take place otherwise than as a result of the sole default of the Company, the Vendor shall forthwith refund to the Company the Deposit, without interest.

Conditions precedent

Completion shall be conditional upon and subject to:

(a) the Company being satisfied with the results of the due diligence review to be conducted on the assets, liabilities, operations and affairs of the Target Group;

(b) all approvals, consents, authorisations and licenses (so far as necessary) required to be obtained on the part of the Vendor, the Company or the Guarantor in relation to the transactions contemplated under the Sale and Purchase Agreement having been obtained;

(c) the warranties provided by the Vendor under the Sale and Purchase Agreement remaining true and accurate in all respects;

(d) the completion of the Reorganisation;

(e) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Conversion Shares; and

(f) the passing by the Independent Shareholders at the EGM to be convened and held of an ordinary resolution to approve the Sale and Purchase Agreement and the transactions contemplated hereunder, including (i) the issue of the Convertible Bond; and (ii) the issue of the Conversion Shares.

Conditions (a) and (c) are waivable by the Company under the Sale and Purchase Agreement. The Company has no current intention to waive such conditions. If the conditions have not been satisfied (or as the case may be, waived by the Company) on or before 30 June 2009, or such later date as the Vendor and the Company may agree, the Vendor shall forthwith refund the Deposit, without interest, to the Company and the Sale and Purchase Agreement shall cease and terminate, and thereafter neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

The Vendor intends to nominate Honour Sky or its nominees as the holder of a portion of the Convertible Bonds. The Vendor and Honour Sky intend to set off the consideration, in whole or in part, payable by the Vendor to Honour Sky for the acquisition of China Net-PC Ltd. against a portion of the Convertible Bond.

Completion

Completion shall take place at 4:00 p.m. on the third Business Day after the fulfilment (or waiver) of the conditions or such later date as may be agreed between the Vendor and the Company.

Upon Completion, the Target will become a direct wholly-owned subsidiary of the Company.

There is no current intention for the Vendor to nominate any Director to the Board.

TERMS OF CONVERTIBLE BOND

The terms of the Convertible Bond have been negotiated on an arm's length basis and the principal terms of which are summarised below:

Issuer

The Company

Principal amount

HK$595,000,000

Interest

The Convertible Bond carries no interest.

Maturity

A fixed term of three years commencing from the date of issue of the Convertible Bond. Unless previously converted or cancelled as provided in terms and conditions of the Convertible Bond on the Maturity Date. Any principal amount of the Convertible Bond which remains outstanding on the Maturity Date shall be converted into Shares subject to the term (the "Conversion Restrictions") as set out in the paragraph headed "Conversion" below. In the event that the outstanding principal amount of the Convertible Bond cannot be converted into Shares due to the Conversion Restrictions, such amount will be cancelled at the Maturity Date.

Conversion

Provided that (i) any conversion of the Convertible Bond does not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the Bondholder which exercised the conversion rights, whether or not such mandatory offer obligation is triggered off by the fact that the number of Conversion Shares to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Bond (if applicable, including any Shares acquired by the parties acting in concert with the Bondholder(s)) represents more than 30% (or such other percentage as stated in Rule 26 of the Takeovers Code in effect from time to time) of the then issued ordinary share capital of the Company or otherwise pursuant to other provisions of the Takeovers Code and (ii) the public float of the Shares shall not be less than 25% (or any given percentage as required by the GEM Listing Rules) of the issued Shares of the Company at any one time in compliance with the GEM Listing Rules, the Bondholder may convert in whole or part (in multiples of HK$10,000,000 or if the aggregate outstanding principal amount is less than HK$10,000,000, the entire outstanding amount of the Convertible Bond) of the principal amount of the Convertible Bond into the Conversion Shares at the Conversion Price for the period commencing the date of issue of the Convertible Bond up to the Maturity Date.

Conversion Price

Pursuant to the non-legally binding MOU, the conversion price for each Share under the Convertible Bond was HK$0.35. Due to the substantial decrease in the market price of the Shares from the date of the MOU to the date of the Sale and Purchase Agreement, after arms length negotiation, the parties agreed that the Conversion Price is to be HK$0.125 subject to adjustments.

The adjustments for Conversion Price include the following:

(a) an alteration of the nominal amount of each Share by reason of any consolidation or subdivision;

(b) an issue (other than in lieu of a cash dividend) by the Company of Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund);

(c) a capital distribution being made by the Company, whether on a reduction of capital or otherwise, to Shareholders (in their capacity as such) or a grant by the Company to Shareholders (in their capacity as such) of rights to acquire for cash assets of the Company or any of its subsidiaries;

(d) an offer of new Shares for subscription by way of rights, or a grant of options or warrants to subscribe new Shares being made by the Company to Shareholders (in their capacity as such);

(e) an issue wholly for cash being made by the Company of securities convertible into or exchangeable for or carrying rights of subscription for new Shares and the total effective consideration per Share receivable for such securities is less than 80% of the market price on the date of announcement of the terms of the issue of such securities; and

(f) an issue of Shares wholly for cash at a price per Share which is less than 80% of the market price on the date of announcement of the terms of such issue.

The Company will issue an announcement when there is any adjustment to the Conversion Price and the adjustment will be certified by the Company's auditor or by the merchant bank.

The Conversion Price represents (i) equal to the closing price of HK$0.125 per Share as quoted on the Stock Exchange on 18 February 2009, being the date of the Sale and Purchase Agreement; (ii) a premium of approximately 15.31% over the average of the closing prices of approximately HK$0.1084 per Share for the last five consecutive trading days up to and including 18 February 2009, being the date of the Sale and Purchase Agreement; and (iii) an approximation to the adjusted net asset value per Share of HK$0.125 based on the audited consolidated financial statements of the Group as of 31 December 2008 and the placing of new shares completed on 21 January 2009.

The Conversion Price was arrived at after arm's length negotiations between the Company and the Vendor with reference to various factors including the closing prices of the Shares as set out above and the duration of the Convertible Bond. The Directors (including the independent non-executive Directors) consider that the Conversion Price is fair and reasonable.

Conversion Shares

Assuming there is an immediate exercise in full of the conversion rights attaching to the Convertible Bond at the Conversion Price by the Bondholder, the Company will issue an aggregate of 4,760,000,000 new Shares, representing (i) approximately 676.39% of the existing issued share capital of the Company; and (ii) approximately 87.12% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares. The Conversion Shares will be issued pursuant to the specific mandate to be sought at the EGM.

Ranking

The Conversion Shares, when allotted and issued, will rank pari passu in all respects with all existing Shares in issue at the date of the allotment and issue of the Conversion Shares.

Status of the Convertible Bond

The Convertible Bond constitute a direct, general, unconditional and unsecured obligation of the Company and rank pari passu and rateably without preference (with the exception of obligations in respect of taxes) equally with all other present and/or future unsecured and unsubordinated obligations of the Company.

Transferability

The Bondholder may only assign or transfer the Convertible Bond to the transferee subject to the prior consent of the Company.

Lockup period of the Conversion Shares

The Conversion Shares may not, within the period commencing on the date of the allotment and issue of such Conversion Shares and ending on the date falling six months after such date, be transfer or otherwise dispose of or create any encumbrance or other rights in respect of such Conversion Shares or any interests therein in respect of such Conversion Shares.

Voting rights

The Convertible Bond does not confer any voting rights at any meetings of the Company.

Application for listing

No application will be made by the Company for the listing of the Convertible Bond. Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares assuming full conversion of the Convertible Bond.

CHANGES IN SHAREHOLDING STRUCTURE ARISING FROM THE ACQUISITION

The following table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date and before Completion; and (ii) immediately after Completion and the allotment and issue of the Conversion Shares:

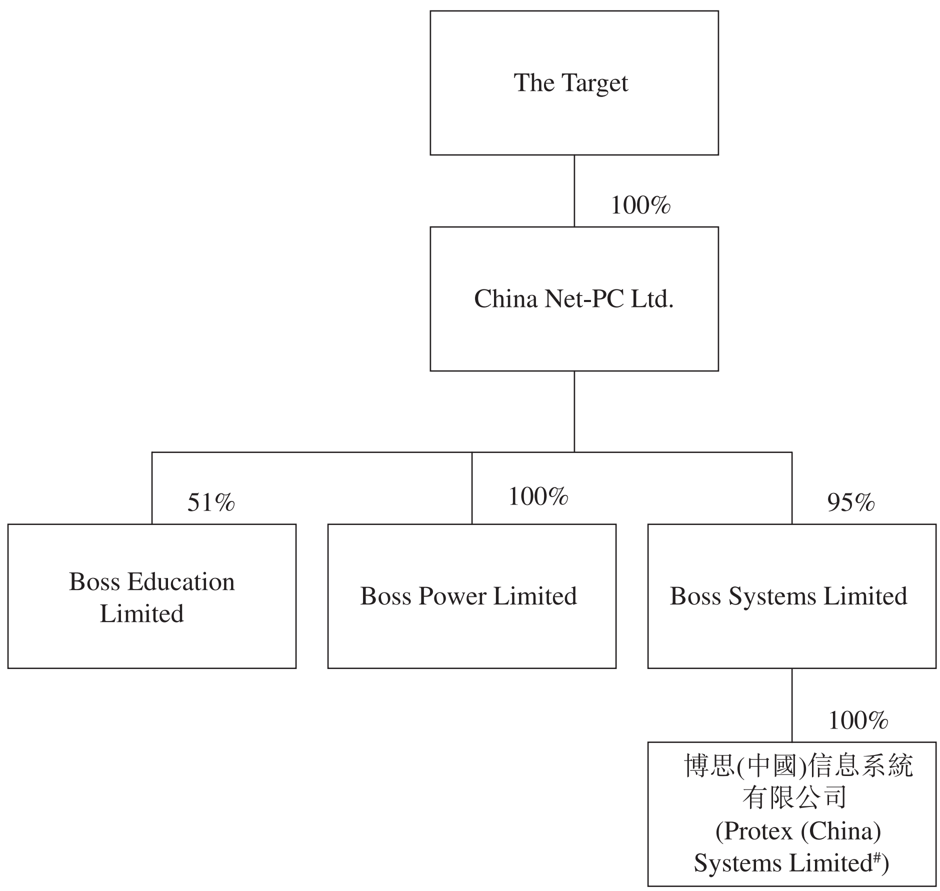
	As at the Latest Practicable Date		**Immediate after the allotment and issue of the Conversion Shares**	
Shareholders	*No. of Shares*	*Approximate %*	*No. of Shares*	*Approximate %*
Lo Wai Chi	100,240,000	14.24	100,240,000	1.83
Jo Wo Seob	81,200,000	11.54	81,200,000	1.49
The Vendor and/or its nominees *(Note)*	–	–	4,760,000,000	87.12
Public Shareholders				
Pretty Profit Enterprises Ltd.	60,000,000	8.53	60,000,000	1.10
Korea Technology Investment Corporation	37,000,000	5.26	37,000,000	0.68
Other public Shareholders	425,299,500	60.43	425,299,500	7.78
Total public Shareholders	522,299,500	74.22	522,299,500	9.56
Total:	703,739,500	100.00	5,463,739,500	100.00

Note: For illustration purpose only. As the Vendor or successors of the Bondholder(s) individually will not directly or indirectly control or be interested in Shares of 30% or more in the Company pursuant to the terms of the Sale and Purchase Agreement.

INFORMATION ON THE TARGET GROUP

The Target was incorporated in the British Virgin Islands on 6 July 2007. The Target is principally engaged in investment holding and does not have any other operation apart from investment holding. The Target Group is principally engaged in the LED/LCD solution business and media business, including relating promotion entity, operation entity, technical support entity and retail entity.

Upon completion of the Reorganisation, the group structure of the Target Group will be as follows:



The core products of the Target Group are LED LCD-NC and LED LCD TV+NC, which are based on the Target Group's innovation of embedding CNP-NC and LED into LCD and integrating it with computer operating system and other software. Its target clients are planned to be internet cafes, education centres, hotels and enterprises. LED LCD TV+NC is designed for hotels and will function as both a TV set and a computer. LED LCD-NC is designed for internet cafes, education centres and enterprises; it functions as a computer.

C Y Foundation needs to enter into a 15-year contract with the Target Group and the fee is on a monthly basis. The Target Group is also planning to offer advertisement service at the terminal. The advertisement will show on the 1/4 of the screen of each terminal and will refresh every 6 seconds.

The advertisement will be sent by CMMB or GPRS. The advertiser can choose the number of terminal and the area in which the terminals located for the advertisement to be sent to. The Target Group will charge the advertiser RMB0.05 per 6 second per terminal.

The above mentioned terminal has not been launch yet.

Key terms as set out in the contrast which related to the valuation included: (1) C Y Foundation is responsible to provide legal business license, gaming software and management software in the operation of the internet bar; (2) the Target Group is responsible to provide terminal for the internet bar operation; (3) it is agreed by both C Y Foundation and Target Group that the hourly charge on the usage of terminal will not be less than RMB 4; (4) the Target Group will responsible for the value added service such as advertisement on terminal; (5) income due to terminal usage will be split into two portions: 50% to C Y Foundation and 50% to Target Group; and (6) advertisement income will be split into three portions: 30% to C Y Foundation, 30% to Target Group and 40% to advertisement agency.

According to the audited consolidated management accounts of the Target Group prepared under the Hong Kong accounting standard, for the period from 6 July 2007 to 31 March 2008, the net loss for the continuing operations before and after taxation was approximately HK$15,728,000. The net liability of the Target Group were approximately HK$15,329,000 as at 31 March 2008.

According to the audited consolidated management accounts of the Target Group prepared under the Hong Kong accounting standard, for the nine months ended 31 December 2008, the net loss before and after taxation was approximately HK$3,026,000 and HK$3,030,000 respectively. The net liability of the Target Group were approximately HK$18,060,000 as at 31 December 2008.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE RESULTS OF THE TARGET GROUP

For the period from 6 July 2007 (date of incorporation) to 31 March 2008

The Target was incorporated in the British Virgin Islands as an investment holding company in July 2007. The Target was principally engaged in investment holding. Pursuant to the Reorganisation, the entire share capital of China Net-PC Ltd. was injected into the Target by the Vendor. The Target Group would be principally engaged in the LED/LCD solution business and media business upon completion of the Reorganisation.

For the nine months ended 31 December 2008

The Target Group was principally engaged in the trading of electronic equipment and components, and continued to develop the LED/LCD solution business and media business. During the period, the Target Group negotiated with C Y Foundation for a co-operation agreement to explore the channel to market and distribute the core products of the Target Group.

FINANCIAL REVIEW

For the period from 6 July 2007 (date of incorporation) to 31 March 2008

During the period ended 31 March 2008, the Target Group recorded a turnover amounting to approximately HK$6,892,000 and incurred a loss of approximately HK$15,728,000. It included the written off of goodwill in the amount of approximately HK$13,971,000 in the acquisition of CNP.

For the nine months ended 31 December 2008

During the six months ended 31 December 2008, the Target Group recorded a turnover of approximately HK$13,333,000 and incurred a loss of approximately The HK$3,030,000. The Target Group continued to develop the LED/LCD solution business and media business.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING

As at 31 March 2008, the cash and bank balance of the Target Group amounted to approximately HK$2,063,000, the amount due to the immediate holding company was HK$3,900,000 and the amount due to a director of certain subsidiaries in aggregate amounted to approximately HK$13,467,000. No bank borrowing recorded as at 31 March 2008.

As at 31 December 2008, the cash and bank balance of the Target Group amounted to approximately HK$4,237,000, the amount due to the immediate holding company was HK$3,900,000 and the amount due to a director of certain subsidiaries in aggregate amounted to approximately HK$19,606,000. No bank borrowing recorded as at 31 December 2008.

The gearing ratio based on total liabilities over total assets of the Target Group was 272.9% and 413.0% as at 31 March 2008 and 31 December 2008 respectively.

Mr. Xiang has undertaken to the Target Group that he will not demand any settlement due from the Target Group for the period up to 30 September 2010 to maintain the main sources of financing for the Target Group.

CAPITAL STRUCTURE AND CURRENCY EXPOSURE

There was no movements in the capital structure during the period from 6 July 2007 to 31 March 2008 and the nine months ended 31 December 2008.

The functional currency of the Target and its subsidiaries is either Hong Kong dollars or RMB. Most of the underlying transactions of the certain subsidiaries in the Target Group was denominated in RMB and did not have significant exposure to risk resulting from changes in foreign currency exchange rates during the period from 6 July 2007 to 31 March 2008 and the nine months ended 31 December 2008.

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 31 March 2008 and 31 December 2008, the Target Group had no pledge of assets and contingent liabilities.

SIGNIFICANT INVESTMENTS HELD

As at 31 March 2008 and 31 December 2008, the Target Group had not held any significant investments.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

Save for the acquisition of CNP on 30 November 2007 and the disposal of Protex Utility on 5 March 2008 as disclosed in note 26 in Appendix III to this circular, there were no material acquisition and disposals of subsidiaries and associated companies by the Target Group during the period from 6 July 2007 to 31 March 2008 and nine months ended 31 December 2008.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE RESULTS OF THE CNP GROUP

For the year ended 31 March 2006

The CNP Group was principally engaged in the trading of electronic equipment and components. In August 2006, the CNP established Protex (China) Systems Limited in the PRC with the planning to extend the product line of the CNP Group to software and hardware development of computer related products and solutions in PRC market.

For the year ended 31 March 2007

The CNP Group was principally engaged in the trading of electronic equipment and components.

For the year ended 31 March 2008

The CNP Group was principally engaged in the trading of electronic equipment and components. Pursuant to the Reorganisation on 30 November 2007, the entire share capital of CNP was injected into the Target by the Vendor. The CNP Group would be principally engaged in the LED/LCD solution business and media business upon completion of the Reorganisation.

For the nine months ended 31 December 2008

The CNP Group was principally engaged in the trading of electronic equipment and components. The CNP Group continued to develop the LED/LCD solution business and media business. During the period, the CNP Group negotiated with C Y Foundation for a co-operation agreement to explore the channel to market and distribute the core products of the CNP Group.

FINANCIAL REVIEW

For the year ended 31 March 2006

During the year ended 31 March 2006, the CNP Group recorded a turnover amounting to approximately HK$37,654,000 and incurred a loss of approximately HK$2,544,000.

For the year ended 31 March 2007

During the year ended 31 March 2007, the CNP Group recorded a turnover amounting to approximately HK$55,536,000 and incurred a loss of approximately HK$3,120,000.

For the year ended 31 March 2008

During the year ended 31 March 2008, the CNP Group recorded a turnover of approximately HK$68,712,000 and incurred a loss of approximately HK$4,315,000. The Target Group was principally engaged in the trading of electronic equipment and component and continued to develop the LED/LCD solution business and media business.

For the nine months ended 31 December 2008

During the nine months ended 31 December 2008, the CNP Group recorded a turnover of approximately HK$13,333,000 and incurred a loss of approximately HK$3,030,000.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING

The CNP Group continued to finance its operation and capital expenditure through internally generated fund and the continuous financial support from a director of CNP during the years ended 31 March 2006, 31 March 2007, 31 March 2008 and the nine months ended 31 December 2008.

As at 31 March 2006, the cash and bank balances of the CNP Group amounted to approximately HK$3,378,000 out of which included approximatley HK$1,538,000 pledged bank deposits for bank overdraft facilities, the amount due to a director of CNP in aggregate amounted to approximately HK$6,291,000 and secured bank overdraft amounted to approximately HK$556,000. As at 31 March 2006, the current ratio of the CNP Group was approximately 1.07 and the gearing ratio based on total liabilities over total assets was approximately 145.5%.

As at 31 March 2007, the cash and bank balances of the CNP Group amounted to approximately HK$361,000 and the amount due to a director of CNP in aggregate amounted to approximately HK$9,390,000. As at 31 March 2007, the current ratio of the CNP Group was approximately 1.03 and the gearing ratio based on total liabilities over total assets was approximately 168.5%.

As at 31 March 2008, the cash and bank balances of the CNP Group amounted to approximately HK$2,063,000 and the amount due to a director of CNP in aggregate amounted to approximately HK$13,467,000. As at 31 March 2008, the current ratio of the CNP Group was approximately 1.21 and the gearing ratio based on total liabilities over total assets was approximately 228.91%.

As at 31 December 2008, the cash and bank balances of the CNP Group amounted to approximately HK$4,237,000 and the amount due to a director of CNP in aggregate amounted to approximately HK$19,606,000. As at 31 December 2008, the current ratio of the CNP Group was approximately 16.28 and the gearing ratio based on total liabilities over total assets was approximately 345.44%.

Mr. Xiang has undertaken to the CNP Group that he will not demand any settlement due from the CNP Group for the period up to 30 September 2010 to maintain the main source of financing for the CNP Group.

CAPITAL STRUCTURE AND CURRENCY EXPOSURE

There was no movement in the capital structure during the years ended 31 March 2006, 31 March 2007, 31 March 2008 and the nine months ended 31 December 2008.

The functional currency of the CNP and its subsidiaries is either Hong Kong dollars or RMB. Most of the underlying transactions of the certain subsidiaries in the CNP Group was denominated in RMB and did not have significant exposure to risk resulting from changes in foreign currency exchange rates during the years ended 31 March 2006, 31 March 2007, 31 March 2008 and the nine months ended 31 December 2008.

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

Other than the CNP Group had pledged time deposit of approximately HK$1,538,000 for bank overdraft facilities as at 31 March 2006, the CNP Group had no pledge of assets and contingent liabilities as at 31 March 2006, 31 March 2007, 31 March 2008 and 31 December 2008.

SIGNIFICANT INVESTMENTS HELD

Other than the available-for-sale investment in the amount of HK$500,000 as at 31 March 2006, the CNP Group had not held any significant investment as at 31 March 2006, 31 March 2007, 31 March 2008 and 31 December 2008.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

Save for the disposal of certain assets and liabilities of Boss Systems on 1 April 2006, the acquisition of 100% interest in Boss Power on 3 November 2006 and the disposal of Protex Utility on 5 March 2008 as disclosed in note 24 in Appendix IV to this circular, there were no material acquisition and disposals of subsidiaries and associated companies by the CNP Group for the years ended 31 March 2006, 31 March 2007, 31 March 2008 and the nine months ended 31 December 2008.

MANAGEMENT DISCUSSION AND ANALYSIS OF 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 in Appendix II to this circular.

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

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 in Appendix II to this circular.

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 Information of the Group under Appendix II, 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.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP
For the year ended 31 December 2007

Financial review

During the year ended 31 December 2007, the Group recorded a turnover approximately HK$380,523,000 (2006: HK$250,523,000), representing an increase of 52%. The increase in turnover was due to the fact that (i) general favourable macro-economic and micro-economic environment of the PRC; and (ii) a solid customer base established by the Group.

During the year ended 31 December 2007, the Group recorded a loss for the year approximately HK$8,199,000 (2006: profit of HK$6,224,000). The loss for the year was mainly due to (i) impairment loss made on the contract works in progress of HK$4,206,000 relating to CDMA solutions, originally proposed to be a part of the consideration of the acquisition of 38.19% of the entire issued share capital of KBT Mobile Co. Limited (the "KBT Acquisition") and the KBT Acquisition was finally terminated in July 2007, with reason for the impairment as stated in (ii); (ii) impairment loss made on the contract works in progress of HK$7,930,000 relating to the remaining CDMA solutions which were considered to be obsolete in the PRC mobile phone market due to the continuing shrinkage of the CDMA mobile phone market in the PRC; and (iii) impairment loss made on the FTA licenses of HK$3,822,000, originally proposed to be another part of the consideration of the KBT Acquisition and the KBT Acquisition was finally terminated in July 2007, which were considered to be obsolete as there was no potential buyer identified for its acquisition after the termination of the KBT Acquisition with minimal future economic benefits generated. The reason for the huge impairment loss as made in the current year is due to the anticipated re-positioning of the Group's businesses in the near future after the Board has been actively exploring other businesses, as detailed in operational review, with higher return than the existing business for broadening the Group's business base as the competition of the Group's existing business is very keen. As such, the Board re-considered that it is appropriate to make impairment loss on the assets with uncertain and minimal future economic benefits generated to the Group. The net profit for the year of the Group would be HK$7,759,000 (instead of a net loss for the year of HK$8,199,000) if the above-mentioned effect on the one off impairment loss made in the current year was excluded.

Operational review

The KBT Acquisition was finally terminated on 3 July 2007. The termination of the KBT Acquisition did not have any material adverse impact on the business of the Group and was of the best interests of the Shareholders.

The Company entered into two subscription agreements in respect of the issue of warrants with two new subscribers on 28 May 2007 and 21 November 2007, respectively. The Company also entered into another subscription agreement in respect of the issue of new shares with one new subscriber on 21 November 2007.

Approximately HK$19,460,000 was raised in aggregate which was used as general working capital for the acceleration of the growth of the Group so as to minimise any unnecessary finance costs incurred.

On 18 December 2007, the Company entered into a memorandum of understanding to acquire Legend Century Investments Limited ("Legend Century"). Legend Century's subsidiary is the pioneering and leading door media group in the PRC. Such possible acquisition provides a good opportunity for the Group to expand into the booming media and advertisement publication businesses in the PRC.

On 28 January 2008, the Company entered into a memorandum of understanding with China Innovation Investment Limited (previous known as Sino Technology Investments Company Limited) for establishment of a strategic co-operation in the civil and military dual-use optoeletronic industry. Such possible co-operation helps the Group to develop its business in optoelectronic industry. On 18 March 2008, the Company entered into a co-operation letter of intent with China Innovation Investment Limited and one PRC company to participate in a restructuring exercise so as to enter into optoelectronic industry.

On 1 February 2008, the Company entered into a memorandum of understanding with Chi Mei Lighting Technology Corporation and Chi Mei Optoelectronics Corporation for possible co-operation in the LED lighting products and LCD related commercial products and technologies. Such possible co-operation provides another good opportunity for the Group to tap into high growth consumer electronic products market in the PRC.

Liquidity, financial resources and gearing

The Group continued to finance its operation and capital expenditure through internally generated fund, and support certain product solutions development and business expansion from the listing proceeds from issue of new shares and warrants. The Group maintained a healthy liquidity position with a current ratio of approximately 5.75 (2006: 4.16) and total cash and bank balances amounted to approximately HK$24,742,000 (2006: HK$23,571,000) with no pledged deposits placed in banks for securing any borrowings or banking facilities. As at 31 December 2007, the gearing ratio based on total liabilities over total assets was approximately 17.30% (2006: 23.73%).

Capital structure and fluctuation in exchange

There is no movement in the capital structure during the year.

During the year under review, sales and purchases of the Group were mainly transacted in United States dollars and Hong Kong dollars. As at 31 December 2007, 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 2007, there was a total of 15 (2006: 22) full-time staff employed by the Group. The staff costs, for the year including directors' remuneration were approximately HK$4,495,000 (2006: HK$5,287,000).

Significant investments and material acquisitions

During the year under review, the Group did not have any significant investment or material acquisitions.

Charge, contingent liabilities and commitments

There were guarantees to the extent of HK$50,000,000 (2006: HK$40,000,000) given to banks by the Company in respect of banking facilities available to certain wholly owned subsidiaries. As at 31 December 2007, the Group had commitment under operating lease amounting to approximately HK$1,085,000 (2006: HK$399,000) and there was no charges on any assets of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

For the year ended 31 December 2006

Financial review

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

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

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

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

Operational review

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

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

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

Liquidity, financial resources and gearing

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

Capital structure and fluctuation in exchange

During the year, 81,200,000 shares of HK$0.01 each and 39,000,000 shares of HK$0.01 each were issued for cash at a subscription price HK$0.09 per share and HK$0.1 per share on 24 May 2006 and 1 November 2006, respectively, for a total cash consideration, before expenses, of HK$11,208,000. There is no other movement in the capital structure during the year.

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

Employees

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

Charge, contingent liabilities and commitments

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

REASONS FOR THE PROPOSED ACQUISITION

The Group is principally engaged in sales and marketing of mobile phone appliance and the relevant parts solution in Mainland China market. In view of the intense competition and falling profit margin, the Company is actively seeking opportunities to broaden the revenue base of the Group.

The Group is of the view that the potential business development in optoelectronic industry is one of the key commercial applications in PRC, the Group therefore considers that optoelectronic industry, in particular the LED product markets may provide great potential to generate significant returns and strengthen the income stream for the Group.

Also, according to the statistics compiled by the National Bureau of Statistics of the PRC, the household consumption in the PRC increased significantly, representing a compound annual growth rate, indicating significant potential of the PRC's media and advertising market. Based on a research on the PRC's media and advertising sector, the PRC is one of the fastest growing media markets in the world with total advertising spending growing at a compound annual growth rate. It is expected that due to the hosting of the World Expo in Shanghai in 2010, media and advertising spending will grow even more rapidly. In view of the Target Group's business model by providing advertisement services through advertisement agency services in the platform of internet cafes, education centres, hotels and enterprises in the PRC, the Directors consider that the Acquisition will be a strategic move of the Group and provide a good opportunity for the Group to expand into the booming media and advertisement publication business in the PRC.

The Directors consider that the Acquisition represents a good opportunity for the Group to expand into the optoelectronic, media and advertisement publication business in the PRC. Accordingly, the Directors consider that the terms and conditions of the Acquisition are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE ACQUISITION

Assets and liabilities

Set out in Appendix V to this circular is the unaudited pro forma consolidated financial information of the Enlarged Group. Upon Completion, the consolidated total assets of the Enlarged Group would be increased by approximately 437.06% from approximately HK$89,021,000 to approximately HK$478,092,000 and the consolidated total liabilities of the Group would be increased by approximately 229.00% from approximately HK$9,213,000 to approximately HK$30,311,000.

Earnings

Upon Completion, the financial results of the Target Group will be consolidated into the consolidated financial statements of the Group. While there is no immediate material impact on earnings of the Group caused by the Acquisition, the Directors consider that the Acquisition will enhance the business diversification of the Group and the Target Group will contribute positively to the results of the Group.

PROSPECTS OF THE ENLARGED GROUP

The difficult business environment for mobile phone appliance and the relevant parts solution in Mainland China market has prevailed in recent years. In view of the intense competition and falling profit margin, the results of the Group have been affected in recent years. After the financial crisis commenced in 2008, the Group will have to face a more difficult business environment in the short run. As the Group has continued to seek alternative development opportunities to diversify the business, the Group has conditionally agreed to acquire the Target Group which engages in the business of optoelectronics, media and advertisement publication business in the PRC. The Group expected that the Acquisition will be completed by mid-2009 if all the conditions of the Acquisition have been satisfied. Although the Group expected that the contribution from the Acquisition will not be significant for the initial two years, it will provide a stable return to the Group in the future.

GENERAL

The Acquisition constitutes a very substantial acquisition on the part of the Company under the GEM Listing Rules. As Mr. Xiang's family member(s) (excluding Mr. Xiang) is/are the ultimate beneficiaries of Honour Sky, the Acquisition also constitutes a connected transaction on the part of the Company under the GEM Listing Rules and is subject to the approval of the Independent Shareholders at the EGM by way of poll.

The Acquisition is subject to, among others, the approval by the Independent Shareholders at the EGM to be taken by way of a poll. Each of the Vendor, Honour Sky, Mr. Xiang and their respective associates is required to abstain from voting at the EGM to approve the Acquisition and the transactions contemplated thereunder due to their interests in the Acquisition.

Pursuant to Rule 17.16 of the GEM Listing Rules, the Stock Exchange reserves its rights to require the Company to either change its trading method or to proceed with a consolidation of the Shares when the market price of the Shares approaches the extremity of HK$0.01. As set out in the letter from the Stock Exchange to the Company in relation to the listing approval dated 16 January 2009, the Stock Exchange will not consider granting an approval for listing of any future fund raising by the Company if the Shares are trading towards the extremity of HK$0.01, which the Stock Exchange considers to be any trading price of less than HK$0.10.

The closing price of the Shares remained below HK$0.10 after 16 January 2009, expect the last three trading days prior to the date of the announcement of the Company dated 13 March 2009. In the event that the closing price of the Shares remains below HK$0.10 for any five consecutive trading days after 13 March 2009, the Company will carry out a consolidation of the Shares as soon as practicably, such that the price of the Shares will exceed HK$0.10 after the consolidation of the Shares.

The Company has applied to the Stock Exchange for a waiver from strict compliance with Rule 7.05 of the GEM Listing Rules in relation to the relevant period of the accountants' reports, such that the relevant period of the accountants' reports in relation to the Target Group and the CNP Group will be for the nine months ended 31 December 2008 instead of the year ended 31 March 2009.

The Directors have confirmed that, after performing all reasonable due diligence work which they consider appropriate, there is no material adverse change in the financial position of the Target Group and the CNP Group since 31 December 2008, and that there is no event since 31 December 2008 which would materially affect the information as shown in the accountants' report of the Target Group and the CNP Group.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising Mr. Leung Wing Kin, Mr. Zhang Zhan Liang and Mr. Zhang Jun, all being independent non-executive Directors, has been established to consider and advise the Independent Shareholders in respect of the fairness and reasonableness of the terms of the Acquisition. SinoPac has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the Acquisition.

EGM

Set out on pages 219 to 220 is a notice convening the EGM to be held at 26/F, No. 9 Des Voeux Road West, Sheung Wan, Hong Kong on Friday, 12 June 2009 at 11:00 a.m. at which relevant resolution will be proposed to the Shareholders to consider and, if thought fit, approve the Sale and Purchase Agreement and the transaction contemplated thereunder.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong at Tricor Abacus Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as practicable but in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return the form of proxy will not preclude you from attending and voting in person at the EGM should you so wish.

RECOMMENDATION

The Board considers that the terms of the Sale and Purchase Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the ordinary resolution as set out in the notice of EGM.

Your attention is drawn to (i) the letter from the Independent Board Committee set out on page 29 of this circular which contains its views in relation to the Sale and Purchase Agreement and the transaction contemplated thereunder; and (ii) the letter from SinoPac, which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder and the principal factors and reasons considered by it in arriving at its opinions. The text of the letter from SinoPac is set out on pages 30 to 48 of this circular.

The Independent Board Committee, having taken into account the advice of SinoPac, considers that the Sale and Purchase Agreement was entered into on normal commercial terms and that the terms of the Sale and Purchase Agreement are fair and reasonable and in the interests of the Group so far as the Independent Shareholders are concerned.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

By order of the Board
China Trends Holdings Limited
Xiang Xin
Chairman

CHINA TRENDS HOLDINGS LIMITED
中國趨勢控股有限公司

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 8171)

26 May 2009

To the Independent Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION

We refer to the circular of the Company dated 26 May 2009 (the "**Circular**") to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as members to form the Independent Board Committee and to advise you the terms of the Sale and Purchase Agreement whether such terms are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

SinoPac has been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether (i) the Sale and Purchase Agreement was entered into on normal commercial terms; and (ii) the terms of the Sale and Purchase Agreement are fair and reasonable so far as the Independent Shareholders are concerned, whether such terms are in the interests of the Company and the Independent Shareholders as a whole. Details of its advice, together with the principal factors taken into consideration in arriving at such advice, is set out on pages 30 to 48 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 6 to 28 of the Circular and the additional information set out in the appendices of the Circular.

Having considered the terms of the Sale and Purchase Agreement and the advice of SinoPac, we are of the opinion that (i) the Sale and Purchase Agreement was entered into on normal commercial terms; and (ii) the terms of the Sale and Purchase Agreement are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Independent Shareholders as a whole. We therefore recommend that you vote in favour of the resolution to be proposed at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Independent Board Committee of
China Trends Holdings Limited

Leung Wing Kin	**Zhang Jun**	**Zhang Zhan Liang**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

The following is the letter of advice from SinoPac to the Independent Board Committee and the Independent Shareholders for the purpose of incorporation into this circular.

永豐金證券(亞洲)有限公司
SinoPac Securities (Asia) Limited

23rd Floor, Two International Finance Centre
No.8 Finance Street, Hong Kong

26 May 2009

To the Independent Board Committee and
the Independent Shareholders of
China Trends Holdings Limited

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION

INTRODUCTION

We refer to our engagement by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Acquisition, details of which are set out in the Letter from the Board ("Letter from the Board") as contained in the circular of the Company dated 26 May 2009 ("Circular") of which this letter forms part. Capitalized terms used in this letter shall have the same meaning as defined in the Circular unless the context otherwise defines.

On 18 February 2009, the Company entered into the Sale and Purchase Agreement with the Vendor, pursuant to which the Company has agreed to purchase and the Vendor has agreed to sell (i) the Sale Share; and (ii) the Sale Loan, which amounted to approximately HK$3,900,000 as at 31 December 2008 for a total consideration of HK$600,000,000. The Consideration shall be satisfied as to (i) HK$5,000,000 in cash which has been paid by the Company to the Vendor on the date of the MOU as the Deposit; and (ii) HK$595,000,000 by the issue of the Convertible Bond at the Conversion Price of HK$0.125 per Conversion Share to the Vendor, or its nominees, upon Completion. Upon Completion, the Target will become a direct wholly-owned subsidiary of the Company.

As the applicable percentage ratios as defined in the GEM Listing Rules exceed 100%, the Acquisition constitutes a very substantial acquisition for the Company under Chapter 19 of the GEM Listing Rules. In addition, Mr. Xiang's family member(s) (except Mr. Xiang) is/are the ultimate beneficiaries of Honour Sky, being an intended nominee of the Vendor to hold a portion of the Convertible Bonds. As such, the Acquisition constitutes a connected transaction for the Company under Chapter 20 of the GEM Listing Rules and is subject to, amongst other things, the approval of the Independent Shareholders at the EGM by way of poll. Pursuant to Chapter 20 of the GEM Listing Rules, the Vendor, Honour Sky, Mr. Xiang and their respective associates will be required to abstain from voting at the EGM due to their interests in the Acquisition.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all of the independent non-executive Directors, namely Leung Wing Kin, Zhang Zhan Liang and Zhang Jun has been established to advise the Independent Shareholders on (i) whether the terms of the Sale and Purchase Agreement are fair and reasonable and are on normal commercial terms so far as the Independent Shareholders are concerned; (ii) whether the Acquisition is in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the relevant resolution to approve the Sale and Purchase Agreement and the transactions contemplated therein at the EGM. We have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

BASIS OF OUR ADVICE

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Company, Directors and management of the Company. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all information, representations and opinions contained or referred to in the Circular, which have been provided by the Company, Directors and management of the Company and for which they are solely and wholly responsible, were true and accurate at the time they were made and continue to be true at the date of the EGM.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, the Target, the Target Group or their respective subsidiaries or associates, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion, we have taken into consideration the principal factors and reasons set out below. In reaching our conclusion, we have considered the results of the analysis in light of each other and ultimately reached our recommendations to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition based on the results of all analysis taken as a whole.

1. Background Information

Principal activities of the Group

The Group is principally engaged in the sales and marketing of mobile phone appliance and the relevant parts solutions in the PRC.

Set out below is the summary of the consolidated financial information of the Group as extracted from the annual report of the Company for the year ended 31 December 2008 ("2008 Annual Report"):

	For the year ended 31 December	
	2008	**2007**
	(Audited)	(Audited)
	HK$'000	*HK$'000*
Profit and loss		
Revenue	81,127	380,523
Gross (loss)/profit	(3,282)	21,303
(Loss)/Profit attribute to equity holder of the Company	(32,847)	(8,199)

As depicted by the above table, the Group recorded revenue of approximately HK$81.13 million for the year ended 31 December 2008, representing a decline of approximately 78.68% as compared with 2007. According to the 2008 Annual Report, such significant decline was mainly contributed by the deterioration of the general business as a whole and the fierce competition in the current business operations of the Group.

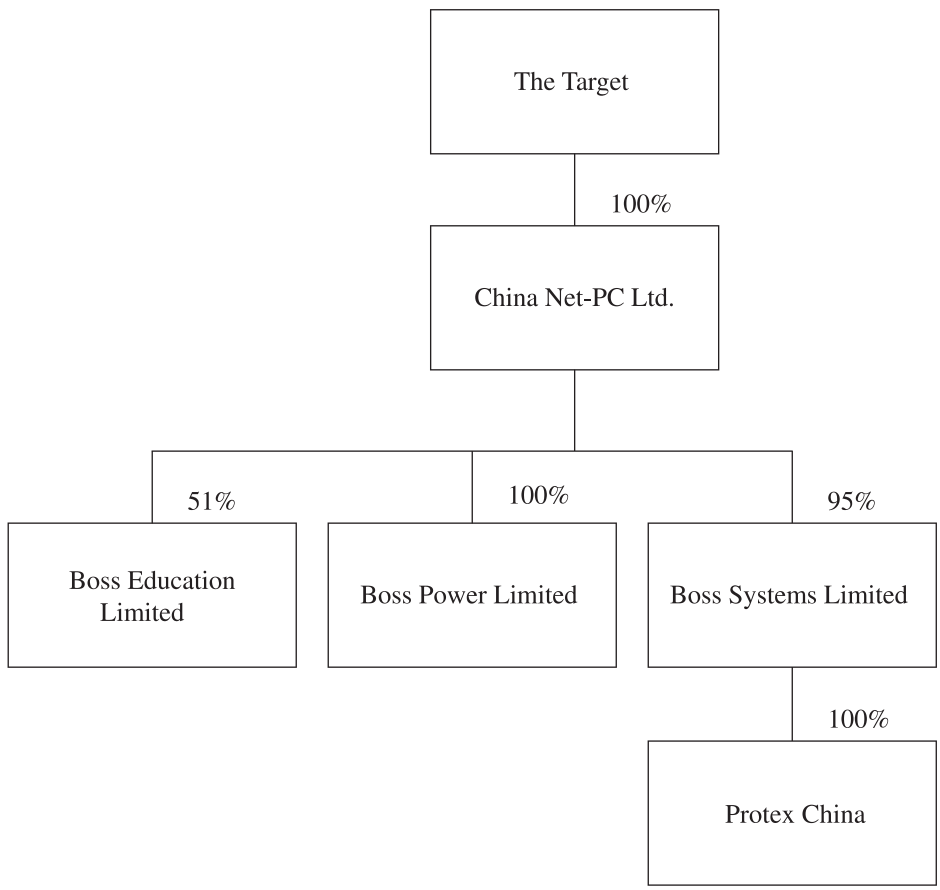
The Group also turned into a gross loss position in the year ended 31 December 2008 with a gross loss of approximately HK$3.28 million. Moreover, net loss of the Group was increased to approximately HK$32.85 million for the year ended 31 December 2008, which was mainly arising from (i) the decrease in profit margin of the current business operations of the Group including the impairment loss made on the contract works in progress and the inventories in the amount of approximately HK$4.13 million; (ii) compensation paid to customers in the amount of approximately HK$8.76 million; and (iii) the equity-settled share option expenses in the amount of approximately HK$7.44 million.

In such regard, the Company is actively seeking other business opportunities to broaden the revenue base of the Group as to bring reasonable return to the Shareholders.

2. Information on the Target

The Target was incorporated in the British Virgin Islands on 6 July 2007 and is wholly-owned by the Vendor. Upon Completion, the Target will become a direct wholly-owned subsidiary of the Company. The principal activity of the Target is investment holding and does not have any other operation. The Target Group is principally engaged in the LED/LCD solution business and media business, including relating promotion entity, operation entity, technical support entity and retail entity.

As set out in the Letter from the Board, the group structure of the Target Group upon completion of the Reorganisation will be as follows:



Details of the subsidiaries directly or indirectly owned by the Target are set out as follows:

Name	Place and date of Incorporation	Principle activities
China Net-PC Ltd.	British Virgin Islands/ 17 September 2001	Investment holding
Boss Education Limited	Hong Kong/ 2 October 2008	Investment holding and trading
Boss Power Limited	Hong Kong/ 24 February 1999	Trading, manufacturing and services
Boss Systems Limited	British Virgin Islands/ 3 September 2001	Investment holding
Protex China	PRC/11 August 2005	Research and development on information technology related solution and product and technology consultancy and related services, trading of related products

The core products of the Target Group are LED LCD-NC and LED LCD TV+NC, which are based on the Target Group's innovation of embedding CNP-NC and LED into LCD and integrating it with computer operating system and other software. Its target clients are planned to be internet cafés, education centres, hotels and enterprises. LED LCD TV+NC is designed for hotels and will function as both a TV set and a computer. LED LCD-NC is designed for internet cafés, education centres and enterprises; it functions as a computer. The terminal subscriber needs to enter into a 10-years contract with the Target Group in monthly payment to the Target Group. The Target Group is also planning to offer advertisement service at the terminal. The advertisement will show on the one fourth of the screen of each terminal and will refresh every six seconds. The advertisement will be sent by either internet, CMMB or GPRS. The advertiser can choose the number of terminals and the area in which the terminals located for the advertisement to be sent to. The Target Group will charge the advertiser at RMB0.05 per 6 seconds per terminal.

Meanwhile, the Target Group has entered into a co-operation agreement with C Y Foundation ("Co-operation Agreement") in July 2008 prior to the entering into of the Sale and Purchase Agreement. Pursuant to the Co-operation Agreement, the parties have agreed to develop a computer games competition in 30,000 internet cafés operated by C Y Foundation in the PRC. The Target Group will provide LED LCD-NC terminals to the internet cafés and C Y Foundation will provide the computer software. Users of the terminals in the internet cafés will be charged on an hourly basis and profits will be shared between the Target Group and C Y Foundation equally. Pursuant to the Co-operation Agreement, both parties have also agreed to offer the abovementioned advertisement service at the terminals in the internet cafés.

As advised by the Directors, the abovementioned business of LED LCD-NC and LED LCD TV+NC, provision of advertisement service as well as the business under the Co-operation Agreement of the Target Group ("Network Computer Business") is operated by Protex China, an indirect subsidiary of the Target. We note that Protex China has a short establishment history since 2005 and the advertisement service at the terminals in the internet cafés has not been launched by the Target Group. As advised by the Directors, the Target Group plans to launch the advertisement service by not later than 2011.

Set out below is the summary of the audited financial information of the Target Group for the period from 6 July 2007 to 31 March 2008 and for the nine months ended 31 December 2008 as extracted from Appendix III to the Circular:

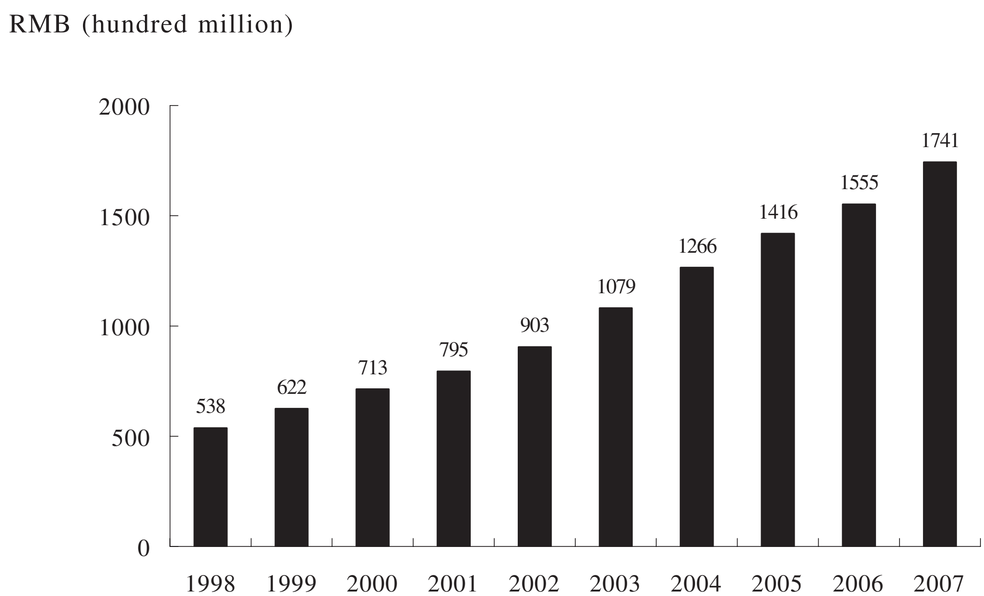
	Period from 6 July 2007 to 31 March 2008	**Nine months ended 31 December 2008**
	(Audited)	(Audited)
	HK$'000	*HK$'000*
Consolidated income statement		
Net profit/(loss) before taxation	(15,728)	(3,026)
Net profit/(loss) after taxation	(15,728)	(3,030)

	31 March 2008	**31 December 2008**
	(Audited)	(Audited)
	HK$'000	*HK$'000*
Consolidated balance sheet		
Net asset/(net liabilities)	(15,329)	(18,060)

3. Business Overview

The population of internet users in the PRC has grown strongly, with one-third of all internet users, i.e. approximately 70 million users, use internet in internet café. According to the report of a market researcher Niko Partners in 2008, internet cafés account for about 40 percent of the US$2.5 billion in revenue generated by online game operators in 2008 in China. It reported that there is increasing of population having their own personal computer at home in the major cities in the PRC, such as Beijing and Shanghai, however, young online game players still visit internet café for online gaming to socialize and compete with friends. Therefore, the increasing number of personal computer at home does not reduce the internet users in the internet café in the PRC. We have reviewed the statistics published by Nanjing Union of Internet Services that 60% to 70% of the online game players in the PRC play online games in internet café. We note that there is also a rising trend move toward online games in the PRC. As such, growth in the development of online games and population of internet users are expected to contribute to the business opportunities of internet café in the PRC, including the advertising services in the internet café.

Graph 1: Advertising spending in the PRC



Source: State Administration For Industry & Commerce

We note that advertising spending in the PRC has been growing consistently due to the continuous high speed economic growth in the PRC. As set out in the above chart, advertising spending in the PRC has been increasing from approximately RMB53,800 million in 1998 to approximately RMB174,100 million in 2007, representing a compound annual growth rate of approximately 13.94%. As advised by the Directors, advertising spending in the PRC will grow even more rapidly in the foreseeable future as the hosting of the World Expo in Shanghai in 2010 is expected to stimulus the advertising spending in the PRC.

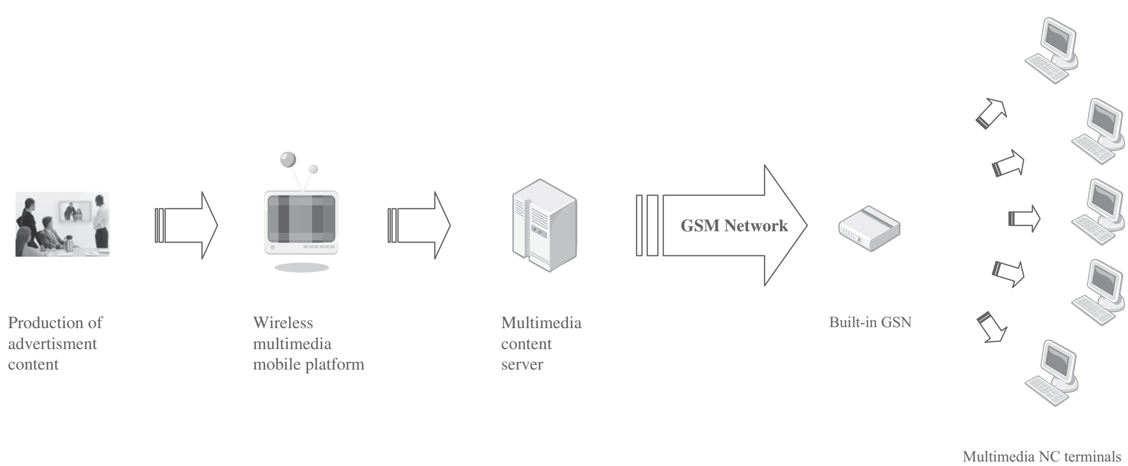
Although internet advertising revenue accounted for a small portion of the total advertising revenue in the PRC, the potential market for internet and related advertising is substantive. The common internet advertising models include advertising on the portals, search engine and online games. However, internet advertisement provided by the portals on broad base which cannot aim at specific target group of customers in different geographical location. The advertising service to be provided by the Target Group in the internet café can aim at specific location or target group which will be benefited from the rapid growth of internet users in the internet café in the PRC and the increasing advertising spending.

4. Reasons for the Acquisition

As stated in the Letter from the Board, the revenue of the Group in 2008 was declined due to fierce competition in the current business operations of the Group and the Directors are actively seeking opportunities to broaden the revenue base of the Group. The Directors believe that investment in the optoelectronic, media and advertisement business in the PRC will benefit the Company. Since the Target Group will engage in the provision of advertisement service in the internet café under the Co-operation Agreement and provided that the experience in LED/LCD solution business and media business of the Target Group, the Directors consider that the Acquisition represents a good opportunity for the Group to expand into the said business in the PRC.

We have not carried out technical feasibility study by ourselves but we have discussed with the Directors about the technical feasibility of the Network Computer Business in particular the provision of advertisement service and the Directors have demonstrated to us the showing of advertisements from a multimedia content server to a LED LCD-NC. Set out below is the flow chart illustrating the transmission of the advertisements from a multimedia content server to LED LCD-NC terminals:

Graph 2: Flow Chart of broadcasting of advertising contents through GPRS



As advised by the Directors, multimedia content such as advertisement will be stored in a multimedia content server, which will be administered by a network computer. The advertisement in form of multimedia content will then be transmitted from the multimedia content server to LED LCD-NC or LED LCD TV+NC terminals by either internet, CMMB or GPRS. Provided that the content is transmitted by GPRS, a built-in device (i.e. built-in GSN) with GPRS transmitting function will be installed in each of the LED LCD-NC or LED LCD TV+NC terminals. The advertisement will ultimately be displayed on the LED LCD-NC or LED LCD TV+NC terminals in the platform of internet cafés, education centres, hotels and enterprises in the PRC.

Based on the discussion with the Directors regarding the specification of the abovementioned technological system underlying the Network Computer Business including but not limited to the hardware and software requirement, transmitting technology and technological process, we concur with the Directors' view that the Network Computer Business is technically feasible.

We note that the Network Computing Business is an existing business model, we have compared similar businesses between the Network Computing Business, including online games advertising, lift-lobby television advertising and internet cafés advertising ("Comparable Businesses"). We note that the Comparable Businesses has similar revenue model as the Network Computing Business. We find that advertisers are generally charged by Comparable Businesses at a monthly rate for each terminal. However, advertisers will be charged by the Group at a rate as per 6 seconds for each terminal, and the standardized service fee charged by the Group is higher than that of the Comparable Businesses. We have discussed with the Directors regarding the fee structure of the Network Computing Business, and we are advised by the Directors that, the difference in the fee structure between the Network Computing Business and Comparable Businesses is due to its unique features of the advertisement service provided by the Network Computing Business. The advertisement service provided by the Comparable Businesses are usually banner advertisement on the web browser or advertising wallpaper on the desktop of each computer which is different from the advertisement provided by the Network Computing Business in which neither the internet cafés nor the terminal users will be able to remove or avert the advertisement on screens provided by the Network Computing Business and the Network Computing Business has a control to change the advertising contents by a remote server. Also, the Target Group has obtained the advertising channels under the Co-operation Agreement which is different from the Comparable Businesses which do not have its own distribution channel. Taking into account of the implementation feasibility as compared with the existing business models, the availability of the advertising channels and financial projections prepared by the Directors, we concur with the Directors' view that the Network Computer Business is commercially practicable.

We have reviewed and discussed with the Directors regarding the capital requirement and the required manpower for the Network Computer Business. We note that the capital requirement for the expansion of the Network Computer Business will be relied on the existing financial resources of the Group and the income generated from the provision of advertisement service in internet cafés. The required manpower can be supported and built up by the existing technical team of the Target Group. Having reviewed the financial projection for the capital requirement and discussed with the Directors regarding the Group's financial resources which includes existing cash and facilities resources, we concur with the Directors view that the Group has sufficient resources and the capability to operate the Network Computer Business.

Nevertheless, Shareholders are reminded that we have not conducted any independent assessment on the technical feasibility of the Network Computer Business in which specialized expertise or knowledge is required. Having discussed with the Directors' regarding the development plan for the Target Group, we are not in doubt with the Directors' expertise and knowledge in related to the Network Computer Business which is sufficient for us to assess the technical feasibility and commercial practicability of the Network Computer Business.

In light of the aforesaid positive future outlook of the PRC's internet café, and media and advertisement business, we concur with the Directors view that the Acquisition, which allows the Group to tap into the said business in the PRC is in the interests of the Company and the Shareholders as a whole.

5. Principal terms of the Sale and Purchase Agreement

Pursuant to the Sale and Purchase Agreement, the Company has agreed to purchase and the Vendor has agreed to sell the (i) Sale Share; and (ii) Sale Loan, which amounted to approximately HK$3,900,000 for a total consideration of HK$600,000,000. The Consideration shall be satisfied as to (i) HK$5,000,000 in cash which has been paid by the Company to the Vendor on the date of the MOU as the Deposit; and (ii) HK$595,000,000 by the issue of the Convertible Bond at the Conversion Price of HK$0.125 per Conversion Share to the Vendor, or its nominees, upon Completion.

Completion is conditional upon the fulfillment (or waiver thereof) of certain conditions precedent which are detailed under the paragraph headed "Conditions precedent" in the Letter from the Board on or before 30 June 2009 or such other date as the Vendor and the Company may agree.

6. Basis of the Consideration

As referred to the Letter from the Board, the Consideration was determined after arm's length negotiations between the Company and the Vendor with reference to a discount of approximately 70.1% to the valuation on Protex China, indirect subsidiary of the Target by Vigers. Such discount to the valuation on Protex China was agreed between the Company and the Vendor.

According to the valuation report prepared by Vigers ("Valuation Report") and set out in Appendix I to the Circular, the market value of the Network Computer Business operated by Protex China ("Valuation") as at 31 March 2009 was approximately RMB1,777,000,000 (equivalent to approximately HK$2,007,910,000). The Consideration represented a discount of approximately 70.1% to the Valuation. We note that the Consideration reflects a premium to the audited consolidated net liability of the Target Group as at 31 December 2008. The premium of the Consideration over the audited consolidated net liability of the Target Group is justified by the Valuation which is based on the financial projection of the Network Computer Business.

In order to assess the fairness and reasonableness of the Consideration, we have reviewed the Valuation Report on the methodologies adopted and assumptions made in arriving at the Valuation. We understand the Valuation was based on the financial projection of the Network Computer Business provided by the Company. As stated in the Valuation Report, Vigers has considered three appraisal approaches commonly used in valuing the business of a company, namely market approach, cost approach and the income approach. In determining the value of the Business, Vigers determined income approach to be the most appropriate method to assess the profitability of the Network Computer Business and based on the discounted cash flow method to calculate the net present value of the Network Computer Business. For assumption of the appropriate discount rate, Vigers considered the cost of equity of the capital asset pricing model to be an appropriate model for the estimation of the cost of capital of Network Computer Business with reference to the information technology service and solution industry.

We have discussed with the management of the Company and reviewed the basis and assumptions in arriving the Valuation, the rationale of adopting the income approach as well as the valuation methodology, we consider that valuation assumptions and methodology are fair and reasonable. Nevertheless, Shareholders are reminded that like all valuation methods involving forecasts of future events, revenue and profits cannot be projected with complete accuracy and are dependent on the assumptions made. Also, the business of Network Computer Business is subject to uncertainty and there is no assurance that the business plan of Network Computer Business will materialize. As confirmed by the Directors, the Directors will closely monitor the implementation of the business plan of the Network Computer Business upon Acquisition. As such, the Directors are confident on the realisation of the financial projection of the Network Computer Business. The Directors confirmed that if any failure in the realisation of the financial projection of the Network Computer Business which may materially affect the value of Network Computer Business operated by the Target Group or any matter should be disclosed to the public by the Company under Rule 17.10 of the GEM Listing Rules, an announcement will be made by the Company accordingly.

As set out in the Letter from the Board, the entire share capital of China Net-PC Ltd. was acquired by the Vendor at a consideration of HK$490.67 million from Honour Sky. We note that the Consideration represented a premium of approximately 22.28% to the consideration of the Prior Acquisition. The Directors advised that the difference between the Consideration under the Acquisition and the consideration under the Prior Acquisition in the amount of HK$109.33 million is due to the business entered into under the Co-operation Agreement following the Prior Acquisition. The business entered into under the Co-operation Agreement is an essential component of the Network Computer Business, the profitability of which is hence reflected in financial projection of the Network Computer Business which is also reflected in the Valuation accordingly.

After taking into account (i) the Consideration is at discount to the Valuation and (ii) the business prospect of the Network Computer Business, we are of the view that the Consideration is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

7. Payment of the Consideration

Pursuant to the Sale and Purchase Agreement, the consideration of HK$600,000,000 shall be satisfied as to (i) HK$5,000,000 in cash which has been paid by the Company to the Vendor on the date of the MOU as the Deposit; and (ii) HK$595,000,000 by the issue of the Convertible Bond at the Conversion Price of HK$0.125 per Conversion Share to the Vendor, or its nominees, upon Completion.

Based on the Conversion Price, the 4,760,000,000 Conversion Shares will be issued upon exercise of the conversion rights attached to the Convertible Bond in full. The Conversion Shares represent (i) approximately 676.39% of the existing issued capital of the Company as at the Latest Practicable Date; and (ii) approximately 87.12% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares. The Conversion Shares will be issued pursuant to the specific mandate to be sought at the EGM.

As advised by the Directors, the Company has considered other financing means through bank borrowings or equity capital market to finance the Acquisition apart from the Convertible Bond. However, given (i) the recent global financial turmoil and the credit crunch, the availability of the funds is tightened; and (ii) bank borrowings would adversely affect the Group's gearing position, increase the Group's interest expenses and in turn affect the Group's profitability, the Directors consider that it would be difficult and inefficient for the Company to raise funds through bank borrowings or capital market.

The Directors considered that the issue of the Convertible Bond will not draw on the existing cash resources of the Group for the Acquisition and will not result in immediate dilution of the shareholding of the existing Shareholders. If the Convertible Bond is converted, the capital base of the Company will be enlarged and strengthened. As such, it is of the view that the issue of the Convertible Bond will be more flexible and cost efficient to finance the Acquisition.

Having considered the above factors and reasons, we concur with the Directors view that the issue of Convertible Bond is considered to be the most appropriate method to finance the Acquisition and in the best interest of the Company.

8. The Convertible Bond

In order to evaluate the fairness and reasonableness of the terms of the Convertible Bond, we have performed trading multiples analysis and identified, to the best of our knowledge and as far as we are aware of, the issue of convertible bonds/notes ("CB Comparables") announced during the period (the "Review Period") from 19 October 2008 up to 18 February 2009 (being the date of the Sale and Purchase Agreement) by companies listed on the Stock Exchange. We believe that the terms of the CB Comparables can reflect the prevailing market sentiments in the Review Period. Therefore, the CB Comparables is an appropriate comparable in assessing the fairness and reasonableness of the terms of the Convertible Bond. Nevertheless, Shareholders should note that the businesses, operations and prospects of the Company are not the same as the CB Comparables and we have not conducted any in-depth investigation into the businesses and operations of the CB Comparables. The table below illustrates our relevant findings:

Table 1: Comparison of the terms of the CB Comparables

CB Comparables	Stock Code	Date of Announcement	Maturity (Years)	Coupon Interest (%)	Premium of/(discount) of the issue price over/to price of shares as at the last trading day prior to the release of announcement (%)
Bright International Group Ltd.	1163	13/2/2009	2	0.0	(7.41)
Long Success International (Holdings) Ltd.	8017	12/2/2009	2	0.0	158.62
Sino Union Petroleum & Chemical International Ltd.	346	11/2/2009	1	N/A *(Note)*	76.10
China Energy Development Holdings Ltd.	228	4/2/2009	30	0.0	0.00
Asia Resources Holdings Ltd.	899	2/2/2009	5	0.0	(21.10)
Cosmopolitan International Holdings Ltd.	120	23/1/2009	2	0.0	16.67
CASH Financial Services Group Ltd.	510	19/12/2008	3	2.0	30.70
Sino Katalytics Investment Corporation	2324	17/12/2008	1	10.0	12.50
Hua Lien International (Holding) Co. Ltd.	969	16/12/2008	5	0.0	7.10
Yusei Holdings Ltd.	8319	15/12/2008	3	0.0	5.30
SRE Group Ltd.	1207	15/12/2008	5	2.5	3.70
Inno-Tech Holdings Ltd.	8202	12/12/2008	2	0.0	(19.20)
Freeman Corporation Ltd.	279	10/12/2008	3	0.0	10.00
Golife Concepts Holdings Ltd.	8172	8/12/2008	10	0.0	(18.03)
China Best Group Holding Ltd.	370	3/12/2008	5	0.0	31.58
Global Flex Holdings Ltd.	471	28/11/2008	2	0.0	194.10
Brightoil Petroleum (Holdings) Ltd.	933	28/11/2008	3	0.0	0.00
Dragon Hill Wuling Automobile Holdings Ltd.	305	28/11/2008	5	6.0	12.12
Paradise Entertainment Ltd.	1180	27/11/2008	5	8.0	14.29
Rontex International Holdings Ltd.	1142	14/11/2008	5	0.0	42.86
Celestial Asia Securities Holdings Ltd.	1049	11/11/2008	3	2.0	14.90
Melco LottVentures Ltd.	8198	7/11/2008	5	0.1	37.94
Lo's Enviro-Pro Holdings Ltd.	309	3/11/2008	3	0.0	82.35
Argos Enterprise (Holdings) Ltd.	8022	15/10/2008	3	1.0	32.00
Unity Investments Holdings Ltd.	913	9/10/2008	3	0.0	(5.71)
		Maximum:	10.0	194.10	
		Minimum:	0.0	(21.10)	
		The Convertible Bond:	0.0	0.0	

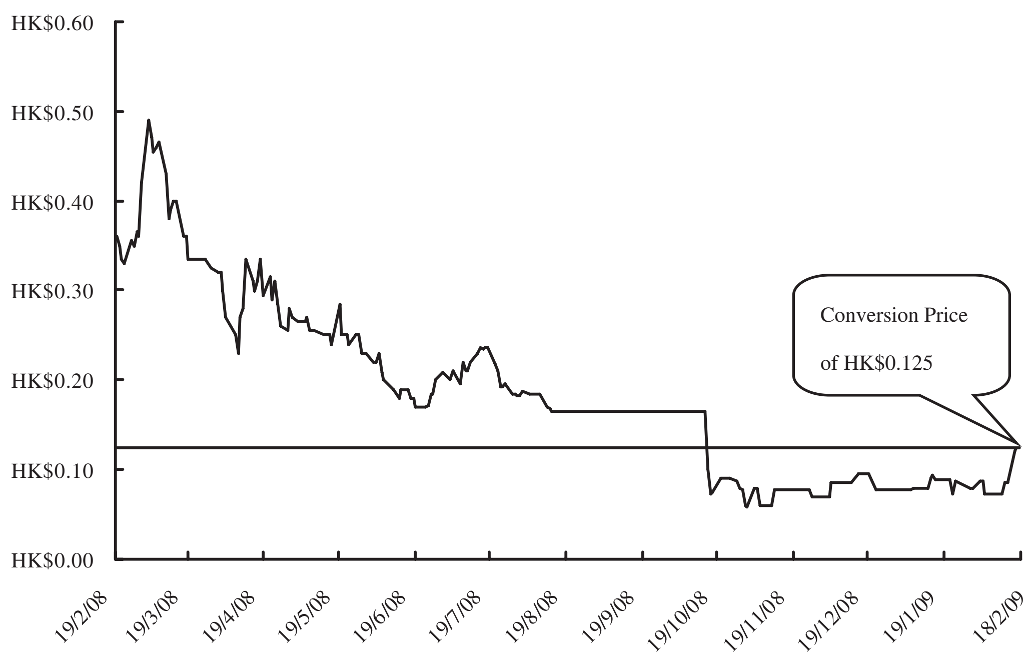
Source: The website of the Stock Exchange (www.hkex.com.hk)

Note: The interest rate of this CB Comparable is based on the prime rate as quoted from time to time by the Hongkong and Shanghai Banking Corporation Limited and is therefore not comparable to the interest rate of the Convertible Bond which is of a fixed nature.

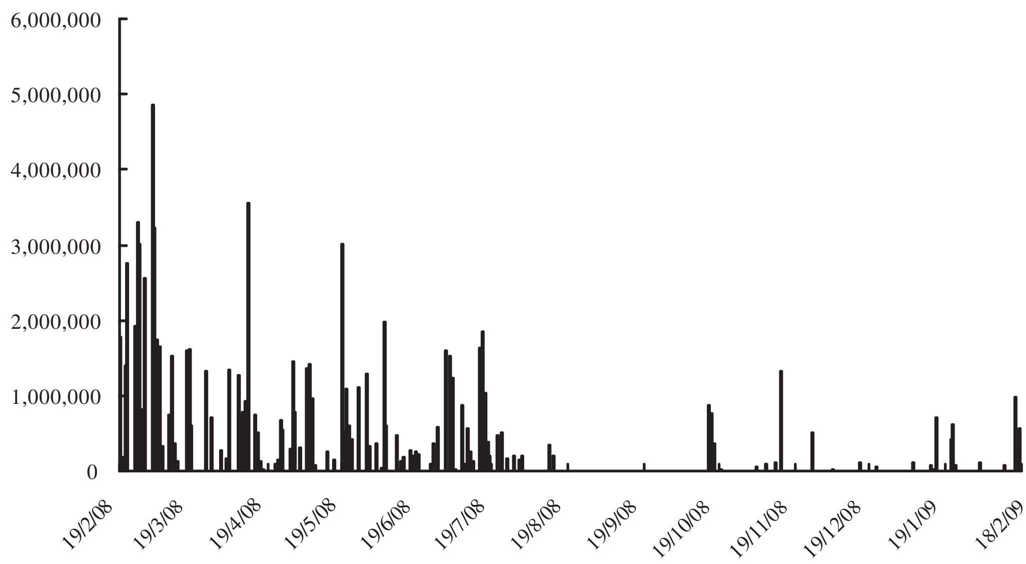
The Conversion Price

Set out below are the charts showing the closing prices and trading volume of the Shares traded on the Stock Exchange from 19 February 2008 (being one year prior to the date of the Sale and Purchase Agreement) to the date of the Sale and Purchase Agreement ("Observation Period") as compared to the Conversion Price of HK$0.125:

Graph 3: Trading prices of the Shares during the Observation Period



Graph 4: Trading volume of the Shares during the Observation Period



Source: Bloomberg

During the past six months, we note that the closing price of the Share were mostly below of HK$0.125. The closing price per share ranged from HK$0.058 to HK$0.49 during the Observation Period. The Conversion Price of HK$0.125 represents:

(i) an equal to the closing price of HK$0.125 per Share as quoted on the Stock Exchange on 18 February 2009, being the date of the Sale and Purchase Agreement;

(ii) a premium of approximately 15.31% over the average of the closing prices of approximately HK$0.108 per Share for the last five consecutive trading days up to and including 18 February 2009, being the date of the Sale and Purchase Agreement; and

(iii) an approximation to the adjusted net asset value per Share of HK$0.125 based on the audited consolidated financial statements of the Group as of 31 December 2008 and the placing of new shares completed on 21 January 2009.

During the Observation Period, the average daily trading volume of the Shares was approximately 380,920, representing approximately 0.07% and 0.05% of the number of issued Shares in public hands and the total number of issued Shares respectively as at the Latest Practicable Date.

As presented by the above table 1 of CB Comparables, the conversion prices of the CB Comparables ranged from a discount of approximately 21.1% to a premium of approximately 194.1% to/over the closing prices of their shares as at the last trading days prior to the release of the relevant issue of convertible bonds/notes announcements, with an average of approximately 28.46% premium. The Conversion Price represents an equal to the closing price per Share on the date of the Sale and Purchase Agreement is within the range of the CB Comparables.

Annual Interest rate

As presented by the above table 1, the CB Comparables carried an annual interest rate of 0% to 10%. The Convertible Bond, which does not carry any interest, is hence at minimum of the range of the CB Comparables. Moreover, it should be noted that nil interest bearing is favourable to the cash flow of the Group.

Given the market analysis as detailed above, we are of the view that the terms of the Convertible Bond are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

Maturity

As shown in table 1 above, the Convertible Bond have a maturity period of three years from the date of issue, which lies on the lower end of the range of maturity period of the CB Comparables from 1 to 30 years. As such, we consider the maturity period of the Convertible Bond to be fair and reasonable in this regard.

Other terms of the Sale and Purchase Agreement

We have also reviewed the other terms of the Sale and Purchase Agreement and are not aware of any terms which are uncommon.

As confirmed by the Directors, the Sale and Purchase Agreement was negotiated and entered into on arm's length basis between the parties thereto. Consequently, we concur with the Directors' view that the terms and conditions of the Sale and Purchase Agreement are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

9. Potential dilution to the shareholding interests of the public Shareholders

The following table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date before Completion; and (ii) immediately after Completion and the allotment and issue of the Conversion Shares:

Table 2: Shareholding structure of the Company before and after Completion

	As at the Latest Practicable Date before Completion		**Immediately after Completion and the allotment and issue of the Conversion Shares**	
Shareholders	*No. of Shares*	*Approximate %*	*No. of Shares*	*Approximate %*
Lo Wai Chi	100,240,000	14.24	100,240,000	1.83
Jo Wo Seob	81,200,000	11.54	81,200,000	1.49
The Vendor and/or its nominees	–	–	4,760,000,000	87.12
Public Shareholders				
Pretty Profit Enterprises Ltd.	60,000,000	8.53	60,000,000	1.10
Korea Technology Investment Corporation	37,000,000	5.26	37,000,000	0.68
Other public Shareholders	425,299,500	60.43	425,299,500	7.78
Total public Shareholders	522,299,500	74.22	522,299,500	9.56
Total:	703,739,500	100.00	5,463,739,500	100.00

Upon the allotment and issue of the Conversion Shares, a total of 4,760,000,000 Conversion Shares will be issued, representing approximately 676.39% of the existing issued share capital of the Company and approximately 87.12% of issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares respectively.

From the above table 2, we note that the shareholding interests of the public Shareholders would be diluted from approximately 74.22% to 9.56% upon the allotment and issue of the Conversion Shares. In this respect, conversion will only be allowed provided that (i) any conversion of the Convertible Bond does not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the Bondholder which exercised the conversion rights, whether or not such mandatory offer obligation is triggered off by the fact that the number of Conversion Shares to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Bond (if applicable, including any Shares acquired by the parties acting in concert with the Bondholder(s)) represents more than 30% (or such other percentage as stated in Rule 26 of the Takeovers Code in effect from time to time) of the then issued ordinary share capital of the Company or otherwise pursuant to other provisions of the Takeovers Code and (ii) the public float of the Shares shall not be less than 25% (or any given percentage as required by the GEM Listing Rules) of the issued Shares of the Company at any one time in compliance with the GEM Listing Rules.

After taking into consideration that (i) as confirmed by the Directors, the Acquisition is essential for broadening the revenue base of the Group and in turn enhancing the Shareholders' value in the future; (ii) the issue of the Convertible Bond would enable the Group to complete the Acquisition with no immediate cash outlay upon Completion and additional interest expenses payable; (iii) it is not likely, if not impossible, for the Group to use other fund raising exercises such as rights issue or open offer in light of the current unfavorable market sentiment; and (iv) the shareholding interests of all Shareholders would be diluted in proportion to their respective existing shareholding in the Company, we are of the view that the potential dilution to the shareholding interests of the public Shareholders is acceptable.

10. Possible financial effects of the Acquisition

Effect on earnings

In light of the possible business prospect of the Target Group attributable to the Group, the Directors expected that the Acquisition would have a positive impact on the future earnings of the Group as the Company will be able to fully consolidate the financial results of the Target Group into its consolidated financial statements.

Effect on net asset value

As extracted from the 2008 Annual Report, the audited consolidated net assets of the Group was approximately HK$79,808,000 as at 31 December 2008. According to the unaudited pro forma financial information of the Enlarged Group as contained in Appendix V to the Circular, upon Completion, the consolidated net assets of the Enlarged Group would be increased to approximately HK$447,780,000. An intangible asset value in the amount of approximately HK$388,301,000 representing the difference between the Consideration and the audited consolidated net assets of the Target Group upon Completion is expected to be recorded by the Group. The intangible assets will be amortized over the estimated life term disregard of the net asset value of the Target Group and it is subject to annual impairment assessment. The Directors advised that the first two years of the Network Computer Business are establishment period and expecting first income year will be in 2011. The Directors expects that there will not have variation for the income projections on the Target Group unless any variation of expected income from its projection before 2011. Therefore, the Directors expect that the fair value of the Target Group will not be affected in the coming two years. Accordingly, the Directors expect that there will not be any amortization expenses on the Target Group before 2011. As such, the pro forma consolidated net asset value of the Group will not be affected.

Effect on gearing and working capital

Based on the 2008 Annual Report, the Group's gearing ratio (calculated as total liabilities divided by total assets) was approximately 0.10 times as at 31 December 2008. From the unaudited pro forma financial information of the Enlarged Group as contained in Appendix V to the Circular, the total liabilities and total assets of the Enlarged Group would become approximately HK$30.31 million and HK$478.09 million respectively upon Completion. The gearing ratio of the Group would hence be improved to approximately 0.06 times.

As confirmed by the Directors, save and except for the cash payment of HK$5,000,000 which has been paid by the Company as deposit, the Acquisition would not lead to any immediate change in the Group's working capital position.

It should be noted that the aforementioned analyses are for illustrative purpose only and does not purport to represent how the financial position of the Company will be upon Completion.

RECOMMENDATION

Having considered the above factors and reasons, we are of the opinion that the terms of the Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. The Acquisition is in the interests of the Company and the Shareholders as a whole given that it will broaden the revenue base of the Group. We note that the Acquisition would result a potential dilution to the shareholding interests of the public Shareholders. Taking into account of the reasons and benefits from the Acquisition and the factors to issue of the Convertible Bonds as discussed above, the dilution effect of the shareholding interests of the Independent Shareholders is considered to be acceptable, particularly, it is not likely for the Group to use other fund raising exercises in light of the current unfavorable market sentiment. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated therein and we recommend the Shareholders to vote in favour of the relevant resolution in this regard.

Yours faithfully,
For and on behalf of
SinoPac Securities (Asia) Limited
Paul Lui
Director

The following is the text of a valuation report on Protex China for the sole purpose for the inclusion in this circular, received from the independent valuer of the Company, Vigers Appraisal& Consulting Ltd.

26 May 2009

The Directors
China Net-PC Ltd.
26/F., 9 Des Voeux Road West
Sheung Wan
Hong Kong

Dear Sirs/Madams,

Valuation of Protex (China) Systems Limited

In accordance with the instruction from Boss Systems Limited (formerly known as Protex Systems Holdings Limited) on behalf of China Net-PC Ltd., we have carried out a valuation of the network computer business operated by Protex (China) Systems Limited (the "Subject") as at 31 March 2009 (the "Valuation Date"). The purpose of this report is to provide an independent opinion on the market value of the Subject as at the Valuation Date. We understand this valuation is required for transfer purpose.

Based on our investigation, analysis and appraisal method employed as set out in this report, it is our opinion that, as of the Valuation Date, the market value of the Subject can be reasonable and approximately stated as Reminbi One Billion Seven Hundred Seventy Seven Million only (RMB 1,777,000,000).

The opinion of value was based on generally accepted appraisal procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

In accordance with our standard practice, this report is for the use of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of the contents of this report.

We hereby certify that we have neither present nor prospective interests in the assets or the value reported.

Yours faithfully,

For and on behalf of
VIGERS APPRAISAL & CONSULTING LTD.

Raymond Ho Kai Kwong
Registered Professional Surveyor
MRICS, MHKIS, MSc (e-com)
Managing Director

Favian Kam Man Yin
Chartered Financial Analyst
CFA, MBA
Director

Note: Raymond K. K. Ho, Chartered Surveyor, MRICS, MHKIS has seventeen years experience in undertaking valuation of properties, intangible and business in Hong Kong, Macau and the PRC and has extensive experience in business valuation in the Greater China region since 1993. Favian M. Y. Kam, CFA, has over eleven years experience in business valuation. Mr. Ho and Mr. Kam are both Registered Business Valuer registered with the Hong Kong Business Valuation Forum.

1. INTRODUCTION

1.1 Purpose

We have been appointed by Boss Systems Limited (formerly known as Protex Systems Holdings Limited) on behalf of China Net-PC Ltd. to appraise the network computer business (the "Subject") operated by Protex (China) Systems Limited (the "Company") as at 31 March 2009 (the "Valuation Date"). The purpose of this report is to provide an independent opinion on the market value of the Subject for transfer purpose.

1.2 Scope of Work

The scope of work includes the valuation of the network computer business operated by the Company. The operation will include the terminals subscribed under the contract "中青基業網吧電子競技項目合作框架協議書" (the "Contract") and the advertisement service in relation to the Contract. This valuation is based on the terms and structure of Contract, We have not been provided any legal document on legality on the Contract and hence we are not able to verify the legality of the Contract.

1.3 Basis of Value

Our appraisal has been carried out on a market value basis. Market value is defined as the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

1.4 Date of Value

The date of the valuation is 31 March 2009.

2. COMPANY PROFILE

2.1 Background of the Company

The Company was established in August 2005 in the PRC. The company's core products are LED LCD-NC and LED LCD TV+NC. The Company is planning to provide the IT production application and solutions. Currently, the company focuses on the development and promotion of network computer system integration and application solutions.

2.2 The Contract and the Operation

The core products of the Company are LED LCD-NC and LED LCD TV+NC, which are based on the Company's innovation of embedding CNP-NC and LED into LCD and integrating it with computer operating system and other software. Its target clients are planned to be hotels and enterprises. LED LCD TV+NC is designed for hotels and will function as both a TV set and a computer. LED LCD-NC is designed for enterprises; it will function as a computer.

The Contract was entered by 中青基業集團有限公司 (the "Party A") and 博思(中國)信息系統有限公司 (the "Party B") on 11 July 2008. Key terms as set out in the Contrast which related to the valuation included: (1) A corporation period of 15 years with an option to renew another 15 years period; (2) Party A is responsible to provide legal business license, gaming software and management software in the operation of the internet bar; (3) Party B is responsible to provide terminal for the internet bar operation; (4) It is agreed by both Party A and B that the hourly charge on the usage of terminal will not be less than RMB4; (5) Party B will responsible for the value added service such as advertisement on terminal; (6) Income due to terminal usage will be split into two portions: 50% to Party A and 50% to Party B; (7) Advertisement income will be split into three portions: 30% to Party A, 30% to Party B and 40% to advertisement agency.

The Party A needs to enter into a 15-year contract with the Company and the fee is on a monthly basis. Meanwhile, the Company is planning to offer advertisement service. The advertisement will show on the 1/4 screen of each terminal and will refresh once 6 seconds. The advertisement will be sent by CMMB or GPRS. The advertiser can choose the number of terminals and the area in which the terminals located for his advertisement to be sent. To the best knowledge of the Company, the Company will charge RMB0.05 per 6 seconds per terminal for the advertisement.

The Subject has not been launched yet. Below is the summary of the previous contracts provided by the Company on similar operation.

Client:	hotels located in Guangzhou and Beijing
Contract period:	ranged from 2 years to 5 years
Charges per IT Business Suite:	ranged from RMB33/day to RMB45/per day, based on the actual check-in of the IT Business Suites or the actual use of the terminals; or RMB450/per month, per terminal.

These contracts were signed in 2002 and 2004 respectively through third parties, instead of the Company itself. The business was sold off eventually because of the dispute on the charges collection between the Company and third parties. Learning the lessons from the previous experience, under the new business plan, the contract will be entered between the client and the Company. On the other hand, the products are also improved.

3. INFORMATION REVIEWED

Our valuation requires consideration of all relevant factors affecting the operation of the business and its ability to generate future investment returns. The factors considered in the valuation included, but were not limited to, the followings:

- The network computer business plan;
- Financial projection provided by the Company in relation to the Contrast and its related business operation;
- The draft contracts between the Company and its potential clients.
- The signed contract between the Company and C Y Foundation Group Ltd.
- The previous contracts between third parties and hotels.

4. VALUATION

4.1 Valuation Theory

In arriving at our opinion of value, we make reference to three generally accepted approaches to value, namely, the Market Approach, the Cost Approach and the Income Approach.

Market Approach considers prices recently paid for similar assets, with adjustments made to indicate market prices to reflect condition and utility of the appraised assets relative to the comparable market transactions.

Cost Approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation as condition or obsolescence present, whether arising from physical, functional or economic causes.

Income Approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for asset than an amount equal to the present worth of anticipated future benefits (income) from the same or equivalent asset with similar risk.

Determination of the Valuation Approach

Income approach is being considered in this valuation given that the objective of this valuation is to determine the investment value which fully reflects the expectation of the investor on the future performance of the Subject. Hence the assumptions and estimation will be inline with the business plan and the best estimation anticipated by the investor. Cost approach will not be considered given that this approach fails to consider the going concern of the Subject.

4.2 Information and Factors Considered

Our valuation requires consideration of all relevant factors affecting the operation of the business and its ability to generate future investment returns. The factors considered in the valuation included, but were not limited to, the followings:

- The business nature of the enterprise.
- The economic outlook in general and the specific economic environment where the Company located in.
- The Company's financial projections.
- Discussion with the management in relation to the future business strategy, market position, customer segmenting, optimal finance structure, cost of financing.
- The signed contract between the Company and C Y Foundation Group Ltd.
- The draft contract between the Company and its potential clients;

We have reviewed the information required and make discussions with the management, which is considered sufficient for the issue of the valuation report of the type in question and we believe no material factor has been intentionally omitted or withheld from the given information in order to reach an informed view.

4.3 Income Approach

4.3.1 Methodology

Under income approach, the operating values of the Subject can be determined by the Discounted Cash Flow (DCF) method. The Free Cash Flows to Firm has been used to estimate the benefit stream attributable to the Subject. The term "Firm" here refers to the methodology in arriving at the cash flow to the Subject only, not the real cash flow to the Company. Our projection only accounts relevant cash flow to the terminals and the advertisement service.

The FCFF is defined as:

FCFF = Earning before Interest and Taxes * (1-tax rate) + Depreciation – Capital Expenditures – Working Capital Needs

4.3.2 Assumptions

Assumptions considered to have significant sensitivity effects in this valuation were evaluated and validated in order to provide a more accurate and reasonable basis for arriving at our assessed value. Based on our experience in valuing businesses of similar nature, we consider the assumptions made in this valuation report to be reasonable.

- There will be no material adverse change in the political, legal, fiscal or economic condition in the PRC and other regions in which the Company carries on its business.
- The Company will have its key management, competent personnel and technical staff to support its ongoing operation.
- Market trend and conditions for the Company in related areas will not deviate significantly from the economic forecasts in general. Competitors in the neighborhood will not change their marketing strategies substantially in future.
- It is assumed the network computer operation is legally and operationally feasible to implement in the PRC.
- It is assumed no technology or substitutions will replace the network computer during the valuation period.
- It is assumed both parties will make the best effort to implement the terms and conditions of the Contract, and the business plan and projection as inferred by the Contract.
- Revenues of the Subject have taken into account of the income from the terminals and ads only. In this valuation, the number of terminal and usage charge has made reference to the terms as set out in the Contract. We have not made any estimates on imponderables such as interest incomes or other non-routine operations.
- As per our discussion with the management, the Company estimated that the earliest possible time to obtain the related licenses in the operation of internet bar shall be 2011. It is assumed that the operation will start at the beginning of 2011.
- We have been provided by the Company the expected cumulative numbers of terminals each year, the average monthly income per terminal and the cost of per NC. The revenue and gross profit is solely based on such information provided and we cannot verify the reasonableness of the assumption.
- We have only considered a collection of operating incomes and related expenses such as direct costs, management costs, taxes, capital spending, etc. Unless stated otherwise, no provision was made on non-operating cash flow items such as exchange rate gain/loss, compensations on accidents, etc. in the valuation model.

- It is reflected by the management that the products will be installed to the terminal subscribers without any charges and will be returned to the Company once the contract expires. The cost of NC, which is RMB3,600 per NC, will be reflected as capital expenditure and it will be depreciated in 3 years adopting straight-line depreciation method. Thus the depreciation of NC is also the COGS in the cash flow projection. We further assumed that the NC needs to be replaced every 3 years.

- According to the contract between the Company and C Y Foundation Group Ltd ("CY"), the hourly fee per user charged by CY should be no less than RMB 4.00 and 50% of revenue will be allocated to the Company. It is then estimated by the Company that such monthly income per terminal is RMB 360.

- As advised by the Company in relation to the advertisement charge being negotiated, the advertising rate will be RMB0.05 per 6 seconds per terminal. The actual advertising income of the Company will be based both on the duration of the advertisement and the number of terminals chosen by advertisers. All advertisements will be arranged by the appointed advertising agency and 30% of advertising revenue will be allocated to the Company. It is further estimated by the company that the monthly advertising income per terminal is expected to be RMB2,880 and the capacity utilization is 30%.

- As advised by the management, the Company is a high-tech enterprise and thus is entitled to be exempted the tax in the first three years and levied at a reduced tax rate of 15% thereafter.

We also assumed the reasonableness of information provided and relied to a considerable extent on such information in arriving at our opinion of value.

4.3.3 Determination of Discount (Rates of Return)

1. Systematic Risk

The valuation is derived from applying appropriate discount rate on the FCFF. The discount rate being applied in the DCF, also known as the weighted average cost of capital given by F. Modigliani and M. Miller, is shown below:

Weighted average cost of capital = Weighting of Equity x Cost of Equity + Weighting of Debt x Cost of Debt

And, the cost of equity is derived by the Capital Asset Pricing Model ("CAPM"):

Required rate of return on equity = Risk Free Rate + Estimated Beta x Market Risk Premium

In applying the CAPM to estimate the discount rate, we have made reference, but not limited to, the followings in our estimation:

- The yields of the China Government Bond;
- The market return in the China stock market of and the return on equity of the IT service and solution industry.

Since the required rate of return on equity estimated by CAPM explains a portion of the total risk, the systematic risk, of an equity investment. We have considered appropriate adjustments to be made on the unsystematic risk, that is, the firm specified risk, which might affect the value of the subject being evaluated.

2. Other Risk Factors (Unsystematic Risk)

- Firm specific risk – In our course of investigation, we found that the business is at the stage of introducing the product to the market and seeking more clients. Although there exist one signed contract regarding the terminal subscription and the revenue allocation, the Company has no previous track record and there is no detailed timetable for the product launch. Given there is an uncertainty of the market acceptability of the product, we rank this risk as high.

The measure of discount rate can be summarized as follow:

Item		**Source**
Risk-free rate of return	3.4%	Yield of China Government Bond as of 31 March 2009
Long-term equity risk premium	7.1%	Long-term Market Risk Premium in China
Beta	1.14	Reuters
Beta-adjusted equity risk premium	8.1%	Beta * Equity Risk Premium
Other specific risk	10.0%	Unsystematic Risk Estimation
Total equity rate	21.5%	Risk-free Rate + Equity Risk Premium + Other Specific Risk

4.3.4 Opinion of Value under Income Approach

Based on the results from discounted cash flow analysis, the value of the Subject can be reasonable and approximately stated as Reminbi One Billion Seven Hundred Seventy Seven Million only (RMB1,777,000,000).

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

A summary of the audited results, assets and liabilities of the Group for each of three years ended 31 December 2008 as extracted from the annual reports of the Company is set out below.

For the year ended 31 December 2006 and 2007, the Company's auditor, Cachet Certified Public Accountants Limited, has expressed an unqualified opinion on the consolidated financial statements of the Group.

For the year ended 31 December 2008, Cachet Certified Public Accountants Limited has expressed the disclaimer of opinion on the consolidated financial statements of the Group. The details are set out in section 3 of this appendix.

CONSOLIDATED INCOME STATEMENT

	Year ended 31 December		
	2008	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
RESULTS			
CONTINUING OPERATIONS			
REVENUE	81,127	380,523	250,523
Cost of sales	(84,409)	(359,220)	(230,725)
Gross (loss)/profit	(3,282)	21,303	19,798
Other income and gains	194	465	1,885
Selling and distribution costs	–	–	–
Administrative and other operating expenses	(25,835)	(10,546)	(7,992)
Other impairment loss	(2,677)	(17,604)	(4,268)
Finance costs	(758)	(1,503)	(2,397)
(LOSS)/PROFIT BEFORE TAX	(32,358)	(7,885)	7,026
Tax	(489)	(314)	(802)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	(32,847)	(8,199)	6,224
DISCONTINUED OPERATION			
Profit for the year from discontinued operation	–	–	–
(LOSS)/PROFIT FOR THE YEAR	(32,847)	(8,199)	6,224

CONSOLIDATED BALANCE SHEET

	2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	1,251	406	159
Other intangible assets	–	–	–
Available-for-sale investments	–	–	1,342
Deferred tax assets	280	306	246
Total non-current assets	1,531	712	1,747
CURRENT ASSETS			
Inventories	1,700	–	5,325
Contract works in progress	34,340	3,382	18,899
Trade receivables	610	63,287	53,275
Prepayments, deposits and other receivables	43,250	35,095	16,539
Non-current assets held for sale	–	–	3,822
Cash and bank balances	7,590	24,742	23,571
Total current assets	87,490	126,506	121,431
CURRENT LIABILITIES			
Trade payables	219	–	1,934
Bill payables	–	–	4,544
Trust receipt loans	–	12,040	12,911
Other payables and accruals	3,827	4,752	5,165
Tax payable	4,946	5,046	4,668
Due to a related company	221	167	–
Total current liabilities	9,213	22,005	29,222
NET CURRENT ASSETS	78,277	104,501	92,209
TOTAL ASSETS LESS CURRENT LIABILITIES	79,808	105,213	93,956
NON-CURRENT LIABILITIES			
Deferred tax liabilities	–	–	4
Net assets	79,808	105,213	93,952
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	5,865	5,865	5,265
Reserves	73,943	99,348	88,687
Total equity	79,808	105,213	93,952

2. AUDITED FINANCIAL STATEMENTS OF THE GROUP

The following is the audited financial statements of the Group together with accompanying notes as extracted from the annual report of the Company for the year ended 31 December 2008.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2008

	Attributable to equity holders of the Company						
	Issued capital *HK$'000*	Share premium account *HK$'000*	Warrant reserve *HK$'000*	Share option reserve *HK$'000*	Capital reserve *HK$'000* *(note a)*	(Accumulated losses)/ Retained profits *HK$'000*	Total *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

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

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.

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]

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.

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).

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.

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.

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.

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.

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.

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.

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.

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.

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.

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	**2007**
	HK$'000	*HK$'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	2007
	HK$'000	*HK$'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	2007
	HK$'000	*HK$'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	2007
	HK$'000	*HK$'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

	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*
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

	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

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	**2007**
	HK$'000	*HK$'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	Furniture and fixtures	Office and computer equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*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

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

Company

	Leasehold improvements	**Furniture and fixtures**	**Office and computer equipment**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'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	–	–

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.

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 Direct	Indirect	Principal activities
Ace Solution Technology Limited	British Virgin Islands	10,200 ordinary shares of US$1 each	100	–	Investment holding
Gold Glory Development Limited	British Virgin Islands	2,000 ordinary shares of US$1 each	–	100	Sales and marketing of mobile 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

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
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
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

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

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.

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.

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 2 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

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	2007
	HK$'000	*HK$'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 reorganisation, 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

(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.

(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	2007
	HK$'000	*HK$'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	– 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	–	–	–	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

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

31 December 2007

Financial liabilities
Group

	Financial liabilities at fair value through profit or loss – designated as such upon initial recognition	Financial liabilities at fair value through profit or loss – 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	Financial assets at fair value through profit or loss – 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

31 December 2008

Financial liabilities
Company

	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*
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	– 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, 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

31 December 2007

Financial liabilities
Company

	Financial liabilities at fair value through profit or loss – designated as such upon initial recognition	Financial liabilities at fair value through profit or loss – held for trading	Financial liabilities at amortised cost	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'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.

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.

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.

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.

3. SUMMARY OF AUDIT OPINION

The following paragraphs are extracted from the independent auditors' report that included in the annual report of the Company for the year ended 31 December 2008.

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, 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.

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.

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.

4. INDEBTEDNESS

Borrowings

As at the close of business on 31 March 2009, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular (the "Indebtedness Date"), the Enlarged Group had total outstanding unsecured borrowings of approximately HK$23,808,000 million.

Contingent liabilities

As at 31 March 2009, the Enlarged Group had no material contingent liabilities.

Disclaimers

As mentioned in the annual report of the Company for the year ended 31 December 2008, the Company no longer has access to certain books and records of certain subsidiaries of the Group after the change of board of directors of the Company and certain subsidiaries during the year ended 31 December 2008. 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 documentation of certain subsidiaries. However, the present directors of the Company lost contact with certain former directors and hence, only limited books and records of certain subsidiaries are accessible by the present directors of the Company. In view of the foregoing, the Directors are unable to represent that all transactions entered by the Group up to the Indebtedness Date have been properly included in this indebtedness statement.

Saved as aforesaid, and apart from intra-group liabilities, and normal trade payables, the Enlarged Group did not have any loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities issued and outstanding, an authorized or otherwise created but unissued term loans or other borrowings, indebtedness in nature of borrowings, liabilities under acceptances (other than trade bills) or acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, which are either guaranteed, unguaranteed, secured, or unsecured, guarantees or other material contingent liabilities outstanding at the close of business on 31 March 2009.

5. WORKING CAPITAL

Taking into account the internally generated funds and the presently available credit facilities, the Directors are of the opinion that the Enlarged Group will, following the completion of the Sale and Purchase Agreement, have sufficient working capital for its present requirements, that is for at least 12 months from the date of this circular, in the absence of unforeseeable circumstances.

The following is the text of an accountants' report on the Target Group for the sole purpose for the inclusion in this circular, received from the reporting accountants, Cachet Certified Public Accountants Limited, Certified Public Accountants.

CACHET
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

The Directors
China Trends Holdings Limited
26/F., 9 Des Voeux Road West
Sheung Wan
Hong Kong

Dear Sirs,

We set out below our report on the financial information relating to Legend Century Investments Limited ("Legend") and its subsidiaries (collectively, to be referred as the "Legend Group") (the "Legend Financial Information") for the period from 6 July 2007 (date of incorporation) to 31 March 2008 and for the nine months ended 31 December 2008 (the "Relevant Periods"), including the consolidated income statements, consolidated statements of changes in equity and consolidated cash flow statements for the Relevant Periods and of the balance sheets of the Legend Group and Legend as at 31 March 2008 and 31 December 2008 together with the notes thereto, and on the financial information of the Legend Group for the period from 6 July 2007 (date of incorporation) to 31 December 2007 (the "Legend December 2007 Comparative Financial Information"), including the consolidated income statements and consolidated cash flow statements for the period together with the notes thereto, prepared for inclusion in the circular of China Trends Holdings Limited (formerly known as "Quasar Communication Technology Holdings Limited") ("China Trends") dated 26 May 2009 (the "Circular") in connection with the proposed acquisition of the entire issued share capital of Legend by China Trends.

Legend was incorporated in the British Virgin Islands (the "BVI") with limited liability on 6 July 2007. The principle activity of Legend is investment holding. During the Relevant Periods, Legend has the following subsidiaries, all of which are private companies with limited liability.

Name of subsidiaries	Place and date of incorporation/ establishment	Nominal value of issued share capital/ paid up capital	Attributable equity interest held by Legend		Principal activity
			Direct	Indirect	
China Net-PC Ltd. ("CNP")	BVI/17 September 2001	US$500,000.00	100%	–	Investment holding
Boss Systems Limited (Formerly known as "Protex Systems Holdings Limited") ("Boss Systems")	BVI/3 September 2001	US$100	–	95%	Investment holding
博思(中國)信息系統有限公司 ("Protex (China) Systems Limited")# ("Protex (China)")	People Republic of China ("PRC")/ 11 August 2005	RMB60,000,000	–	95%	Software development
Boss Power Limited (Formerly known as "X-Power International Limited") ("Boss Power")	Hong Kong/ 24 February 1999	HK$1,000,000	–	95%	Trading of electronic equipment
Boss Media Limited (Formerly known as Protex Utility Computing (Hong Kong) Limited)* ("Boss Media")	Hong Kong/ 14 February 2006	HK$100	–	95%	Not yet commenced business
Boss Education Limited (Formerly known as "Sinosky Universal Limited") ("Boss Education")	Hong Kong/ 2 October 2008	HK$1,000	–	51%	Provision of educational and training programs

For identification purpose only

* *Disposed on 5 March 2008*

As at the date of this report, no audited financial statements have been prepared for Legend since its date of incorporation. We have, however, reviewed all relevant transactions of Legend since its date of incorporation to 31 December 2008, and carried out such procedures as we considered necessary.

CNP was incorporated in the BVI on 17 September 2001. It became a wholly owned subsidiary of Legend on 30 November 2007. No audited financial statements have been prepared for CNP since its date of incorporation. We have, however, reviewed all relevant transactions of CNP for the Relevant Periods and carried out such procedures as we considered necessary.

Boss Systems was incorporated in the BVI on 3 September 2001 under the name of "Protex Systems Holding Limited". Pursuant to a resolution passed by the shareholders of Boss Systems on 9 December 2008, the name of the company was changed to "Boss Systems Limited" with effect from 15 January 2009. Boss Systems has its financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include all Hong Kong Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The financial statements of Boss Systems were audited by Messrs. Pui Chiu Wing & Co, Certified Public Accountants in Hong Kong for the year ended 31 March 2006. No audited financial statements have been prepared for Boss Systems for the years ended 31 March 2007 and 2008 and for the nine months ended 31 December 2008. We have, however, reviewed all relevant transactions of Boss Systems for the Relevant Periods and carried out such procedures as we considered necessary.

Protex (China) was established in the PRC on 11 August 2005 and has its statutory financial statements prepared in accordance with the accounting principles and regulations applicable to enterprises established in the PRC. These statutory financial statements were audited by 華青會計師事務所 in the PRC for the period from 5 July 2005 (date of establishment) to 31 December 2005 and for the years ended 31 December 2006, 2007 and 2008.

Boss Power was incorporated in Hong Kong on 24 February 1999 under the name of "X-Power International Limited". Pursuant to a resolution passed by the shareholders of Boss Power on 9 December 2008, the name of the company was changed to "Boss Power Limited" with effect from 16 December 2008. Boss Power has its statutory financial statements prepared in accordance with HKFRSs. The financial statements of Boss Power were audited by Messrs. Paul W.C. Ho & Co., Certified Public Accountants in Hong Kong, for the years ended 31 March 2006, 2007 and 2008. No audited financial statements have been prepared for Boss Power for the nine months ended 31 December 2008. We have, however, reviewed all relevant transactions of Boss Power for the Relevant Periods and carried out such procedures as we considered necessary.

Boss Media was incorporated in Hong Kong on 14 February 2006 and was disposed of by the CNP Group on 5 March 2008. No audited financial statements have been prepared for Boss Media since its date of incorporation. We have, however, reviewed all relevant transactions of Boss Media since its date of incorporation to 5 March 2008 (date of disposal) and carried out such procedures as we considered necessary.

Boss Education was incorporated in Hong Kong on 2 October 2008 under the name of "Sinosky Universal Limited". Pursuant to a resolution passed by the shareholders of Boss Education on 1 December 2008, the name of the company was changed to "Boss Education Limited" with effect from 12 December 2008. No audited financial statements have been prepared for Boss Education since its date of incorporation. We have, however, reviewed all relevant transactions of Boss Education since its date of incorporation to 31 December 2008 and carried out such procedures as we considered necessary.

For the purpose of this report, the directors of Legend have prepared the consolidated financial statements of the Legend Group for the Relevant Periods in accordance with HKFRSs (the "Legend Underlying Financial Statements").

The Legend Financial Information as set out in this report has been prepared from the Legend Underlying Financial Statements, after making such adjustments where appropriate. The directors of Legend are responsible for the preparation and the true and fair presentation of the Legend Financial Information, which gives a true and fair view. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial information 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. In preparing the Legend Financial Information which gives a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently.

The directors of China Trends are responsible for the contents of the Circular in which this report is included.

It is our responsibility to form an independent opinion on the Legend Financial Information and to report our opinion to you.

PROCEDURES PERFORMED IN RESPECT OF THE RELEVANT PERIODS

For the purpose of this report, we have carried out an independent audit on the Legend Financial Information for the Relevant Periods in according with the Hong Kong Standards on Auditing issued by the HKICPA and have carried out such additional procedures as are necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and Reporting Accountant" issued by the HKICPA.

PROCEDURES PERFORMED IN RESPECT OF THE LEGEND DECEMBER 2007 COMPARATIVE FINANCIAL INFORMATION

For the purpose of this report, we have carried out a review of Legend December 2007 Comparative Financial Information of the Legend Group for which the directors of Legend are responsible, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our responsibility is to express a conclusion on such information based on our review. A review consists of making enquires, primarily of persons responsible for financial and accounting matters, and applying analytical and other procedures. A review is substantially less in scope than an audit conducted in accordance with HKSA and consequently does not enable us to obtain assurance than we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion on the Legend December 2007 Comparative Financial Information.

OPINION IN RESPECT OF THE RELEVANT PERIODS

In our opinion, the Legend Financial Information together with the notes thereto give, for the purpose of this report, a true and fair view of the state of affairs of the Legend Group and Legend as at 31 March 2008 and 31 December 2008, and of the consolidated loss and cash flows of the Legend Group for the Relevant Periods.

REVIEW CONCLUSION IN RESPECT OF THE LEGEND DECEMBER 2007 COMPARATIVE FINANCIAL INFORMATION

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Legend December 2007 Comparative Financial Information does not give a true and fair view of the consolidated results and cash flows of the Legend Group for the period from 6 July 2007 (date of incorporation) to 31 December 2007 in accordance with HKFRSs.

FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENT

	Notes	Period from 6 July 2007 (date of incorporation) to 31 March 2008	Period from 6 July 2007 (date of incorporation) to 31 December 2007	Nine months ended 31 December 2008
		HK$	*HK$*	*HK$*
		Audited	Unaudited	Audited
REVENUE	*4*	6,891,771	1,569,284	13,333,155
COST OF SALES	*6*	(6,705,445)	(1,424,254)	(13,258,334)
GROSS PROFIT		186,326	145,030	74,821
Other income and gains	*4*	178,788	34,607	330,455
Administrative expenses		(16,092,978)	(15,279,380)	(3,431,080)
Finance costs		–	–	–
LOSS BEFORE TAX	*6*	(15,727,864)	(15,099,743)	(3,025,804)
Tax	*9*	–	–	(4,083)
LOSS FOR THE PERIOD		(15,727,864)	(15,099,743)	(3,029,887)
Attributable to:				
Equity holders of Legend		(15,640,030)	(15,043,315)	(2,858,512)
Minority interests		(87,834)	(56,428)	(171,375)
		(15,727,864)	(15,099,743)	(3,029,887)

CONSOLIDATED BALANCE SHEET

	Notes	31 March 2008 HK$ Audited	31 December 2008 HK$ Audited
NON-CURRENT ASSETS			
Property, plant and equipment	12	620,078	523,066
CURRENT ASSETS			
Inventories	13	586,577	627,998
Trade receivables	14	5,322,060	18,255
Prepayments and other receivables	15	273,841	362,374
Amount due from a director	16	8	8
Cash and bank balances	17	2,063,231	4,237,307
Total current assets		8,245,717	5,245,942
CURRENT LIABILITIES			
Trade payables	18	5,267,690	5,000
Other payables and accruals	19	1,492,260	317,313
Tax payable		67,354	–
Total current liabilities		6,827,304	322,313
NET CURRENT ASSETS		1,418,413	4,923,629
TOTAL ASSETS LESS CURRENT LIABILITIES		2,038,491	5,446,695
NON-CURRENT LIABILITIES			
Due to a director of certain subsidiaries	20	7,967,237	14,106,341
Loan from a director of certain subsidiaries	21	5,500,000	5,500,000
Due to holding company	22	3,900,000	3,900,000
Total non-current liabilities		17,367,237	23,506,341
NET LIABILITIES		(15,328,746)	(18,059,646)
EQUITY			
Equity attributable to equity holder of the parent Issued capital	24	8	8
Reserves	25	(14,565,438)	(17,140,379)
		(14,565,430)	(17,140,371)
Minority interests		(763,316)	(919,275)
		(15,328,746)	(18,059,646)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent					
	Issued capital	**Exchange reserves**	**Accumulated losses**	**Total**	**Minority interest**	**Total**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
	Audited	Audited	Audited	Audited	Audited	Audited
Issue of share upon incorporation	8	–	–	8	–	8
Acquisition of subsidiaries	–	–	–	–	(732,039)	(732,039)
Exchange difference arising on translation of foreign operation recognized directly in equity	–	1,074,592	–	1,074,592	56,557	1,131,149
Loss for the period	–	–	(15,640,030)	(15,640,030)	(87,834)	(15,727,864)
At 31 March 2008 and at 1 April 2008	8	1,074,592	(15,640,030)	(14,565,430)	(763,316)	(15,328,746)
Contribution from minority interest	–	–	–	–	490	490
Exchange difference arising on translation of foreign operation recognized directly in equity	–	283,571	–	283,571	14,926	298,497
Loss for the period	–	–	(2,858,512)	(2,858,512)	(171,375)	(3,029,887)
At 31 December 2008	8	1,358,163	(18,498,542)	(17,140,371)	(919,275)	(18,059,646)

CONSOLIDATED CASH FLOW STATEMENT

	Notes	Period from 6 July 2007 (date of incorporation) to 31 March 2008 HK$ Audited	Period from 6 July 2007 (date of incorporation) to 31 December 2007 HK$ Unaudited	Nine months ended 31 December 2008 HK$ Audited
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before tax		(15,727,864)	(15,099,743)	(3,025,804)
Adjustments for:				
Depreciation	12	53,792	12,794	111,018
Interest received	*4*	(6,668)	(1,512)	(23,506)
Written off of goodwill	*6*	13,971,185	13,971,185	–
Gain on disposal of a subsidiary	*26(b)*	(12,490)	–	–
		(1,722,045)	(1,117,276)	(2,938,292)
Increase in inventories		(32,628)	(7,654)	(41,421)
(Increase)/decrease in trade receivables		(5,272,511)	37,293	5,303,805
(Increase)/decrease in prepayments and other receivables		(62,803)	39,501	(88,533)
Increase/(decrease) in trade payables		5,225,302	1,509,812	(5,262,690)
Increase/(decrease) in other payables		482,241	(564,622)	(1,174,947)
Cash used in operations		(1,382,444)	(102,946)	(4,202,078)
Interest received		6,668	1,512	23,506
Hong Kong profits tax paid		–	–	(71,437)
Net cash outflow from operating activities		(1,375,776)	(101,434)	(4,250,009)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of property, plant and equipment	*12*	(48,661)	–	(3,271)
Proceeds from disposal of a subsidiary	*26(b)*	100	–	–
Amount due from a director	*16*	(8)	(8)	–
Issue of share	*24*	8	8	–
Acquisition of subsidiary, net of cash acquired	*26(a)*	650,501	650,501	–
Net cash inflow/(outflow) from investing activities		601,940	650,501	(3,271)
CASH FLOWS FROM FINANCING ACTIVITIES				
Contribution from minority interest		–	–	490
(Decrease)/increase in due to a director of certain subsidiaries		(2,195,583)	12,500,170	6,139,104
Increase in due to holding company		3,900,000	3,900,000	–
Net cash inflow from financing activities		1,704,417	16,400,170	6,139,594
NET INCREASE IN CASH AND CASH EQUIVALENTS		930,581	16,949,237	1,886,314
Effect of foreign exchange rate changes, net		1,132,650	259,743	287,762
Cash and cash equivalents at beginning of period		–	–	2,063,231
CASH AND CASH EQUIVALENTS AT END OF PERIOD		2,063,231	17,208,980	4,237,307
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances		2,063,231	17,208,980	4,237,307

BALANCE SHEET OF LEGEND CENTURY INVESTMENTS LIMITED

	Notes	31 March 2008 HK$ Audited	31 December 2008 HK$ Audited
NON-CURRENT ASSETS			
Interest in a subsidiary	23	3,900,000	3,900,000
CURRENT ASSETS			
Due from a director	16	8	8
TOTAL ASSETS		3,900,008	3,900,008
NON-CURRENT LIABILITIES			
Due to holding company	22	3,900,000	3,900,000
NET ASSETS		8	8
EQUITY			
Issued capital	24	8	8
Reserves	25(b)	–	–
		8	8

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

Legend is a limited liability company incorporated in the British Virgin Islands (the "BVI") on 6 July 2007. The registered office of Legend is situated at 2nd Floor, Abbolt Building, Road Town, Tortola, British Virgin Islands.

The principal activity of Legend is investment holding. The subsidiaries of Legend are principally engaged in investment holding, software development and trading of electronic equipments and components.

The directors of Legend considered Ocean Space Development Limited, a company incorporated in the BVI with limited liability, to be the holding company of Legend.

2.1 BASIS OF PREPARATION

These Legend Financial Information have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all 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 Legend Financial Information includes applicable disclosure required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited and the disclosure requirements Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These Legend Financial Information are presented in Hong Kong dollars ("HK$").

Despite the fact that the Legend Group had deficiency in assets of HK$15,328,746 and HK$18,059,646 as at 31 March 2008 and 31 December 2008 respectively, the Legend Financial Information has been prepared on the basis that Legend will continue to operate as a going concern. Such going concern basis is based upon the presumption of continuous financial support from one of the directors of certain subsidiaries of Legend, who has indicated his willingness to give financial support to the continuous operations of Legend and the Legend Group and has agreed not to demand repayment of the amount due to him for the period up to 30 September 2010.

Basis of consolidation

The consolidated Legend Financial Information includes the financial information of Legend and its subsidiaries (collectively referred to as the "Legend Group") for the period ended from 6 July 2007 (date of incorporation) to 31 March 2008 and for the nine months ended 31 December 2008. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Legend Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Legend Group are eliminated on consolidation.

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value at the date of exchange, of the assets given, liabilities incurred or assumed and equity instruments issued by the Legend Group in exchange for control of the acquiree, plus costs directly attributable to the acquisition. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business Combinations" are recognised at this fair values at the acquisition date.

Minority interests represent the interests of outside shareholders not held by the Legend Group in the results and net assets of Legend's subsidiaries. An acquisition of minority interests is accounted for using the parent entity extension method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill an equity transaction.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Legend Group has adopted the following new and revised HKFRSs for the first time for the preparation of Legend Financial Information of the Relevant Periods. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretation has had no material effect on these Legend Financial Information.

HKAS 1 Amendment	Capital Disclosures
HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 12	Income Taxes
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefit
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 24	Related Party Disclosures
HKAS 27 Amendment	Consolidated and Separate Financial Statements: Amendments as consequence of the Companies (Amendment) Ordinance 2005
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HKAS 39 & HKFRS 4 Amendment	Financial Guarantee Contracts
HKFRS 1	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS 7	Financial Instruments: Disclosures
HKFRS – Int 4	Determining whether an Arrangement contains a Lease
HKFRS – Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC) – Int 6	Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Agreement
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
HKAS 39 & HKFRS 7 Amendment	Reclassification of Financial Assets

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

The Legend Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective in the Legend Financial Information.

HKAS 1 (Revised)	Presentation of Financial Statements [1]
HKAS 23 (Revised)	Borrowing Costs [1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [3]
HKAS 32, HKAS 39 & HKFRS 7 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation [1]
HKAS 39 (Amendment)	Eligible hedge items [3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a subsidiary, Jointly, Controlled Entity or an Association [1]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards [3]
HKFRS 2 (Amendments)	Share-based Payment: Vesting Conditions and Cancellations [1]
HKFRS 3 (Revised)	Business Combinations [3]
HKFRS 8	Operating Segments [1]
HK(IFRIC) – Int 2	Members' Shares in Co-operative Entities and Similar Instruments [1]
HK(IFRIC) – Int 13	Customer Loyalty Programmes [2]
HK(IFRIC) – Int 15	Agreements for the construction of Real Estate [1]
HK(IFRIC) – Int 16	Hedges of Net Investment in a Foreign Operation [4]
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners [3]
HK(IFRIC) – Int 18	Transfers of Assets from Customers [5]

Apart from the above, the HKICPA has also issued Improvements to HKFRSs which sets out 35 amendments to 20 HKFRSs*. 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 2008*
3. *Effective for annual periods beginning on or after 1 July 2009*
4. *Effective for annual periods beginning on or after 1 October 2008*
5. *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 Legend 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 ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity in which Legend, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors; or over which Legend has a contractual right to exercise a dominant influence with respect to that entity's financial and operating policies.

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

The results of subsidiaries are included in Legend's income statement to the extent of dividends received and receivable. Legend's interests in subsidiaries are stated at cost less any impairment losses.

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the business combination over the Legend Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill on acquisitions for which the agreement date is on or after 1 January 2005.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Legend Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Legend Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than goodwill, inventories 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 company of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill 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 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 Legend 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 Legend Group; (ii) has an interest in the Legend Group that gives it significant influence over the Legend Group; or (iii) has joint control over the Legend 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 Legend Group or its parent;

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

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

Property, plant and equipment and depreciation

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

Office equipment	20%

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 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.

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 Legend Group is the lessor, assets leased by the Legend Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Legend 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, held-to-maturity investments and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Legend Group assesses whether a contract contains an embedded derivative when the Legend 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 Legend 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 Legend 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.

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.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Legend Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortised cost less any allowance for impairment. Amortised cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interests method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. Gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities that are designated as available for sale or are not classified in any of the other three categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement. 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 estimate is significant for that investment, or (b) the probabilities or the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Fair value

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

Impairment of financial assets

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

Assets carried at amortised cost

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

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 recognized 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 when other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgement. In addition, the Legend 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.

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 Legend 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 Legend 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 Legend 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 Legend 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 Legend Group could be required to repay.

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

Financial liabilities including trade payables, other payables and accruals, due to a director of certain subsidiaries and loan from a director of certain subsidiaries 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 within "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.

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.

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, in the case of work in progress and finished goods, 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.

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 Legend Group's cash management.

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

Provisions

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

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

Income tax

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

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

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

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

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

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

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward 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 period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

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

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Legend 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 Legend Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

(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.

Other employee benefits

Pension scheme

The Legend 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. 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 Legend Group in an independently administered fund. The Legend Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is Legend's functional and presentation currency. Each entity in the Legend Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to income statement. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Legend Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

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

Assessment of impairment of non-current assets

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

Useful lives of property, plant and equipment

The management of the Legend 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 nonstrategic assets that have been abandoned or sold.

Provision for impairment of receivables

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

Estimated fair value of financial assets

The estimation of fair value of financial assets required the Legend 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. REVENUE, OTHER INCOME AND GAINS

The Legend Group is principally engaged in the trading of electronic equipments.

Revenues, other income and gains recognised during the periods are as follows:

	Period from 6 July 2007 (date of incorporation) to 31 March 2008	Period from 6 July2007 (date of incorporation) to 31 December 2007	Nine months ended 31 December 2008
	HK$	*HK$*	*HK$*
	Audited	Unaudited	Audited
Revenue			
Trading of electronic equipments	6,891,771	1,569,284	13,333,155
Other income and gains			
Interest income	6,698	1,512	23,506
Sundry income	159,600	33,095	306,949
Gain on disposal on a subsidiary	12,490	–	–
	178,788	34,607	330,455
Total revenue, other income and gains	7,070,559	1,603,891	13,663,610

5. 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 Legend Group's primary segment reporting basis, by business segment. No further business segment information is presented as over 90% of the Legend Group's revenue and assets relate to the business of trading of electronic equipments. In determining the Legend 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 Legend Group's revenue is derived from customers based in Mainland China, and over 90% of the Legend Group's assets are located in Mainland China.

6. LOSS BEFORE TAX

The Legend Group's loss before tax is arrived after charging:

	Period from 6 July 2007 (date of incorporation) to 31 March 2008	Period from 6 July 2007 (date of incorporation) to 31 December 2007	Nine months ended 31 December 2008
	HK$	*HK$*	*HK$*
	Audited	Unaudited	Audited
Auditors' remuneration	16,655	36	2,272
Cost of inventories sold	6,705,445	1,424,254	13,258,334
Depreciation	53,792	12,794	111,018
Written off of goodwill	13,971,185	–	–
Operating lease rentals in respect of land and buildings	537,995	130,118	1,031,436
Staff costs (excluding directors' remuneration *(note 7)*):			
– Salaries and allowances	541,778	826,518	754,351
– Retirement benefit costs	–	–	–
	541,778	826,518	754,351

7. DIRECTOR REMUNERATION

No director received any fees or emoluments in respect of their services rendered to the Legend during the Relevant Periods.

8. RETIREMENT BENEFIT COSTS

The Legend Group contributes to defined contribution retirement schemes (including the Occupational Retirement Scheme ("ORSO Scheme") and Mandatory Provident Fund Scheme ("MPF Scheme")) which are available to all full time employees in Hong Kong and employees who are registered residents of Beijing, the PRC. Contributions to the scheme by the Legend Group and employees are calculated as a percentage of employees' basic salaries.

The Legend Group's contributions to the ORSO Scheme available to certain Hong Kong employees are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

For the MPF Scheme, the Legend Group and its Hong Kong employees each make monthly contribution at 5% of the employee's relevant income, with the maximum contribution by each of the Legend Group and the employees limited to $1,000 per month, as defined in the Hong Kong Mandatory Provident Fund Schemes Ordinance.

Such contributions are fully and immediately vested in the employees as accrued benefits once they are paid.

9. TAX

No Hong Kong profits tax has been provided as the Legend Group did not generate any assessable profits arising in Hong Kong during the Relevant Periods.

No provision for PRC corporate income tax has been made the Legend Group had no assessable profits arising from the PRC.

	Period from 6 July 2007 (date of incorporation) to 31 March 2008	Period from 6 July 2007 (date of incorporation) to 31 December 2007	Nine months ended 31 December 2008
	HK$	*HK$*	*HK$*
	Audited	Unaudited	Audited
Current tax			
Charge for the Relevant Periods			
– Hong Kong	–	–	–
– Overseas	–	–	–
Underprovision in prior years			
– Hong Kong	–	–	4,083
– Overseas	–	–	–
Total tax charge for the Relevant Periods	–	–	4,083

A reconciliation of the tax expense applicable to profit tax using the statutory rates for the countries in which Legend and its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates to the effective tax rates, are as follows:

	Period from 6 July 2007 (date of incorporation) to 31 March 2008	Period from 6 July 2007 (date of incorporation) to 31 December 2007	Nine months ended 31 December 2008
	HK$	*HK$*	*HK$*
	Audited	Unaudited	Audited
Loss before tax	(15,727,864)	(15,099,743)	(3,025,804)
Tax at the domestic tax rates applicable to losses in the countries concerned	(2,898,597)	(2,672,681)	(626,226)
Tax effect of expenses not deductible	2,459,417	2,444,958	1,909
Tax effect of income not taxable	(1,172)	(3,891)	(73)
Tax effect of tax losses not recognized	440,352	231,614	589,309
Effect of change in opening deferred tax rate	–	–	39,164
Tax charge at the Legend Group's effective rate	–	–	4,083

At 31 December 2008, the Legend Group has tax losses of HK$9,094,590 available to offset future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams.

10. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

No loss attributable to the equity holders of Legend were made for the period from 6 July 2007 to 31 March 2008 and for the nine months ended 31 December 2008 and which have been dealt with in the financial information of Legend.

11. EARNINGS PER SHARE

No earnings per share is presented as the calculation of basic earnings per shares is not meaningful for the purpose of this report.

12. PROPERTY, PLANT AND EQUIPMENT

	Office equipment *HK$* Audited
31 March 2008	
Acquisition of a subsidiary	626,710
Additions	48,661
Depreciation for the period	(53,792)
Exchange realignment	(1,501)
At 31 March 2008, net of accumulated depreciation	620,078
At 31 March 2008	
Cost	792,348
Accumulated depreciation	(172,270)
Net carrying amount	620,078
31 December 2008	
At 1 April 2008	
Cost	792,348
Accumulated depreciation	(172,270)
Net carrying amount	620,078
At 1 April 2008, net of accumulated depreciation	620,078
Additions	3,271
Depreciation for the period	(111,018)
Exchange realignment	10,735
At 31 December 2008, net of accumulated depreciation	523,066
At 31 December 2008	
Cost	809,336
Accumulated depreciation	(286,270)
Net carrying amount	523,066

13. INVENTORIES

	31 March 2008 *HK$* Audited	31 December 2008 *HK$* Audited
Raw materials	436,180	138,227
Finished goods	135,602	–
Consumable goods	14,795	489,771
	586,577	627,998

14. TRADE RECEIVABLES

	31 March 2008 *HK$* Audited	31 December 2008 *HK$* Audited
Trade receivables	5,322,060	18,255

Trading of electronic equipments and components are with credit terms of 30 days whereas the provision of electronic consultancy are with credit terms of 30 days. The Legend Group has a defined credit policy and it varies with the financial strength of individual customers. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Legend Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk trade receivables are non-interest bearing. The aged analysis of trade receivables, based on the invoice date and net of provision, were as follows:

	31 March 2008 *HK$* Audited	31 December 2008 *HK$* Audited
Aged:		
Current	5,315,460	5,600
31 – 60 days	5,800	–
61 – 90 days	–	–
Over 90 days	800	12,655
	5,322,060	18,255

At the balance sheet date, the carrying amounts of trade receivables are approximate to their fair value.

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

	31 March 2008 HK$ Audited	31 December 2008 HK$ Audited
Neither past due nor impaired	5,315,460	5,600
Less than 1 month past due	5,800	–
1 to 3 months past due	–	–
Over 3 months past due	800	12,655
	5,322,060	18,255

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 Legend Group. Based on past experience, and the directors have performed an assessment, the directors of Legend 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 Legend Group does not hold any collateral or other credit enhancements over these balances.

15. PREPAYMENTS AND OTHER RECEIVABLES

	31 March 2008 HK$ Audited	31 December 2008 HK$ Audited
Prepayments	15,428	21,772
Other receivables	258,413	340,602
	273,841	362,374

Non of the above assets are either past due or impaired. The financial assets included in the above balances receivables for which there was no recent history of default.

16. AMOUNT DUE FROM A DIRECTOR

Particulars of the amount due from a director disclosed in accordance with Section 161B of the Hong Kong Companies Ordinance are as follows:–

Name	31 December 2008	Maximum amount outstanding during the year	31 March 2008	Maximum amount outstanding during the year	6 July 2007
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Ocean Space Development Limited	8	8	8	8	8

The amount due from a director is unsecured, interest-free and has no fixed terms of repayment.

17. CASH AND CASH EQUIVALENTS

	31 March 2008	31 December 2008
	HK$	*HK$*
	Audited	Audited
Cash and bank balance	2,063,231	4,237,307

Including in the cash and bank balance was approximately HK$1,676,517 and HK$4,000,400 denominated in Renminbi ("RMB") as at 31 March 2008 and 31 December 2008, respectively which was not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Legend Group was permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

18. TRADE PAYABLES

Details of the aging analysis of trade payables, based on the invoice date, were as follows:

	31 March 2008	31 December 2008
	HK$	*HK$*
	Audited	Audited
Aged:		
Current	5,267,090	5,000
31 – 60 days	–	–
61 – 90 days	–	–
Over 90 days	600	–
	5,267,690	5,000

The trade payables are non-interest bearing and are normally settled on 90-day terms.

19. OTHER PAYABLES AND ACCRUALS

	31 March 2008	31 December 2008
	HK$	*HK$*
	Audited	Audited
Other payables	1,492,260	317,313

20. DUE TO A DIRECTOR OF CERTAIN SUBSIDIARIES

The amount due to a director of certain subsidiaries was unsecured, interest free and has no fixed terms of repayment. The director of certain subsidiaries has also agreed not to demand repayment of the loan within the next 12 months from the date of this report.

21. LOAN FROM A DIRECTOR OF CERTAIN SUBSIDIARIES

Pursuant to the loan agreements dated 26 August 2005 and 12 December 2005, the loans of HK$3,500,000 and HK$2,000,000 granted by a director of a subsidiary of Legend which unsecured, interest free and have no fixed terms of repayment. As at the balance sheet date, the director has agreed not to demand repayment of the loan within the next 12 months from the date of this report.

22. AMOUNT DUE TO HOLDING COMPANY

The amount due to holding company is unsecured, interest free and has no fixed terms of repayments. As at the balance sheet date, the holding company has agreed not to demand repayment of the amount due to it within the next 12 months from the date of this report.

23. INVESTMENT IN SUBSIDIARIES

	31 March 2008	31 December 2008
	HK$	*HK$*
	Audited	Audited
Unlisted shares, at cost	3,900,000	3,900,000

(a) Details of a subsidiary for the Relevant Periods are as follows:

Name of subsidiaries	Place and date of incorporation/ establishment	Nominal value of issued share capital/paid up capital	Attributable equity interest held by Legend Direct	Attributable equity interest held by Legend Indirect	Principal activity
CNP	BVI/17 September 2001	US$500,000.00	100%	–	Investment holding
Boss Systems	BVI/3 September 2001	US$100	–	95%	Investment holding
Protex (China)	People Republic of China ("PRC")/ 11 August 2005	RMB60,000,000	–	95%	Software development
Boss Power	Hong Kong/ 24 February 1999	HK$1,000,000	–	95%	Trading of electronic equipment
Protex Utility *	Hong Kong/ 14 February 2006	HK$100	–	95%	Not yet commenced business
Boss Education	Hong Kong/ 2 October 2008	HK$1,000	–	51%	Provision of educational and training programs

* *Disposed on 5 March 2008*

24. SHARE CAPITAL

	31 March 2008 *HK$* Audited	31 December 2008 *HK$* Audited
Authorised:		
50,000 ordinary shares of US$1 each	390,000	390,000
Issued and fully paid:		
1 ordinary share of US$1 each	8	8

25. RESERVES

(a) Group

The amounts of the Legend Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statement of changes in equity of the financial statements.

In accordance with the PRC Companies Law, Legend's subsidiary in the PRC, Protex China was required to transfer 10% of its profit after tax, as determined in accordance with accounting standards and regulations of the PRC, to the statutory surplus reserve (until such reserve reaches 50% of the registered capital of the respective companies) and a percentage of not less than 5% as determined by management of the profit after tax to public welfare fund. With the amendment of the PRC Companies Law which was effective from 1 January 2007, enterprises in the PRC are no longer required to transfer any profit to the public welfare fund. Any balance of public welfare fund brought forward from 31 March 2006 would be transferred to the statutory surplus reserve. The statutory surplus reserve is non-distributable. According to the relevant PRC regulations, statutory surplus reserve can be used to make up losses or to increase share capital. Except for the reduction of losses incurred, other usage should not result in the statutory surplus reserve falling below 25% of the registered capital.

During the Relevant Periods, Protex China did not generate any profit. Accordingly, there were no statutory reserves.

(b) Company

No profit or loss has been recorded by the Company since its incorporation.

26. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of a subsidiary

On 30 November 2007, Legend acquired a 100% interest in CNP at a consideration of HK$3,900,000. CNP and its subsidiaries were engaged in the selling of electronic equipments and software development.

The fair values of the identifiable assets and liabilities of CNP and its subsidiaries as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Fair value recognized on acquisition	**Carrying amount**
	HK$	*HK$*
Net assets/(liabilities) acquisitions of:		
Property, plant and equipment	626,710	626,710
Inventories	553,949	553,949
Prepayment and other receivables	211,038	211,038
Trade receivables	49,549	49,549
Cash and cash equivalents	650,501	650,501
Trade payables	(42,388)	(42,388)
Accruals and other payables	(1,022,409)	(1,022,409)
Amount due to a director	(6,262,820)	(6,262,820)
Loan from a director	(5,500,000)	(5,500,000)
Tax payables	(67,354)	(67,354)
	(10,803,224)	(10,803,224)
Minority interest	732,039	732,039
	(10,071,185)	(10,071,185)
Goodwill	13,971,185	
	3,900,000	
Satisfied by:		
Loan from a holding company	3,900,000	

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

	HK$
Cash consideration paid	–
Cash and bank balance acquired	650,501
Net inflow of cash and cash equivalents in respect of the acquisition of a subsidiary	650,501

(b) Disposal of a subsidiary

Protex Utility was disposed by the Legend Group to a company of which Xiang Xin, a director of certain subsidiaries of Legend, is a director and beneficial owner on 5 March 2008 at cash consideration of HK$100.

The asset and liabilities of Protex Utility at the date of disposal were:

	HK$
	Audited
Other payables and accruals	(12,390)
Consideration	100
Gain on disposal	12,490
Satisfied by:	
Cash	100

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

	HK$
Cash consideration received	100

(c) Major non-cash transaction

During the year, the holding company has waived the amount due from Legend amounting to HK$3,900,000.

27. COMMITMENTS

(a) Operating lease commitments

At 31 December 2008, the Legend Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	31 March 2008	**31 December 2007**	**31 December 2008**
	HK$	*HK$*	*HK$*
	Audited	Unaudited	Audited
Within one year	1,455,823	1,239,896	1,317,452
In the second to fifth years, inclusive	5,501,712	4,959,583	5,269,806
After five years	3,885,098	4,029,661	2,964,266
	10,842,633	10,229,140	9,551,524

28. RELATED PARTY TRANSACTIONS

In addition to the transactions Relevant Periods elsewhere in these financial statements, the Legend Group had the following transactions with related parties during the years:

	Period ended from 6 July 2007 (date of incorporation) to 31 March 2008	Period ended from 6 July 2007 (date of incorporation) to 31 December 2007	Nine months ended 31 December 2008
	HK$	*HK$*	*HK$*
	Audited	Unaudited	Audited
Related parties:			
New Times Investment Management Limited			
Management fee paid	840,000	420,000	420,000
Sales of goods	1,305	–	–
Times Tech Holdings Limited			
Salary paid	600,000	300,000	300,000
Fair Sharp Investment			
Disposal of a subsidiary *(note 26(b))*	100	–	–

29. POST BALANCE SHEET EVENTS

On 9 February 2009, the Legend Group underwent a group re-organisation pursuant to which Boss Systems, direct non-wholly owned subsidiary of CNP, transferred its entire interest in Boss Power to CNP at a cash consideration HK$10,000. Upon completion of the group reorganization, Boss Power became a direct wholly owned subsidiary of CNP.

30. 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

	Financial assets at fair value through profit or loss – designated as such upon initial recognition	Financial assets at fair value through profit or loss – held for trading	Held-to-maturity investments	Loans and receivables	Available-for-sale financial assets	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
	Audited	Audited	Audited	Audited	Audited	Audited
Trade receivables	–	–	–	18,255	–	18,255
Financial assets included in prepayments and other receivables	–	–	–	362,374	–	362,374
Cash and bank balances	–	–	–	4,237,307	–	4,237,307
	–	–	–	4,617,936	–	4,617,936

Financial liabilities

	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$	*HK$*	*HK$*	*HK$*
	Audited	Audited	Audited	Audited
Trade payables	–	–	5,000	5,000
Other payables and accruals	–	–	317,313	317,313
Loan from a director of certain subsidiaries	–	–	5,500,000	5,500,000
Due to a director of certain subsidiaries	–	–	14,106,341	14,106,341
Due to holding company	–	–	3,900,000	3,900,000
	–	–	23,828,654	23,828,654

31 March 2008

Financial assets

	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$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
	Audited	Audited	Audited	Audited	Audited	Audited
Trade receivables	–	–	–	5,322,060	–	5,322,060
Financial assets included in prepayments and other receivables	–	–	–	273,841	–	273,841
Amount due from a director	–	–	–	8	–	8
Cash and bank balances	–	–	–	2,063,231	–	2,063,231
	–	–	–	7,659,140	–	7,659,140

Financial liabilities

	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$	*HK$*	*HK$*	*HK$*
	Audited	Audited	Audited	Audited
Trade payables	–	–	5,267,690	5,267,690
Other payables and accruals	–	–	1,492,260	1,492,260
Loan from a director of certain subsidiaries	–	–	5,500,000	5,500,000
Due to a director of certain subsidiaries	–	–	7,967,237	7,967,237
Due to holding company	–	–	3,900,000	3,900,000
	–	–	24,127,187	24,127,187

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Legend Group is exposed to various kind of risks in its operation and financial instruments. The CNP Group's risk management objectives and policies mainly focused on minimising the potential adverse effects of these risks on the CNP Group by closely monitoring the individual exposure as follows:

Interest rate risk

The Legend Group has no significant interest-bearing financial assets and liabilities with a floating interest rate. The Company's results and operating cash flows are substantially independent of changes in market interest rates.

Foreign currency risk

The Legend Group has transactional currency exposures as the sales and purchases of the CNP Group were mainly transacted in Renminbi ("RMB") and Hong Kong dollar ("HKD").

The following table demonstrates the sensitivity at the balance sheet date to a reasonable possible change in the exchange rate of RMB with all other variables held constant, of the Company's loss before tax.

	Increase/ (decrease) in exchange rate	**Increase/ (decrease) in loss before tax**	**Increase/ (decrease) in equity**
	%	*HK$*	*HK$*
31 December 2008			
If HKD weakens against RMB	5%	28,835	28,835
If HKD strengthens against RMB	(5%)	(28,835)	(28,835)
31 March 2008			
If HKD weakens against RMB	5%	182,731	182,731
If HKD strengthens against RMB	(5%)	(182,731)	(182,731)

Credit risk

The Legend Group trades only with recognised and creditworthy third parties. It is the Legend 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 Legend 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 Legend Group does not offer credit terms without the specific approval of the management.

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

The credit risk on liquid funds is limited because majority of the counterparties are banks of high credit quality in Hong Kong and banks with good reputation in the PRC.

Since the Legend 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. There are no significant concentrations of credit risk within the Legend Group.

Liquidity risk

A director of certain subsidiaries has indicated his willingness to continue financing the operations of the Company and has agreed not to demand repayment of the amount due to him until the Legend Group is in a position to do so.

Capital management

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

The Legend Group monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. Net debt includes bank overdraft, trade payables, other payables and accruals, amount due to a director of certain subsidiaries, loan from a director of certain subsidiaries and amount due to holding company less cash and bank balances. Capital includes equity attributable to equity shareholders of Legend.

	31 March 2008	**31 December 2008**
	HK$	*HK$*
Trade payables	5,267,690	5,000
Other payables and accruals	1,492,260	317,313
Due to a director of certain subsidiaries	5,500,000	5,500,000
Loan from a director of certain subsidiaries	7,967,237	14,106,341
Due to holding company	3,900,000	3,900,000
Less: Cash and bank balances	(2,063,231)	(4,237,307)
Net debt	22,063,956	19,591,347
Equity attributable to equity holders	(14,565,430)	(17,140,371)
Capital and net debt	7,498,526	2,450,976
Gearing ratio	NA	NA

32. SUBSEQUENT OF THE FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Legend Group in respect of any period subsequent to 31 December 2008.

Yours faithfully
Cachet Certified Public Accountants Limited
Certified Public Accountants

Chan Chi Yuen
Practicing Certificate Number P02671
Hong Kong

The following is the text of an accountants' report on the CNP Group for the sole purpose for the inclusion in this circular, received from the reporting accountants, Cachet Certified Public Accountants Limited, Certified Public Accountants.

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

The Directors
China Trends Holdings Limited
26/F., 9 Des Voeux Road West
Sheung Wan
Hong Kong

Dear Sirs,

We set out below our report on the financial information relating to China Net-PC Ltd. ("CNP") and its subsidiaries (collectively, to be referred as the "CNP Group") (the "CNP Financial Information") for the year ended 31 March 2006, 2007, 2008 and for the nine months ended 31 December 2008 (the "Relevant Periods"), including the consolidated income statements, consolidated statements of changes in equity and consolidated cash flow statements for the Relevant Periods and of the balance sheets of the CNP Group and CNP as at 31 March 2006, 2007 and 2008 and 31 December 2008 together with the notes thereto, and on the financial information of the CNP Group for the nine months ended 31 December 2007 (the "CNP December 2007 Comparative Financial Information"), including the consolidated income statements and consolidated cash flow statements for the period together with the notes thereto, prepared for inclusion in the circular of China Trends Holdings Limited (formerly known as "Quasar Communication Technology Holdings Limited") ("China Trends") dated 26 May 2009 (the "Circular") in connection with the proposed acquisition of the entire issued share capital of Legend Century Investments Limited ("Legend"), the holding company of CNP, by China Trends.

CNP was incorporated in the British Virgin Islands (the "BVI") with limited liability on 17 September 2001. The principle activity of CNP is investment holding. During the Relevant Periods, CNP has the following subsidiaries, all of which are private companies with limited liability.

Name of subsidiaries	Place and date of incorporation/ establishment	Nominal value of issued share capital/ Paid up capital	Attributable equity interest held by CNP Direct	Indirect	Principal activity
Boss Systems Limited (Formerly known as "Protex Systems Holdings Limited") ("Boss System")	BVI/ 3 September 2001	US$100	95%	–	Investment holding
Boss Education Limited (Formerly known as "Sinosky Universal Limited") ("Boss Education")	Hong Kong/ 2 October 2008	HK$1,000	51%	–	Provision of educational and training programs
Boss Power Limited (Formerly known as "X-Power International Limited") ("Boss Power")	Hong Kong/ 24 February 1999	HK$1,000,000	–	95%	Trading of electronic equipment
博思（中國）信息系統有限公司 ("Protex (China) Systems Limited")# ("Protex (China)")	People Republic of China ("PRC")/ 11 August 2005	RMB60,000,000	–	95%	Software development
Boss Media Limited (Formely known as Protex Utility Computing (Hong Kong) Limited)* ("Boss Media")	Hong Kong/ 14 February 2006	HK$100	–	95%	Not yet commenced business

\# *For identification purpose only*

* *Disposed on 5 March 2008*

As at the date of this report, no audited financial statements have been prepared for CNP since its date of incorporation. We have, however, reviewed all relevant transactions of CNP since its date of incorporation to 31 December 2008 and carried out such procedures as we considered necessary.

Boss Systems was incorporated in the BVI on 3 September 2001 under the name of "Protex Systems Holding Limited". Pursuant to a resolution passed by the shareholders of Boss Systems on 9 December 2008, the name of the company was changed to "Boss Systems Limited" with effect from 15 January 2009. Boss Systems has its financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include all Hong Kong Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The financial statements of Boss Systems were audited by Messrs. Pui Chiu Wing & Co, Certified Public Accountants in Hong Kong for the year ended 31 March 2006. No audited financial statements have been prepared for Boss Systems for the years ended 31 March 2007 and 2008 and for the nine months ended 31 December 2008. We have, however, reviewed all relevant transactions of Boss Systems for the Relevant Periods and carried out such procedures as we considered necessary.

Boss Education was incorporated in Hong Kong on 2 October 2008 under the name of "Sinosky Universal Limited". Pursuant to a resolution passed by the shareholders of Boss Education on 1 December 2008, the name of the company was changed to "Boss Education Limited" with effect from 12 December 2008. No audited financial statements have been prepared for Boss Education since its date of incorporation. We have, however, reviewed all relevant transactions of Boss Education since its date of incorporation to 31 December 2008 and carried out such procedures as we considered necessary.

Boss Power was incorporated in Hong Kong on 24 February 1999 under the name of "X-Power International Limited". Pursuant to a resolution passed by the shareholders of Boss Power on 9 December 2008, the name of the company was changed to "Boss Power Limited" with effect from 16 December 2008. Boss Power has its statutory financial statements prepared in accordance with HKFRSs. The financial statements of Boss Power were audited by Messrs. Paul W.C. Ho & Co., Certified Public Accountants in Hong Kong, for the years ended 31 March 2006, 2007 and 2008. No audited financial statements have been prepared for Boss Power for the nine months ended 31 December 2008. We have, however, reviewed all relevant transactions of Boss Power for the Relevant Periods and carried out such procedures as we considered necessary.

Protex (China) was established in the PRC on 11 August 2005 and has its statutory financial statements prepared in accordance with the accounting principles and regulations applicable to enterprises established in the PRC. These statutory financial statements were audited by 華青會計師事務所 in the PRC for the period from 5 July 2005 (date of establishment) to 31 December 2005 and for the years ended 31 December 2006, 2007 and 2008.

Boss Media was incorporated in Hong Kong on 14 February 2006 and was disposed of by the CNP Group on 5 March 2008. No audited financial statements have been prepared for Boss Media since its date of incorporation. We have, however, reviewed all relevant transactions of Boss Media since its date of incorporation to 5 March 2008 (date of disposal) and carried out such procedures as we considered necessary.

For the purpose of this report, the directors of CNP have prepared the consolidated financial statements of the CNP Group for the Relevant Periods in accordance with HKFRSs (the "CNP Underlying Financial Statements").

The CNP Financial Information as set out in this report has been prepared from the CNP Underlying Financial Statements, after making such adjustments where appropriate. The directors of CNP are responsible for the preparation and the true and fair presentation of the CNP Financial Information, which gives a true and fair view. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial information 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. In preparing the CNP Financial Information which gives a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently.

The directors of China Trends are responsible for the contents of the Circular in which this report is included.

It is our responsibility to form an independent opinion on the CNP Financial Information and to report our opinion to you.

PROCEDURES PERFORMED IN RESPECT OF THE RELEVANT PERIODS

For the purpose of this report, we have carried out an independent audit on the CNP Financial Information for the Relevant Periods in according with the Hong Kong Standards on Auditing issued by the HKICPA and have carried out such additional procedures as are necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and Reporting Accountant" issued by the HKICPA.

PROCEDURES PERFORMED IN RESPECT OF THE CNP DECEMBER 2007 COMPARATIVE FINANCIAL INFORMATION

For the purpose of this report, we have carried out a review of the CNP December 2007 Comparative Financial Information for which the directors of CNP are responsible, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our responsibility is to express a conclusion on such information based on our review. A review consists of making enquires, primarily of persons responsible for financial and accounting matters, and applying analytical and other procedures. A review is substantially less in scope than an audit conducted in accordance with HKSA and consequently does not enable us to obtain assurance than we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion on the CNP December 2007 Comparative Financial Information.

OPINION IN RESPECT OF THE RELEVANT PERIODS

In our opinion, the CNP Financial Information together with the notes thereto give, for the purpose of this report, a true and fair view of the state of affairs of the CNP Group and CNP as at 31 March 2006, 2007 and 2008 and 31 December 2008, and of the consolidated loss and cash flows of the CNP Group for the Relevant Periods.

REVIEW CONCLUSION IN RESPECT OF THE CNP DECEMBER 2007 COMPARATIVE FINANCIAL INFORMATION

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the CNP December 2007 Comparative Financial Information does not give a true and fair view of consolidated results and cash flows of the CNP Group for the nine months ended 31 December 2007 in accordance with HKFRSs.

FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENT

		Year ended 31 March			Nine months ended 31 December	
		2006	2007	2008	2007	2008
	Notes	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
		Audited	Audited	Audited	Unaudited	Audited
REVENUE	*4*	37,653,964	55,536,000	68,712,090	63,389,603	13,333,155
COST OF SALES		(33,180,428)	(55,324,191)	(68,240,949)	(62,959,759)	(13,258,334)
GROSS PROFIT		4,473,536	211,809	471,141	429,844	74,821
Other income and gains	*4*	238,466	912,264	454,471	310,290	330,455
Administrative expenses		(7,203,159)	(4,243,745)	(5,240,309)	(4,426,710)	(3,431,080)
Finance costs	*7*	(53,096)	–	–	–	–
LOSS BEFORE TAX	*6*	(2,544,253)	(3,119,672)	(4,314,697)	(3,686,576)	(3,025,804)
Tax	*10*	–	(16,109)	–	–	(4,083)
LOSS FOR THE YEAR/PERIOD		(2,544,253)	(3,135,781)	(4,314,697)	(3,686,576)	(3,029,887)
Attributable to:						
Equity holders of CNP		(2,417,567)	(2,630,243)	(4,099,532)	(3,516,317)	(2,858,512)
Minority interests		(126,686)	(505,538)	(215,165)	(170,259)	(171,375)
		(2,544,253)	(3,135,781)	(4,314,697)	(3,686,576)	(3,029,887)

CONSOLIDATED BALANCE SHEET

	Notes	2006	31 March 2007	2008	31 December 2008
		HK$	HK$	HK$	HK$
		Audited	Audited	Audited	Audited
NON-CURRENT ASSETS					
Property, plant and equipment	13	2,549	672,176	620,078	523,066
CURRENT ASSETS					
Inventories	14	671,853	517,910	586,577	627,998
Available-for-sales investments		500,000	–	–	–
Trade receivables	15	6,069,382	10,147,176	5,322,060	18,255
Prepayments and other receivables	16	1,512,521	559,441	273,841	362,374
Pledged time deposits	17	1,538,367	–	–	–
Cash and bank balances	17	1,840,022	361,293	2,063,231	4,237,307
		12,132,145	11,585,820	8,245,709	5,245,934
CURRENT LIABILITIES					
Bank overdraft		555,637	–	–	–
Trade payables	18	9,254,650	10,035,147	5,267,690	5,000
Other payables and accruals		1,550,560	1,157,376	1,492,260	317,313
Tax payable		–	67,354	67,354	–
		11,360,847	11,259,877	6,827,304	322,313
NET CURRENT ASSETS		771,298	325,943	1,418,405	4,923,621
TOTAL ASSETS LESS CURRENT LIABILITES		773,847	998,119	2,038,483	5,446,687
NON-CURRENT LIABILITIES					
Loan from a director	19	5,500,000	5,500,000	5,500,000	5,500,000
Due to a director	21	790,735	3,890,038	7,967,237	14,106,341
Total non-current liabilities		6,290,735	9,390,038	13,467,237	19,606,341
NET LIABILITIES		(5,516,888)	(8,391,919)	(11,428,754)	(14,159,654)
EQUITY					
Equity attributable to equity holder of the parent					
Issued capital	22	3,900,000	3,900,000	3,900,000	3,900,000
Reserves	23	(8,948,070)	(11,679,876)	(14,565,438)	(17,140,379)
		(5,048,070)	(7,779,876)	(10,665,438)	(13,240,379)
Minority interests		(468,818)	(612,043)	(763,316	(919,275)
		5,516,888	(8,391,919)	(11,428,754)	(14,159,654)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the parent						
	Issued capital	Exchange reserve	Capital reserve	Accumulated losses	Total	Minority interest	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
	Audited	Audited	Audited	Audited	Audited	Audited	Audited
At 1 April 2005	3,900,000	–	(6,636,237)	77,470	(2,658,767)	(343,620)	(3,002,387)
Exchange difference arising on translation of foreign operation recognized directly in equity	–	28,264	–	–	28,264	1,488	29,752
Loss for the year	–	–	–	(2,417,567)	(2,417,567)	(126,686)	(2,544,253)
At 31 March 2006 and at 1 April 2006	3,900,000	28,264	(6,636,237)	(2,340,097)	(5,048,070)	(468,818)	(5,516,888)
Release upon disposal of assets and liabilities	–	–	6,636,237	(6,985,513)	(349,276)	349,276	–
Exchange difference arising on translation of foreign operation recognized directly in equity	–	247,713	–	–	247,713	13,037	260,750
Loss for the year	–	–	–	(2,630,243)	(2,630,243)	(505,538)	(3,135,781)
At 31 March 2007 and at 1 April 2007	3,900,000	275,977	–	(11,955,853)	(7,779,876)	(612,043)	(8,391,919)
Exchange difference arising on translation of foreign operation recognized directly in equity	–	1,213,970	–	–	1,213,970	63,892	1,277,862
Loss for the year	–	–	–	(4,099,532)	(4,099,532)	(215,165)	(4,314,697)
At 31 March 2008 and at 1 April 2008	3,900,000	1,489,947	–	(16,055,385)	(10,665,438)	(763,316)	(11,428,754)
Contribution from minority interest	–	–	–	–	–	490	490
Exchange difference arising on translation of foreign operation recognized directly in equity	–	283,571	–	–	283,571	14,926	298,497
Loss for the period	–	–	–	(2,858,512)	(2,858,512)	(171,375)	(3,029,887)
At 31 December 2008	3,900,000	1,773,518	–	(18,913,897)	(13,240,379)	(919,275)	(14,159,654)

CONSOLIDATED CASH FLOW STATEMENTS

		Year ended 31 March			Nine months ended 31 December	
		2006	2007	2008	2007	2008
	Notes	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
		Audited	Audited	Audited	Unaudited	Audited
CASH FLOWS FROM OPERATING ACTIVITES						
Loss before tax		(2,544,253)	(3,119,672)	(4,314,697)	(3,686,576)	(3,025,804)
Adjustments for:						
Depreciation	*6*	3,303	24,088	145,274	104,277	111,018
Written off of property, plant and equipment	*6*	286,414	–	–	–	–
Bad debts written off	*6*	356,907				
Interest received	*4*	(36,103)	(30,668)	(32,592)	(27,406)	(23,506)
Gain on disposal of a subsidiary	*4*	–	–	(12,490)	–	–
Interest expenses	*7*	53,096	–	–	–	–
Negative goodwill	*24(a)*	–	(836,680)	–	–	–
		(1,880,636)	(3,962,932)	(4,214,505)	(3,609,705)	(2,938,292)
Decrease/(increase) in inventories		806,380	(510,834)	(68,667)	(43,693)	(41,421)
Decrease in trade receivables		17,857,107	31,816,824	4,825,116	9,958,197	5,303,805
Increase/(decrease) in prepayments and other receivables		(1,266,534)	704,185	285,600	547,185	(88,533)
Decrease in trade payables		(206,471)	(31,454,153)	(4,767,457)	(8,482,947)	(5,262,690)
Increase/(decrease) in other payables		1,550,560	(3,454,501)	347,274	(5,098)	(1,174,947)
Cash generated from/(used in) operations		16,860,406	(6,861,411)	(3,592,639)	(1,636,061)	(4,202,078)
Interest received		36,103	30,668	32,592	27,406	23,506
Interest expenses		(53,096)	–	–	–	–
Hong Kong profits tax paid		–	(16,109)	–	–	(71,437)
Net cash inflow/(outflow) from operating activities		16,843,413	(6,846,852)	(3,560,047)	(1,608,655)	(4,250,009)

		Year ended 31 March			Nine months ended 31 December	
		2006	**2007**	**2008**	**2007**	**2008**
	Notes	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
		Audited	Audited	Audited	Unaudited	Audited
CASH FLOWS FROM INVESTING ACTIVITIES						
Acquisition of property, plant and equipment		(265,184)	(693,592)	(23,920)	(22,901)	(3,271)
Acquisition of subsidiary, net of cash acquired	*24(a)*	–	4,525,649	–	–	–
Proceeds from disposal of a subsidiary	*24(b)*	–	–	100	–	–
Cash and cash equivalent included in certain assets and liabilities disposed	*24 (c)*	–	(1,065,834)	–	–	–
Acquisition of available-for-sales investments		(500,000)	–	–	–	–
(Increase)/decrease in pledged time deposits		(1,538,367)	1,538,367	–	–	–
Net cash (outflow)/inflow from investing activities		(2,303,551)	4,304,590	(23,820)	(22,901)	(3,271)
CASH FLOWS FROM FINANCING ACTIVITIES						
Contribution from minority interest		–	–	–	–	490
New loan from a director		5,500,000	–	–	–	–
(Decrease)/increase in amount due to a director		(20,762,371)	1,358,543	4,077,199	18,095,905	6,139,104
Net cash (outflow)/inflow from financing activities		(15,262,371)	1,358,543	4,077,199	18,095,905	6,139,594

	Notes	Year ended 31 March 2006 HK$ Audited	2007 HK$ Audited	2008 HK$ Audited	Nine months ended 31 December 2007 HK$ Unaudited	2008 HK$ Audited
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(722,509)	(1,183,719)	493,332	16,464,349	1,886,314
Effect of foreign exchange rate changes, net		29,752	260,627	1,208,606	383,338	287,762
Cash and cash equivalents at beginning of year/period		1,977,142	1,284,385	361,293	361,293	2,063,231
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		1,284,385	361,293	2,063,231	17,208,980	4,237,307
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and bank balances	17	1,840,022	361,293	2,063,231	17,208,980	4,237,307
Bank overdraft		(555,637)	–	–	–	–
		1,284,385	361,293	2,063,231	17,208,980	4,237,307

BALANCE SHEET OF CNP

	Notes	31 March 2006 HK$ Audited	2007 HK$ Audited	2008 HK$ Audited	31 December 2008 HK$ Audited
NON-CURRENT ASSETS					
Interest in subsidiaries	20	741	741	741	1,251
CURRENT ASSETS					
Due from a director	21	3,859,479	3,848,949	3,837,561	3,825,484
Net assets		3,860,220	3,849,690	3,838,302	3,826,735
EQUITY					
Issued capital	22	3,900,000	3,900,000	3,900,000	3,900,000
Reserves	23(b)	(39,780)	(50,310)	(61,698)	(73,265)
		3,860,220	3,849,690	3,838,302	3,826,735

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

CNP is a limited liability company incorporated in the British Virgin Islands (the "BVI") on 17 September 2001. The registered office of CNP is situated at Akara Bldg., 24 De Castro Street, Wickhams Cay I, Road Town, Tortola, British Virgin Islands.

The principal activity of CNP is investment holding. The subsidiaries of CNP are principally engaged in investment holding, software development and trading of electronic equipments and components.

The directors of CNP considered Honour Sky International Limited ("Honour Sky"), a company incorporated in the BVI with limited liability, to be the holding company of CNP until 30 November 2007. Thereafter, pursuant to a sales and purchase agreement entered into between Honour Sky and Legend, Legend became the holding company of CNP from 1 December 2008 onwards.

2.1 BASIS OF PREPARATION

These CNP Financial Information have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all 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 CNP Financial Information includes applicable disclosure required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited and the disclosure requirements Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These CNP Financial Information are presented in Hong Kong dollars ("HK$").

Despite the fact that the CNP Group had deficiency in assets of HK$5,516,888, HK$8,391,919, HK$11,428,754 and HK$14,159,654 as at 31 March 2006, 2007 and 2008 and 31 December 2008, respectively, the CNP Financial Information has been prepared on the basis that CNP will continue to operate as a going concern. Such going concern basis is based upon the presumption of continuous financial support from one of CNP's directors, who has indicated his willingness to give financial support to the continuous operations of CNP and the CNP Group and has agreed not to demand repayment of the amount due to him for the period up to 30 September 2010.

Basis of consolidation

The consolidated CNP Financial Information includes the financial information of CNP and its subsidiaries (collectively referred to as the "CNP Group") for the years ended 31 March 2006, 2007, 2008 and for the nine months ended 31 December 2008. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the CNP Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the CNP Group are eliminated on consolidation.

a) Business combinations under acquisition

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value at the date of exchange, of the assets given, liabilities incurred or assumed and equity instruments issued by the CNP Group in exchange for control of the acquiree, plus costs directly attributable to the acquisition. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business Combinations" are recognised at this fair values at the acquisition date.

b) Business combinations involving entities under common control

The consolidated financial information incorporate the financial statements of the combining entities or businesses as if they had been combined from the date when the combining entities or business first came under the control of the controlling parties.

The net assets of the combining entities or business are recognised at the carrying values prior to the common control combination.

The consolidated financial information includes the results of each of the combining entities or business from the earliest date presented or since the date when combining entities or business first came under the control of the controlling parties, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial information are presented as if the entities or businesses had been combined at the previous balance sheet date or when they first came under control of the controlling parties, whichever is shorter.

Minority interests represent the interests of outside shareholders not held by the CNP Group in the results and net assets of CNP's subsidiaries. An acquisition of minority interests is accounted for using the parent entity extension method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill or an equity transaction.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The CNP Group has adopted the following new and revised HKFRSs for the first time for the preparation of CNP Financial Information of the Relevant Periods. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretation has had no material effect on these CNP Financial Information.

HKAS 1 Amendment	Capital Disclosures
HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 12	Income Taxes
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefit
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 24	Related Party Disclosures
HKAS 27 Amendment	Consolidated and Separate Financial Statements: Amendments as consequence of the Companies (Amendment) Ordinance 2005
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HKAS 39 & HKFRS 4 Amendment	Financial Guarantee Contracts

HKFRS 1	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS 7	Financial Instruments: Disclosures
HKFRS – Int 4	Determining whether an Arrangement contains a Lease
HKFRS – Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC) – Int 6	Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Agreement
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
HKAS 39 & HKFRS 7 Amendment	Reclassification of Financial Assets

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

The CNP Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective in the CNP Financial Information.

HKAS 1 (Revised)	Presentation of Financial Statements [1]
HKAS 23 (Revised)	Borrowing Costs [1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [3]
HKAS 32, HKAS 39 & HKFRS 7 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation [1]
HKAS 39 (Amendment)	Eligible hedge items [3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a subsidiary, Jointly, Controlled Entity or an Association [1]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards [3]
HKFRS 2 (Amendments)	Share-based Payment: Vesting Conditions and Cancellations [1]
HKFRS 3 (Revised)	Business Combinations [3]
HKFRS 8	Operating Segments [1]
HK(IFRIC) – Int 2	Members' Shares in Co-operative Entities and Similar Instruments [1]
HK(IFRIC) – Int 13	Customer Loyalty Programmes [2]
HK(IFRIC) – Int 15	Agreements for the construction of Real Estate [1]
HK(IFRIC) – Int 16	Hedges of Net Investment in a Foreign Operation [4]
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners [3]
HK(IFRIC) – Int 18	Transfers of Assets from Customers [5]

Apart from the above, the HKICPA has also issued Improvements to HKFRSs which sets out 35 amendments to 20 HKFRSs*. 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 2008*
3. *Effective for annual periods beginning on or after 1 July 2009*
4. *Effective for annual periods beginning on or after 1 October 2008*
5. *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 CNP 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 ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity in which CNP, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors; or over which CNP has a contractual right to exercise a dominant influence with respect to that entity's financial and operating policies.

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

The results of subsidiaries are included in CNP's income statement to the extent of dividends received and receivable. CNP's interests in subsidiaries are stated at cost less any impairment losses.

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the business combination over the CNP Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill on acquisitions for which the agreement date is on or after 1 January 2005.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the CNP Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the CNP Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than goodwill, inventories 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 company of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill 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 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 CNP 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 CNP Group; (ii) has an interest in the CNP Group that gives it significant influence over the CNP Group; or (iii) has joint control over the CNP 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 CNP Group or its parent;

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

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

Property, plant and equipment and depreciation

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

Office equipment	20%

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 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.

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 CNP Group is the lessor, assets leased by the CNP Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the CNP 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, held-to-maturity investments and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The CNP Group assesses whether a contract contains an embedded derivative when the CNP 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 CNP 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 CNP 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.

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.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the CNP Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortised cost less any allowance for impairment. Amortised cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interests method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. Gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities that are designated as available for sale or are not classified in any of the other three categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement. 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 estimate is significant for that investment, or (b) the probabilities or the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Fair value

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

Impairment of financial assets

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

Assets carried at amortised cost

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

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 recognized 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 when other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgement. In addition, the CNP 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. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement.

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 CNP 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 CNP 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 CNP 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 CNP 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 CNP Group could be required to repay.

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

Financial liabilities including trade payables, other payables and accruals, bank overdrafts and amount due to a shareholder 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 within "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.

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.

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, in the case of work in progress and finished goods, 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.

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 CNP Group's cash management.

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

Provisions

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

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

Income tax

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

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

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

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

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

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

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward 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 period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

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

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the CNP 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 CNP Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

(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.

Other employee benefits

Pension scheme

The CNP 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. 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 CNP Group in an independently administered fund. The CNP Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is CNP's functional and presentation currency. Each entity in the CNP Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to income statement. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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

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

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the CNP Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

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

Assessment of impairment of non-current assets

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

Useful lives of property, plant and equipment

The management of the CNP 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 nonstrategic assets that have been abandoned or sold.

Provision for impairment of receivables

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

Estimated fair value of financial assets

The estimation of fair value of financial assets required the CNP 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 REVENUE, OTHER INCOME AND GAINS

The CNP Group is principally engaged in the trading of electronic equipments.

Revenues, other income and gains recognised during the years/periods are as follows:

	Year ended 31 March			Nine months ended 31 December	
	2006	**2007**	**2008**	**2007**	**2008**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
	Audited	Audited	Audited	Unaudited	Audited
Revenue					
Trading of electronic equipments	37,653,964	55,536,000	68,712,090	63,389,603	13,333,155
Other income and gains					
Interest income	36,103	30,668	32,592	27,406	23,506
Sundry income	202,363	44,916	409,389	282,884	306,949
Negative goodwill *(note 24 (a))*	–	836,680	–	–	–
Gain on disposal of a subsidiary	–	–	12,490	–	–
	238,466	912,264	454,471	310,290	330,455
Total revenue, other income and gains	37,892,430	56,448,264	69,166,561	63,699,893	13,663,610

5 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 CNP Group's primary segment reporting basis, by business segment. No further business segment information is presented as over 90% of the CNP Group's revenue and assets relate to the business of trading of electronic equipments. In determining the CNP 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 CNP Group's revenue is derived from customers based in Mainland China, and over 90% of the CNP Group's assets are located in Mainland China.

6 LOSS BEFORE TAX

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

	Year ended 31 March			Nine months ended 31 December	
	2006	**2007**	**2008**	**2007**	**2008**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
	Audited	Audited	Audited	Unaudited	Audited
Cost of inventories sold	33,180,428	55,324,191	68,240,949	62,959,759	13,258,334
Depreciation	3,303	24,088	145,274	104,277	111,018
Auditors' remuneration	25,000	21,025	19,292	2,673	2,272
Written off of property, plant and equipment	286,414	–	–	–	–
Bad debts written off	356,907	–	–	–	–
Operating lease rentals in respect of land and buildings	321,316	1,332,185	1,455,823	1,047,946	1,031,436
Staff costs (excluding directors' remuneration *(note 8)*):					
– Salaries and allowances	2,954,103	700,873	1,226,467	1,271,207	754,351
– Retirement benefit costs	131,034	1,984	(750)	(750)	–
	3,085,137	702,857	1,225,717	1,270,457	754,351
Negative goodwill *(note 24(a))*	–	(836,680)	–	–	–

7 FINANCE COSTS

	Year ended 31 March			Nine months ended 31 December	
	2006	**2007**	**2008**	**2007**	**2008**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
	Audited	Audited	Audited	Unaudited	Audited
Bank overdraft interest	53,096	–	–	–	–

8 DIRECTORS' REMUNERATION

Director's remuneration for the year/period, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Year ended 31 March			Nine months ended 31 December	
	2006	**2007**	**2008**	**2007**	**2008**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
	Audited	Audited	Audited	Unaudited	Audited
Mr. Xiang Xin	–	720,000	360,000	180,000	–

9 RETIREMENT BENEFIT COSTS

The CNP Group contributes to defined contribution retirement schemes (including the Occupational Retirement Scheme ("ORSO Scheme") and Mandatory Provident Fund Scheme ("MPF Scheme")) which are available to all full time employees in Hong Kong and employees who are registered residents of Beijing, the PRC. Contributions to the scheme by the CNP Group and employees are calculated as a percentage of employees' basic salaries.

The CNP Group's contributions to the ORSO Scheme available to certain Hong Kong employees are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

For the MPF Scheme, the CNP Group and its Hong Kong employees each make monthly contribution at 5% of the employee's relevant income, with the maximum contribution by each of the CNP Group and the employees limited to $1,000 per month, as defined in the Hong Kong Mandatory Provident Fund Schemes Ordinance.

Such contributions are fully and immediately vested in the employees as accrued benefits once they are paid.

10 TAX

No Hong Kong profits tax has been provided as the CNP Group did not generate any assessable profits arising in Hong Kong during the Relevant Periods.

No provision for PRC corporate income tax has been made the CNP Group had no assessable profits arising from the PRC.

	Year ended 31 March			Nine months ended 31 December	
	2006	**2007**	**2008**	**2007**	**2008**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
	Audited	Audited	Audited	Unaudited	Audited
Current tax					
Charge for the Relevant Periods					
– Hong Kong	–	–	–	–	–
– Overseas	–	–	–	–	–
Underprovision in prior years					
– Hong Kong	–	16,109	–	–	4,083
– Overseas	–	–	–	–	–
Total tax charge for the Relevant Periods	–	16,109	–	–	4,083

A reconciliation of the tax expense applicable to profits tax using the statutory rates for the countries in which CNP and its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rate to the effective tax rates, are as follows:

	Year ended 31 March			Nine months ended 31 December	
	2006	**2007**	**2008**	**2007**	**2008**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
	Audited	Audited	Audited	Unaudited	Audited
Loss before tax	(2,544,253)	(3,119,672)	(4,314,697)	(3,686,576)	(3,025,804)
Tax at the domestic tax rates applicable in the countries concerned	(536,290)	(863,685)	(1,092,126)	(886,361)	(626,226)
Tax effect of expenses not deductible	115,405	2,419	3,166	2,448	1,909
Tax effect of income not taxable	(6,077)	(20,822)	(5,226)	(3,891)	(73)
Tax effect of tax losses not recognized	426,962	898,197	1,094,186	887,804	589,309
Effect of change in opening deferred tax rate	–	–	–	–	39,164
Tax charge at the CNP Group's effective rate	–	16,109	–	–	4,083

At 31 December 2008, the CNP Group has tax losses of HK$9,094,590 available to offset future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams.

11 LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Loss attributable to the equity holders of CNP included a loss of HK$10,530, HK$10,530 and HK$11,388 for the years ended 31 March 2006, 2007 and 2008 respectively and a loss of HK$11,388 and HK$11,567 for the nine months ended 31 December 2007 and 2008 respectively, which has been dealt with in the Financial Information of CNP.

12 EARNINGS PER SHARE

No earnings per share is presented as the calculation of basic earnings per shares is not meaningful for the purpose of this report.

13 PROPERTY, PLANT AND EQUIPMENT

	Office equipment *HK$* Audited
31 March 2006	
At 1 April 2005	
Cost	33,853
Accumulated depreciation	(6,771)
Net carrying amount	27,082
At 1 April 2005, net of accumulated depreciation	27,082
Additions	265,184
Written off	(286,414)
Depreciation provided during the year	(3,303)
At 31 March 2006, net of accumulated depreciation	2,549
At 31 March 2006	
Cost	2,918
Accumulated depreciation	(369)
Net carrying amount	2,549
31 March 2007	
At 1 April 2006	
Cost	2,918
Accumulated depreciation	(369)
Net carrying amount	2,549
At 1 April 2006, net of accumulated depreciation	2,549
Additions	693,592
Depreciation provided during the year	(24,088)
Exchange realignment	123
At 31 March 2007, net of accumulated depreciation	672,176
At 31 March 2007	
Cost	696,650
Accumulated depreciation	(24,474)
Net carrying amount	672,176

	Office equipment HK$ Audited
31 March 2008	
At 1 April 2007	
Cost	696,650
Accumulated depreciation	(24,474)
Net carrying amount	672,176
At 1 April 2007, net of accumulated depreciation	672,176
Additions	23,920
Depreciation provided during the year	(145,274)
Exchange realignment	69,256
At 31 March 2008, net of accumulated depreciation	620,078
At 31 March 2008	
Cost	792,348
Accumulated depreciation	(172,270)
Net carrying amount	620,078
31 December 2008	
At 1 April 2008	
Cost	792,348
Accumulated depreciation	(172,270)
Net carrying amount	620,078
At 1 April 2008, net of accumulated depreciation	620,078
Additions	3,271
Depreciation provided during the period	(111,018)
Exchange realignment	10,735
At 31 December 2008, net of accumulated depreciation	523,066
At 31 December 2008	
Cost	809,336
Accumulated depreciation	(286,270)
Net carrying amount	523,066

14 INVENTORIES

	31 March			31 December
	2006	**2007**	**2008**	**2008**
	HK$	*HK$*	*HK$*	*HK$*
	Audited	Audited	Audited	Audited
Raw materials	–	390,287	436,180	138,227
Finished goods	664,777	5,315	135,602	–
Consumable goods	7,076	122,308	14,795	489,771
	671,853	571,910	586,577	627,998

15 TRADE RECEIVABLES

	31 March			31 December
	2006	**2007**	**2008**	**2008**
	HK$	*HK$*	*HK$*	*HK$*
	Audited	Audited	Audited	Audited
Trade receivables	6,069,382	10,147,176	5,322,060	18,255

Trading of electronic equipments and components are with credit terms of 30 days whereas the provision of electronic consultancy are with credit terms of 30 days. The CNP Group has a defined credit policy and it varies with the financial strength of individual customers. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the CNP Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk trade receivables are non-interest bearing. The aged analysis of trade receivables, based on the invoice date and net of provision, were as follows:

	31 March			31 December
	2006	**2007**	**2008**	**2008**
	HK$	*HK$*	*HK$*	*HK$*
	Audited	Audited	Audited	Audited
Aged:				
Current	2,729,918	10,147,176	5,315,460	5,600
31 – 60 days	1,980,760	–	5,800	–
61 – 90 days	706,138	–	–	–
Over 90 days	652,566	–	800	12,655
	6,069,382	10,147,176	5,322,060	18,255

At the balance sheet date, the carrying amounts of trade receivables are approximate to their fair value.

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

		31 March		31 December
	2006	**2007**	**2008**	**2008**
	HK$	*HK$*	*HK$*	*HK$*
	Audited	Audited	Audited	Audited
Neither past due nor impaired	2,729,918	10,147,176	5,315,460	5,600
Less than 1 month past due	1,980,760	–	5,800	–
1 to 3 months past due	706,138	–	–	–
Over 3 months past due	652,566	–	800	12,655
	6,069,382	10,147,176	5,322,060	18,255

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 CNP Group. Based on past experience, and the directors have performed an assessment, the directors of CNP 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 CNP Group does not hold any collateral or other credit enhancements over these balances.

16 PREPAYMENTS AND OTHER RECEIVABLES

		31 March		31 December
	2006	**2007**	**2008**	**2008**
	HK$	*HK$*	*HK$*	*HK$*
	Audited	Audited	Audited	Audited
Prepayments	587,054	325,515	15,428	21,772
Other receivables	925,467	233,926	258,413	340,602
	1,512,521	559,441	273,841	362,374

Non of the above assets are either past due or impaired. The financial assets included in the above balances receivables for which there was no recent history of default.

17 CASH AND CASH EQUIVALENTS

	31 March			31 December
	2006	2007	2008	2008
	HK$	*HK$*	*HK$*	*HK$*
	Audited	Audited	Audited	Audited
Cash and bank balance	1,840,022	361,293	2,063,231	4,237,307
Time deposit	1,538,367	–	–	–
	3,378,389	361,293	2,063,231	4,237,307
Less: Pledged time deposits for bank overdraft facilities	(1,538,367)	–	–	–
	1,840,022	361,293	2,063,231	4,237,307

Including in the cash and bank balance was approximately HK$998,910, HK$38,928, HK$1,676,517 and HK$4,000,400 denominated in Renminbi ("RMB") as at 31 March 2006, 2007 and 2008 and 31 December 2008, respectively which was not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the CNP Group was permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

18 TRADE PAYABLES

Details of the aging analysis of trade payables, based on the invoice date, were as follows:

	31 March			31 December
	2006	2007	2008	2008
	HK$	*HK$*	*HK$*	*HK$*
	Audited	Audited	Audited	Audited
Aged:				
Current	3,861,099	10,031,147	5,267,090	5,000
31 – 60 days	2,705,775	–	–	–
61 – 90 days	1,567,073	–	–	–
Over 90 days	1,120,703	4,000	600	–
	9,254,650	10,035,147	5,267,690	5,000

The trade payables are non-interest bearing and are normally settled on 90-day terms.

19 LOAN FROM A DIRECTOR

Pursuant to the loan agreements dated 26 August 2005 and 12 December 2005, the loans of HK$3,500,000 and HK$2,000,000 granted by a director of a subsidiary of CNP which unsecured, interest free and have no fixed terms of repayment. As at the balance sheet date, the director has agreed not to demand repayment of the loan within the next 12 months from the date of this report.

20 INVESTMENT IN SUBSIDIARIES

		31 March		31 December
	2006	2007	2008	2008
	HK$	*HK$*	*HK$*	*HK$*
	Audited	Audited	Audited	Audited
Unlisted shares, at cost	741	741	741	1,251

Details of the subsidiaries for the Relevant Periods are as follows:

Name of subsidiaries	Place and date of incorporation/ establishment	Nominal value of issued share capital/ Paid up capital	Attributable equity interest held by CNP Direct	Attributable equity interest held by CNP Indirect	Principal activity
Boss Systems	BVI/ 3 September 2001	US$100	95%	–	Investment holding
Boss Education	Hong Kong/ 2 October 2008	HK$1,000	51%	–	Provision of educational and training programs
Boss Power	Hong Kong/ 24 February 1999	HK$1,000,000	–	95%	Trading of electronic equipment
Protex (China)	People Republic of China ("PRC")/ 11 August 2005	RMB60,000,000	–	95%	Software development
Protex Utility*	Hong Kong/ 14 February 2006	HK$100	–	95%	Not yet commenced business

* *Disposed on 5 March 2008*

21 DUE TO A DIRECTOR

The amounts due to a director is unsecured, interest free and has not fixed terms of repayments. As at the balance sheet date, the director has agreed not to demand repayment of the amount due to him within the next 12 months from the date of this report.

22 SHARE CAPITAL

		31 March		31 December
	2006	**2007**	**2008**	**2008**
	HK$	*HK$*	*HK$*	*HK$*
	Audited	Audited	Audited	Audited
Authorised:				
50,000,000 ordinary shares of US$0.01 each	3,900,000	3,900,000	3,900,000	3,900,000
Issued and fully paid:				
50,000,000 ordinary shares of US$0.01 each	3,900,000	3,900,000	3,900,000	3,900,000

23 RESERVES

(a) Group

The amounts of the CNP Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statement of changes in equity of the financial statements.

In accordance with the PRC Companies Law, CNP's subsidiary in the PRC, Protex China was required to transfer 10% of its profit after tax, as determined in accordance with accounting standards and regulations of the PRC, to the statutory surplus reserve (until such reserve reaches 50% of the registered capital of the respective companies) and a percentage of not less than 5% as determined by management of the profit after tax to public welfare fund. With the amendment of the PRC Companies Law which was effective from 1 January 2006, enterprises in the PRC are no longer required to transfer any profit to the public welfare fund. Any balance of public welfare fund brought forward from 31 March 2006 would be transferred to the statutory surplus reserve. The statutory surplus reserve is non-distributable. According to the relevant PRC regulations, statutory surplus reserve can be used to make up losses or to increase share capital. Except for the reduction of losses incurred, other usage should not result in the statutory surplus reserve falling below 25% of the registered capital.

During the Relevant Periods, Protex China did not generate any profit. Accordingly, there were no statutory reserves.

(b) Company

	Accumulated losses *HK$* Audited
Balance at 1 April 2005	(29,250)
Loss for the year	(10,530)
At 31 March 2006 and 1 April 2006	(39,780)
Loss for the year	(10,530)
At 31 March 2007 and 1 April 2007	(50,310)
Loss for the year	(11,388)
At 31 March 2008 and 1 April 2008	(61,698)
Loss for the period	(11,567)
At 31 March 2008 and 31 December 2008	(73,265)

24 NOTES TO CASH FLOW STATEMENT

(a) Acquisition of a subsidiary

On 3 November 2006, Boss Systems acquired a 100% interest in Boss Power at cash consideration of HK$1,000,000. Boss Power was engaged in the selling of electronic equipments.

The fair values of the identifiable assets and liabilities of Boss Power as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Fair value recognized on acquisition	**Carrying amount**
	HK$	*HK$*
	Audited	Audited
Net assets acquisitions of:		
Trade receivables	41,964,000	41,964,000
Cash and cash equivalents	5,525,649	5,525,649
Trade payables	(41,536,907)	(41,536,907)
Due to a director	(134,208)	(134,208)
Accruals and other payables	(3,914,500)	(3,914,500)
Tax payables	(67,354)	(67,354)
	1,836,680	1,836,680
Negative goodwill *(note 4)*	(836,680)	
	1,000,000	
Satisfied by:		
Cash	1,000,000	

An analysis of the net inflow of cash and cash equivalents in respect of the acquisition of the subsidiary is as follows:

	HK$
Cash consideration paid	(1,000,000)
Cash and bank balance acquired	5,525,649
Net inflow of cash and cash equivalents in respect of the acquisition of a subsidiary	4,525,649

(b) Disposal of a subsidiary

Protex Utility was disposed by the CNP Group to a company of which Mr. Xiang Xin, a director of CNP, is a director and beneficial owner on 5 March 2008 at cash consideration of HK$100.

The liabilities of Protex Utility at the date of disposal were:

	HK$
	Audited
Other payables and accruals	(12,390)
Consideration received	100
Gain on disposal	12,490
Satisfied by:	
Cash consideration received	100

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

	HK$
Cash consideration received	100

(c) Disposal of assets and liabilities

On 1 April 2006, certain assets and liabilities of Boss Systems were disposed to a company of which Mr. Xiang Xin, a director of CNP, is a director and beneficial owner at their carrying value:

The assets and liabilities disposed comprised of:

	Fair value recognized on acquisition	Carrying amount
	HK$	*HK$*
Trade receivables	6,069,382	6,069,382
Cash and cash equivalents	1,065,834	1,065,834
Other receivables	248,895	248,895
Inventories	664,777	664,777
Trade payables	(9,302,257)	(9,302,257)
Other payables	(853,183)	(853,183)
Due to a director	(119,022)	(119,022)
	(2,225,574)	2,225,574
Discharged by:		
Due to a director	2,225,574	
	–	

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

	HK$
Cash consideration received	(-)
Cash and bank balance disposed	(1,065,834)
Net outflow of cash and cash equivalents in respect of the disposal of assets and liabilities	(1,065,834)

(d) Major non-cash transactions

During the Relevant Periods, an available-for-sale investment in the amount of HK$500,000 was disposed to Mr. Xiang Xin, a director of CNP, at its carrying amount. The consideration was discharged by settlement against the current account with director.

25 COMMITMENTS

(a) Operating lease commitments

At 31 December 2008, the CNP Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	31 March			31 December	
	2006	**2007**	**2008**	**2007**	**2008**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
	Audited	Audited	Audited	Unaudited	Audited
Within one year	1,263,877	1,319,837	1,455,823	1,239,896	1,317,452
In the second to fifth years, inclusive	5,037,883	5,133,576	5,501,712	4,959,583	5,269,806
After five years	5,601,834	4,696,262	3,885,098	4,029,661	2,964,266
	11,903,594	11,149,675	10,842,633	10,229,140	9,551,524

26 RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these financial statements, the CNP Group had the following transactions with related parties during the Relevant Periods:

	Year ended 31 March			Nine months ended 31 December	
	2006	**2007**	**2008**	**2007**	**2008**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
	Audited	Audited	Audited	Unaudited	Audited
Related parties:					
New Times Investment Management Limited					
Management fee paid	1,560,000	350,000	840,000	420,000	420,000
Sales of goods	–	–	1,305	–	–
Times Tech Holdings Limited					
Salary paid	–	450,000	600,000	300,000	300,000
Fair Sharp Investment					
Disposal of a subsidiary *(note 24(b))*	–	–	100	–	–
Director:					
Mr. Xiang Xin					
Disposal of available-for-sale investment *(note 24(c))*	–	500,000	–	–	–
Disposal of certain assets and liabilities *(note 24(c))*	–	2,225,574	–	–	–
Acquisition of a subsidiary *(note 24(a))*	–	1,000,000	–	–	–

27 POST BALANCE SHEET EVENTS

On 9 February 2009, the CNP Group underwent a group re-organisation pursuant to which Boss Systems, a non-wholly owned subsidiary, transferred its entire interest in Boss Power to CNP at a cash consideration of HK$10,000. Upon completion of the group reorganization, Boss Power became a direct wholly owned subsidiary of CNP.

28 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

	Financial assets at fair value through profit or loss – designated as such upon initial recognition	Financial assets at fair value through profit or loss – held for trading	Held-to-maturity investments	Loans and receivables	Available-for-sale financial assets	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
	Audited	Audited	Audited	Audited	Audited	Audited
Trade receivables	–	–	–	18,255	–	18,255
Financial assets included in prepayments and other receivables	–	–	–	362,374	–	362,374
Cash and bank balances	–	–	–	4,237,307	–	4,237,307
	–	–	–	4,617,936	–	4,617,936

Financial liabilities

	Financial liabilities at fair value through profit or loss – designated as such upon initial recognition	Financial liabilities at fair value through profit or loss – held for trading	Financial liabilities at amortised cost	Total
	HK$	*HK$*	*HK$*	*HK$*
	Audited	Audited	Audited	Audited
Trade payables	–	–	5,000	5,000
Other payables and accruals	–	–	317,313	317,313
Loan from a director	–	–	5,500,000	5,500,000
Due to a director	–	–	14,106,341	14,106,341
	–	–	19,928,654	19,928,654

31 March 2008

Financial assets

	Financial assets at fair value through profit or loss – designated as such upon initial recognition	Financial assets at fair value through profit or loss – held for trading	Held-to-maturity investments	Loans and receivables	Available-for-sale financial assets	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
	Audited	Audited	Audited	Audited	Audited	Audited
Trade receivables	–	–	–	5,322,060	–	5,322,060
Financial assets included in prepayments and other receivables	–	–	–	273,841	–	273,841
Cash and bank balances	–	–	–	2,063,231	–	2,063,231
	–	–	–	7,659,132	–	7,659,132

Financial liabilities

	Financial liabilities at fair value through profit or loss – designated as such upon initial recognition	Financial liabilities at fair value through profit or loss – held for trading	Financial liabilities at amortised cost	Total
	HK$	*HK$*	*HK$*	*HK$*
	Audited	Audited	Audited	Audited
Trade payables	–	–	5,267,690	5,267,690
Other payables and accruals	–	–	1,492,260	1,492,260
Loan from a director	–	–	5,500,000	5,500,000
Due to a director	–	–	7,967,237	7,967,237
	–	–	20,227,187	20,227,187

31 March 2007

Financial assets

	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$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
	Audited	Audited	Audited	Audited	Audited	Audited
Trade receivables	–	–	–	10,147,176	–	10,147,176
Financial assets included in prepayments and other receivables	–	–	–	559,441	–	559,441
Cash and bank balances	–	–	–	361,293	–	361,293
	–	–	–	11,067,910	–	11,067,910

Financial liabilities

	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$	*HK$*	*HK$*	*HK$*
	Audited	Audited	Audited	Audited
Trade payables	–	–	10,035,147	10,035,147
Other payables and accruals	–	–	1,157,376	1,157,376
Loan from a director	–	–	5,500,000	5,500,000
Due to a director	–	–	3,890,038	3,890,038
	–	–	20,582,561	20,582,561

31 March 2006

Financial assets

	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$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
	Audited	Audited	Audited	Audited	Audited	Audited
Available-for-sale investments	–	–	–	–	500,000	500,000
Trade receivables	–	–	–	6,069,382	–	6,069,382
Financial assets included in prepayments and other receivables	–	–	–	1,512,521	–	1,512,521
Pledged time deposit	–	–	–	1,538,367	–	1,538,367
Cash and bank balances	–	–	–	1,840,022	–	1,840,022
	–	–	–	10,960,292	500,000	11,460,292

Financial liabilities

	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$	*HK$*	*HK$*	*HK$*
	Audited	Audited	Audited	Audited
Bank overdraft	–	–	555,637	555,637
Trade payables	–	–	9,254,650	9,254,650
Other payables and accruals	–	–	1,550,560	1,550,560
Loan from a director	–	–	5,500,000	5,500,000
Due to a director	–	–	790,735	790,735
	–	–	17,651,582	17,651,582

29 FINANCIAL RISK MANAGMENET OBJECTIVES AND POLICIES

The CNP Group is exposed to various kind of risks in its operation and financial instruments. The CNP Group's risk management objectives and policies mainly focused on minimising the potential adverse effects of these risks on the CNP Group by closely monitoring the individual exposure as follows:

Interest rate risk

The CNP Group has no significant interest-bearing financial assets and liabilities with a floating interest rate. The Company's results and operating cash flows are substantially independent of changes in market interest rates.

Foreign currency risk

The CNP Group has transactional currency exposures as the sales and purchases of the CNP Group were mainly transacted in Renminbi ("RMB") and Hong Kong dollar ("HKD").

The following table demonstrates the sensitivity at the balance sheet date to a reasonable possible change in the exchange rate of RMB with all other variables held constant, of the Company's loss before tax.

	Increase/ (decrease) in exchange rate	**Increase/ (decrease) in loss before tax**	**Increase/ (decrease) in equity**
	%	*HK$*	*HK$*
31 December 2008			
If HKD weakens against RMB	5%	28,835	28,835
If HKD strengthens against RMB	(5%)	(28,835)	(28,835)
31 March 2008			
If HKD weakens against RMB	5%	182,731	182,731
If HKD strengthens against RMB	(5%)	(182,731)	(182,731)
31 March 2007			
If HKD weakens against RMB	5%	2,056	2,056
If HKD strengthens against RMB	(5%)	(2,056)	(2,056)
31 March 2006			
If HKD weakens against RMB	5%	49,946	49,946
If HKD strengthens against RMB	(5%)	(49,946)	(49,946)

Credit risk

The CNP Group trades only with recognised and creditworthy third parties. It is the CNP 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 CNP 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 CNP Group does not offer credit terms without the specific approval of the management.

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

The credit risk on liquid funds is limited because majority of the counterparties are banks of high credit quality in Hong Kong and banks with good reputation in the PRC.

Since the CNP 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. There are no significant concentrations of credit risk within the CNP Group.

Liquidity risk

A director of the CNP Group has indicated his willingness to continue financing the operations of the CNP Group and has agreed not to demand repayment of the amounts due to him until the CNP Group is in a position to do so.

Capital management

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

The CNP Group monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. Net debt includes bank overdraft, trade payables, other payables and accruals, loan from a director and amount due to a director less cash and bank balances and pledged time deposit. Capital includes equity attributable to equity shareholders of CNP.

		31 March		**31 December**
	2006	**2007**	**2008**	**2008**
	HK$	*HK$*	*HK$*	*HK$*
	Audited	Audited	Audited	Audited
Bank overdraft	555,637	–	–	–
Trade payables	9,254,650	10,035,147	5,267,690	5,000
Other payables and accruals	1,550,560	1,151,376	1,492,260	317,313
Loan from a director	5,500,000	5,500,000	5,500,000	5,500,000
Due to a director	790,735	3,890,038	7,967,237	14,106,341
Less: Cash and bank balances	(1,840,022)	(361,293)	(2,063,231)	(4,237,307)
Pledged time deposit	(1,538,367)	–	–	–
Net debt	14,273,193	20,215,268	18,163,956	15,691,347
Equity attributable to equity holders	(5,048,070)	(7,779,876)	(10,665,438)	(13,240,379)
Capital and net debt	9,225,123	12,435,392	7,498,518	2,450,968
Gearing ratio	NA	NA	NA	NA

30 SUBSEQUENT OF THE FINANCIAL STATEMENTS

No audited financial statements have been prepared for the CNP Group in respect of any period subsequent to 31 December 2008.

Yours faithfully
Cachet Certified Public Accountants Limited
Certified Public Accountants

Chan Chi Yuen
Practicing Certificate Number P02671

Hong Kong, 26 May 2009

The following is the text of the unaudited pro forma financial information of the Enlarged Group for the sole purpose for the inclusion in this circular, received from the reporting accountants, Cachet Certified Public Accountants Limited, Certified Public Accountants.

CACHET

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

The Directors
China Trends Holdings Limited
26/F., 9 Des Voeux Road West
Sheung Wan
Hong Kong

Dear Sirs,

We report on the unaudited pro forma financial information of China Trends Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") and Legend Century Investments Limited ("Legend") and its subsidiaries, namely China Net-PC Ltd. ("CNP"), Boss Education Limited ("Boss Education"), Boss Systems Limited ("Boss Systems"), Protex (China) Systems Limited ("Protex (China)") and Boss Power Limited ("Boss Power") (hereinafter referred to as the "Legend Group" and the Group together with the Legend Group hereinafter referred to as the "Enlarged Group"), which has been prepared by the Directors of the Company for illustrative purposes only, to provide information about how the proposed acquisition (the "Acquisition") of the entire issued share capital of Legend by the Company pursuant to a conditional sale and purchase agreement dated 18 February 2009 entered into between the Company and Ocean Space Development Limited ("Ocean Space"), the original sole shareholder of Legend, might have affected the financial information presented, for inclusion as Appendix II to the circular of Company dated 26 May 2009 (the "Circular"). The basis of preparation of the unaudited pro forma financial information is set out in Appendix IV to the Circular.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND REPORTING ACCOUNTANTS

It is the responsibility of the Directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 31 of Chapter 7 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

It is our responsibility to form an opinion, as required by paragraph 31(7) of Chapter 7 of the GEM Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the Directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the pro forma financial information has been properly compiled by the Directors of Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Listing Rules.

The unaudited pro forma financial information is for illustrative purposes only, based on the judgements and assumptions of the Directors of the Company, and, because of its hypothetical nature, does not provide any assurance of indication that any event will take place in the future and may not be indicative of:

– the financial position of the Enlarged Group as at 30 June 2008 or at any future date; or

– the results or the cash flows of the Enlarged Group for the year ended 31 December 2007 or for any future periods.

OPINION

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the Directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Listing Rules.

Yours faithfully,
Cachet Certified Public Accountants Limited
Certified Public Accountants

Chan Chi Yuen
Practicing Certificate Number P02671

Hong Kong, 26 May 2009

1. BASIS OF PREPARATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The accompanying unaudited pro forma financial information of the Enlarged Group has been prepared to illustrate the effect of the proposed acquisition of the entire issued share capital of Legend by the Company (the "Acquisition"), pursuant to a conditional sale and purchase agreement (the "Acquisition Agreement") dated 18 February 2009 entered into between the Company and Ocean Space Development Limited ("Ocean Space").

The unaudited pro forma consolidated income statement and consolidated cash flow statement of the Enlarged Group are prepared based on the audited consolidated income statement and consolidated cash flow statement of the Group for the year ended 31 December 2007 as extracted from the annual report of the Company and the audited consolidated income statements and consolidated cash flow statements of the Legend Group for the year ended 31 December 2008 as extracted from the accountant's report as set out in Appendix II to this circular (the "Circular"), and other financial information included elsewhere in the Circular, as if the Acquisition has been completed on 1 January 2007. A narrative description of pro forma adjustments that are i) directly attributable to the transactions concerned and not relating to future events or decisions; ii) expected to have a continuing impact on the Enlarged Group; and iii) factually supportable, are summarised in the accompanying notes.

The unaudited pro forma balance sheet of the Enlarged Group is prepared based on the unaudited consolidated balance sheet of the Group as at 30 June 2008 as extracted from the interim report of the Company and the audited consolidated balance sheet of the Legend Group as at 31 December 2008 as extracted from the accountants' report as set out in Appendix II to the Circular and other financial information included elsewhere in the Circular, as if the Acquisition has been completed on the respective balance sheet dates.

The unaudited pro forma financial information is prepared to provide information on the Enlarged Group as a result of the completion of the Acquisition. It is prepared for illustrative purpose only and it does not purport to represent what the results, cash flows or financial position of the Enlarged Group as on the completion of the Acquisition.

2. UNAUDITED PRO FORMA CONSOLIDATED INCOME STATEMENT OF THE ENLARGED GROUP

	The Group For the year ended 31 December 2008 *HK$*	The Legend Group For the period ended 31 December 2008 *HK$*	Pro-forma adjustment *HK$* *(Note (c))*	Total Pro-forma adjustment *HK$*	The Enlarged Group *HK$*
REVENUE	81,126,514	13,333,155	–	–	94,459,669
COST OF SALES	(84,408,654)	(13,258,334)	–	–	(97,666,988)
GROSS PROFIT	(3,282,140)	74,821	–	–	(3,207,319)
Other income and gains	194,360	330,455	–	–	524,815
Administrative expenses	(28,512,011)	(3,431,080)	(1,170,000)	(1,170,000)	(33,113,091)
Finance costs	(757,777)	–	–	–	(757,777)
LOSS BEFORE TAX	(32,357,568)	(3,025,804)	(1,170,000)	(1,170,000)	(36,553,372)
Tax	(488,151)	(4,083)	–	–	(492,234)
LOSS FOR THE YEAR	(32,845,719)	(3,029,887)	(1,170,000)	(1,170,000)	(37,045,606)
Attributable to:					
Equity holders of the Company	(32,845,719)	(2,858,512)	(1,170,000)	(1,170,000)	(36,874,231)
Minority interests	–	(171,375)	–	–	(171,375)
	(32,845,719)	(3,029,887)	(1,170,000)	(1,170,000)	(37,045,606)

3. UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET OF THE ENLARGED GROUP

	The Group 31 December 2008 *HK$*	The Legend Group 31 December 2008 *HK$*	Sub-total *HK$*	Pro-forma adjustment *HK$* *(note (a))*	Pro-forma adjustment *HK$* *(note (b))*	Pro-forma adjustment *HK$* *(note (c))*	Total Pro-forma adjustment *HK$*	The Enlarged Group *HK$*
NON-CURRENT ASSETS								
Property, plant and equipment	1,250,938	523,066	1,774,004	–	–	–	–	1,774,004
Investment in a subsidiary	–	–	–	375,060,699	(375,060,699)	–	–	–
Intangible asset	–	–	–	–	388,301,070	–	388,301,070	388,301,070
Deferred tax assets	279,587	–	279,587	–	–	–	–	279,587
	1,530,525	523,066	2,053,591	375,060,699	13,240,371	–	388,301,070	390,354,661
CURRENT ASSETS								
Inventories	1,700,023	627,998	2,328,021	–	–	–	–	2,328,021
Contract works in progress	34,340,000	–	34,340,000	–	–	–	–	34,340,000
Trade receivables	609,974	18,255	628,229	–	–	–	–	628,229
Prepayment and other receivables	43,250,598	362,374	43,612,972	(5,000,000)	–	–	(5,000,000)	38,612,972
Amount due from a director	–	8	8	–	–	–	–	8
Bank balances and cash	7,590,328	4,237,307	11,827,635	–	–	–	–	11,827,635
	87,490,923	5,245,942	92,736,865	(5,000,000)	–	–	(5,000,000)	87,736,865
CURRENT LIABILITIES								
Trade payables	219,133	5,000	224,133	–	–	–	–	224,133
Other payables and accrual	3,827,870	317,313	4,145,183	–	–	1,170,000	1,170,000	5,315,183
Tax payable	4,944,743	–	4,944,743	–	–	–	–	4,944,743
Due to a related company	220,982	–	220,982	–	–	–	–	220,982
	9,212,728	322,313	9,535,041	–	–	1,170,000	1,170,000	10,705,041
NET CURRENT ASSETS	78,278,195	4,923,629	83,201,824	(5,000,000)	–	(1,170,000)	(6,170,000)	77,031,824
TOTAL ASSETS LESS CURRENT LIABILITES	79,808,720	5,446,695	85,255,415	370,060,699	13,240,371	(1,170,000)	382,131,070	467,386,485
NON-CURRENT LIABILITIES								
Loan from a director of certain subsidiaries	–	5,500,000	5,500,000	–	–	–	–	5,500,000
Due to holding company	–	3,900,000	3,900,000	–	(3,900,000)	–	(3,900,000)	–
Due to a director of certain subsidiaries	–	14,106,341	14,106,341	–	–	–	–	14,106,341
Total non current liabilities	–	23,506,341	23,506,341	–	(3,900,000)	–	(3,900,000)	19,606,341
NET ASSETS/(LIABILITIES)	79,808,720	(18,059,646)	61,749,074	370,060,699	17,140,371	(1,170,000)	386,031,070	447,780,144
EQUITY								
Equity attributable to equity holder of the parent								
Issued capital	5,864,515	8	5,864,523	–	(8)	–	(8)	5,864,515
Reserves	73,944,205	(17,140,379)	56,803,826	370,060,699	17,140,379	(1,170,000)	386,031,078	442,834,904
	79,808,720	(17,140,371)	62,668,349	370,060,699	17,140,371	(1,170,000)	386,031,070	448,699,419
Minority interests	–	(919,275)	(919,275)	–	–	–	–	(919,275)
	79,808,720	(18,059,646)	61,749,074	370,060,699	17,140,371	(1,170,000)	386,031,070	447,780,144

4. UNAUDITED PRO FORMA CONSOLIDATED CASH FLOW OF THE ENLARGED GROUP

	The Group For the year ended 31 December 2008 HK$	The Legend Group For the period ended 31 December 2008 HK$	Sub-total HK$	Pro-forma adjustment HK$ (note (a))	Total Pro-forma adjustment HK$	The Enlarge Group HK$
CASH FLOWS FROM OPERATING ACTIVITES						
Loss before tax	(32,357,568)	(3,025,804)	(35,383,372)	–	–	(35,383,372)
Adjustments for:						
Depreciation	170,327	111,018	281,345	–	–	281,345
Impairment of trade receivables	2,677,480	–	2,677,480	–	–	2,677,480
Finance cost	757,777	–	757,777	–	–	757,777
Interest received	(147,548)	(23,506)	(171,054)	–	–	(171,054)
Equity-settled share option expenses	7,442,336	–	7,442,336	–	–	7,442,336
	(21,457,196)	(2,938,292)	(24,395,488)	–	–	(24,395,488)
Increase in inventories	(1,700,023)	(41,421)	(1,741,444)	–	–	(1,741,444)
Increase in contract works in progress	(30,958,412)	–	(30,958,412)	–	–	(30,958,412)
Decrease in trade receivables	60,000,000	5,303,805	65,303,805	–	–	65,303,805
Decrease in prepayments and other receivables	(8,155,911)	(88,533)	(8,244,444)	5,000,000	5,000,000	(3,244,444)
Increase/(decrease) in trade payables	219,133	(5,262,690)	(5,043,557)	–	–	(5,043,557)
Decrease in other payables and accruals	(924,575)	(1,174,947)	(2,099,522)	–	–	(2,099,522)
Increase in amount due to a related company	54,460	–	54,460	–	–	54,460
Cash used in operations	(2,922,524)	(4,202,078)	(7,124,602)	5,000,000	5,000,000	(2,124,602)
Interest received	147,548	23,506	171,054	–	–	171,054
Interest expenses	(757,777)	–	(757,777)	–	–	(757,777)
Hong Kong profits tax paid	(563,325)	(71,437)	(634,762)	–	–	(634,762)
Net cash outflow from operating activities	(4,096,078)	(4,250,009)	(8,346,087)	5,000,000	5,000,000	(3,346,087)
CASH FLOWS FROM INVESTING ACTIVITIES						
Acquisition of property, plant and equipment	(1,015,187)	(3,271)	(1,018,458)	–	–	(1,018,458)
Acquisition of a subsidiary	–	–	–	(5,000,000)	(5,000,000)	(5,000,000)
Net cash outflow from investing activities	(1,015,187)	(3,271)	(1,018,458)	(5,000,000)	(5,000,000)	(6,018,458)

	The Group For the year ended 31 December 2008 *HK$*	The Legend Group For the period ended 31 December 2008 *HK$*	Sub-total *HK$*	Pro-forma adjustment *HK$* *(note (a))*	Total Pro-forma adjustment *HK$*	The Enlarge Group *HK$*
CASH FLOWS FROM FINANCING ACTIVITIES						
Contribution from miniority interest	–	490	490	–	–	490
Repayment of trust receipt loans, net	(12,040,445)	–	(12,040,445)	–	–	(12,040,445)
Increase in amount due to a director of certain subsidiaries	–	6,139,104	6,139,104	–	–	6,139,104
Net cash (outflow)/inflow from financing activities	(12,040,445)	6,139,594	(5,900,851)	–	–	(5,900,851)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(17,151,710)	1,886,314	(15,265,396)	–	–	(15,265,396)
Effect of foreign exchange rate changes, net	–	287,762	287,762	–	–	287,762
Cash and cash equivalents at beginning of year	24,742,038	2,063,231	26,805,269	–	–	26,805,269
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	7,590,328	4,237,307	11,827,635	–	–	11,827,635
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and bank balances	7,590,328	4,237,307	11,827,635	–	–	11,827,635
	7,590,328	4,237,307	11,827,635	–	–	11,827,635

NOTES TO UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(a) Pursuant to the Acquisition Agreement, the aggregate purchase consideration for the Acquisition is HK$600,000,000.

The purchases consideration has to be satisfied:

(i) as to HK$5,000,000 set off against a deposit paid by China Trends to Ocean Space upon the signing of a memorandum of understanding dated 18 December 2007;

(ii) the remaining of approximately HK$595,000,000 by the issue of convertible notes entitling the holder of the convertible notes to convert into a total of 4,760,000,000 new shares of the Company of HK$0.01 each at an conversion price of HK$0.125 per share.

Pursuant to a valuation report dated 26 May 2009 issued by an independent valuer, the fair value of the aggregate consideration paid/payable is as follows:

	HK$
Paid and payable in cash	5,000,000
Fair value of the equity component of the convertible notes*	370,060,699
Total adjusted purchases consideration	375,060,699

* *According to the terms of the convertible bonds (the "CB") to be issued by the Company, subject to the compliance of the Listing Rules and the Takeover Code (the "Conversion Restrictions"), the CB could be converted into the shares of the Company at a conversion price of HK$0.125 (subject to adjustments) per share for a period of 3 years commencing from the date of issue of the CB. Any amount of the CB which remains outstanding at the maturity date shall be converted into the shares of the Company. In the event that the outstanding principal amount of the CB cannot be converted into the shares of the Company due to the Conversion Restrictions, such amount will be cancelled at the maturity date. As the CB is not subject to any repayment apart from conversion into the shares of the Company, the fair value of the CB is treated as an equity rather than a liability to the Company.*

(b) The adjustment reflects the elimination of the Group's investment in Legend Group and the recognition of an intangible asset, which represents the rights attached to the operation of a network computer business by a subsidiary of the Legend Group ("Intangible Asset") in the balance sheet.

The reconciliation of the goodwill arising from the Acquisition is as follows:

	HK$	*HK$*
Total fair value of purchases consideration *(note a)*		375,060,699
Add: Net liabilities of the Legend Group	18,059,646	
Less: Minority interests	(919,275)	
Net liabilities acquired by China Trends	17,140,371	
Less: Amount due from the Legend Group to Ocean Space taken up by China Trends	(3,900,000)	
		13,240,371
Less: Intangible Asset which has not been reflected as the consolidated financial information of the Legend Group		(388,301,070)
Goodwill		–

(c) The adjustment reflects the estimated legal and professional fees and other expenses in relation to the Acquisition.

A. LETTER FROM CACHET

CACHET
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

The Board of Directors
China Trends Holdings Limited
26/F., 9 Des Voeux Road West,
Sheung Wan,
Hong Kong

Dear Sirs,

We refer to the valuation report dated 26 May 2009 (the "Valuation Report") prepared by Vigers Appraisal & Consulting Limited (the "Valuer") in respect of the network computer business (the "Network Computer Business") operated by Protex (China) Systems Limited, a subsidiary of China Net-PC Ltd. ("CNP"), as at 31 March 2009 (the "Valuation").

The Valuation, including the bases and assumptions as set out in the Valuation Report, for which the directors of CNP and China Trends Holdings Limited ("China Trends") and the Valuer are responsible, has been prepared by the valuation approach known as the discounted cash flow analysis. Pursuant to paragraph 19.61 of the Growth Enterprise Market Listing Rule (the "GEM listing rules") on The Stock Exchange of Hong Kong Limited, any valuation of assets (other than land and buildings) or businesses acquired by a listed issuer based on discounted cash flows or projections of profits, earnings or cash flows will be regarded as a profit forecast adopted for the purpose of preparing the Valuation. The profit projection of the Network Computer Business for a 10 year period from the year ending 31 December 2011 to the year ending 31 December 2020 (the "Profit Forecast") has been prepared by the directors of CNP and China Trends using a set of assumptions that include hypothetical assumptions about future events and other assumptions that may or may not necessarily be expected to occur. Consequently, readers are cautioned that the Profit Forecast may not be appropriate for purposes other than for deriving the Valuation of Network Computer Business as at 31 March 2009. Even if the events anticipated under the hypothetical assumptions occur, actual results are still likely to be different from the Profit Forecast since the other anticipated events may or may not occur as expected.

Our engagement was conducted in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" with reference to the procedures under Auditing Guideline 3.341 "Accountants' Report on Profit Forecasts" issued by the Hong Kong Institute of Certified Public Accountants. Our work was performed solely to assist the directors of China Trends to evaluate whether the Profit Forecast was complied properly so far as the accounting policies that have been used and the related calculations are concerned. We have reviewed and compared the accounting policies underlying the Profit Forecast with the accounting policies normally adopted by China Trends and its subsidiaries (the "China Trends Group"). We found that the accounting policies are consistent with those accounting policies normally adopted by the China Trends Group. Our work does not constitute any valuation of Network Computer Business and we were unable to obtain sufficient appropriate evidence to evaluate or express any opinion on the appropriateness of the bases and assumptions made.

In our opinion, the Profit Forecast, so far as the calculations are concerned, has been properly compiled in accordance with bases and assumptions adopted by the directors of CNP and China Trends in preparing the Profit Forecast and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the China Trends Group.

This letter is provided solely for your information. Therefore you cannot, without our prior written consent, refer to or use our name or the letter for any other purpose, refer to them in any documents, or make them available or communicate them to any other party, save as required by the regulatory authorities including but not limited to The Stock Exchange of Hong Kong Limited and the Securities and Futures Commission from time to time. In performing our duties in the subject matter, subject to the industry standards of which we are a member, we accept no liability to any other party who is shown or gains access to this letter.

Yours faithfully,

CACHET CERTIFIED PUBLIC ACCOUNTANTS LIMITED
Certified Public Accountants

Chan Chi Yuen
Practising Certificate Number P02671
Hong Kong, 26 May 2009

B. LETTER FROM THE BOARD

CHINA TRENDS HOLDINGS LIMITED
中國趨勢控股有限公司

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 8171)

26 May 2009

To the Shareholders

Dear Sirs,

China Trend Holdings Limited (the "Company")

We refer to the report of valuation prepared by Vigers Appraisal & Consulting Limited in relation to the appraisal of the valuation ("Valuation") of the network computer business operated by Protex (China) Systems Limited as at 31 March 2009.

We have considered the letter from Cachet Certified Public Accountants dated 26 May 2009 addressed to the board (the "Board") of directors (the "Directors") of the Company regarding whether the Valuation was compiled properly so far as the calculations are concerned.

We are of the opinion that the Valuation has been properly stated and we confirm that we have made the forecast after due and careful enquiry.

Yours faithfully,
For and on behalf of the Board
China Trend Holdings Limited
Xiang Xin
Chairman

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

(a) the information contained in this circular is accurate and complete in all material respects and not misleading;

(b) there are no other matters the omission of which would make any statement in this circular misleading; and

(c) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

2. DISCLOSURE OF INTERESTS

(a) Directors' interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) are required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in the shares

Name of Director	Date of grant	Exercise period	Capacity	Exercise price per share *HK$*	No. of underlying share of the Company comprised the Options outstanding as at 25 May 2009	Approximate percentage of interest
Xiang Xin	9 Apr 2008	9 Apr 2008 to 8 Apr 2013	Beneficial owner	0.28	5,000,000	0.71%
Wong Chak Keung	9 Apr 2008	9 Apr 2008 to 8 Apr 2013	Beneficial owner	0.28	5,000,000	0.71%
Cho Hui Jae	9 Apr 2008	9 Apr 2008 to 8 Apr 2013	Beneficial owner	0.28	5,000,000	0.71%
Leung Wing Kin	9 Apr 2008	9 Apr 2008 to 8 Apr 2013	Beneficial owner	0.28	2,500,000	0.36%
Zhang Zhan Liang	9 Apr 2008	9 Apr 2008 to 8 Apr 2013	Beneficial owner	0.28	2,500,000	0.36%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests and short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) are required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO

So far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, the following person (not being Directors or chief executive of the Company) or corporation had, or was deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

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**
Morgan Strategic Limited	Beneficiary	160,720,000	22.83%	–	–
Top Ten International s.a r.l. *(note 1)*	Corporate	160,720,000	22.83%	–	–
Chen Darren *(note 1)*	Deemed	160,720,000	22.83%	–	–
Lo Wai Chi	Beneficiary	100,240,000	14.24%	–	–
Jo Won Seob	Beneficiary	81,200,000	11.53%	–	–
Pretty Profit Enterprises Ltd.	Beneficiary	60,000,000	8.52%	60,000,000	8.52%
Cheung Chun Yip *(note 2)*	Corporate	60,000,000	8.52%	60,000,000	8.52%
Shenyin Wanguo (H.K.) Limited *(note 3)*	Corporate	40,900,000	5.81%	–	–
Shenyin Wanguo Strategic Investments (H.K.) Limited *(note 3)*	Beneficiary	20,000,000	2.84%	–	–
Shenyin Wanguo Trading (H.K.) Ltd. *(note 3)*	Beneficiary	20,900,000	2.96%	–	–
Korea Technology Investment Corporation	Beneficiary	37,000,000	5.25%	–	–

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**
Morgan Strategic Limited	Beneficiary	45,000,000	6.39%	–	–
Top Ten International s.a r.l. *(note 1)*	Corporate	45,000,000	6.39%	–	–
Chen Darren *(note 1)*	Deemed	45,000,000	6.39%	–	–
Pretty Profit Enterprises Ltd.	Beneficiary	45,000,000	6.39%	45,000,000	6.39%
Cheung Chun Yip *(note 2)*	Corporate	45,000,000	6.39%	45,000,000	6.39%

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. 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.

2. 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.

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 the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the shares or underlying shares of the Company (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Enlarged Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

4. EXPERTS

The following are the qualification of the experts who have given opinions or advice which are contained in this circular:

Name	Qualifications
Cachet	Certified Public Accountants
SinoPac	a licensed corporation to carry on type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as set out in schedule 5 to the SFO
Vigers	Professional Surveyor

Each of Cachet, SinoPac and Vigers has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and report and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, each of Cachet, SinoPac and Vigers does not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

5. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the members of the Enlarged Group within the two years immediately preceding the date of this circular and are or may be material:

(i) warrant placing agreement dated 28 May 2007 entered into between the Company as the issuer, Favor Net Enterprises Limited as the subscriber and Mr. Luk Kam as the guarantor in relation to a private placing of 58,000,000 warrants to the subscriber at a price of HK$0.02 per warrant;

(ii) share subscription agreement dated 21 November 2007 entered into between the Company as the issuer and Pretty Profit Enterprises Ltd. as the subscriber in relation to subscribe 60,000,000 new Shares by the subscriber at a price of HK$0.29 per Share;

(iii) warrant subscription agreement dated 21 November 2007 entered into between the Company as the issuer and Pretty Profit Enterprises Ltd. as the subscriber in relation to subscribe 45,000,000 warrants by the subscriber at a price of HK$0.02 per Share;

(iv) memorandum of understanding dated 18 December 2007 (with supplemental agreements dated 7 July 2008 and 20 September 2008) entered into between the Company and Ocean Space to acquire Target of which a deposit of HK$5,000,000 was paid by the Company to Ocean Space. On 18 February 2009, the Company entered into the Sale and Purchase Agreement with Ocean Space;

(v) memorandum of understanding dated 28 January 2008 entered into between the Company and China Innovation Investment Limited for establishment of a strategic co-operation in the civil and military dual-use optoelectronic industry;

(vi) memorandum of understanding dated 1 February 2008 entered into between the Company, Chi Mei Lighting Technology Corporation and Chi Mei Optoelectronics Corporation for possible cooperation in the LED lighting products and LCD related commercial products and technologies;

(vii) sale and purchase agreement dated 20 September 2008 entered into between the Company and Ms. Zhuang Xiao Shan to acquire an 24% equity interests in Guangdong Allwin Culture Development Co., Limited at the consideration of HK$25,000,000 which had been paid by the Company as a deposit. On 27 February 2009, the Company has verbally agreed with Ms. Zhuang Xiao Shan to terminate the acquisition for the purpose of further negotiation for the terms and ways of possible cooperation and/or transaction would be entered into between the Company and the Vendor on or before 30 June 2009;

(viii) tenancy agreement dated 1 July 2008 entered into between the Company and New Era Group (China) Limited (the "Landlord"), a company of which Mr. Xiang, a director of the Company, is also a director, pursuant to which the Landlord agreed to lease to the Company an office premise for a term of 36 months commencing on 1 July 2008 at a monthly rental of HK$80,000 with the rental free period for the period from 1 July 2008 to 31 August 2008. The Company also paid a deposit of HK$160,000 to the Landlord;

(ix) placing agreement dated 31 December 2008 entered into between the Company and China Everbright Securities (HK) Limited as the placing agent pursuant to which the Company had conditionally agreed to place, through the placing agent on a best effort basis, in aggregate of 117,290,300 placing shares to not fewer than six placees at a price of HK$0.07 per Share;

(x) cooperation agreement dated 11 July 2008 entered into between Protex (China) Systems Limited and C Y Foundation to develop a computer games competition in the 30,000 internet cafes operated by C Y Foundation. Protex (China) Systems Limited will provide LED LCD-NC to the internet cafes and the C Y Foundation will provide the computer software; and

(xi) the Sale and Purchase Agreement.

6. LITIGATION

So far as the Directors are aware, no member of the Group is engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened against any member of the Group as at the Latest Practicable Date.

7. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors are aware of, none of the Directors or their respective associates had any interests in a business which competes or may compete, either directly or indirectly, with the business of the Group or, any other conflicts of interest within the Group.

8. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2008, being the date to which the latest published audited financial statements of the Group was made up.

9. MISCELLANEOUS

(A) There is no contract or arrangement entered into by any member of the Enlarged Group subsisting at the date of this circular in which any Director is materially interested and which is significant to the business of the Enlarged Group.

(B) As at the Latest Practicable Date, none of Cachet, SinoPac, Vigers and any Directors had any direct or indirect interest in any assets which had been acquired, disposed of by or leased to, or which were proposed to be acquired, disposed of by or leased to, any member of the Enlarged Group since 31 December 2008, the date to which the latest published audited consolidated financial statements of the Group were made up.

(C) The registered office of the Company is located at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681 GT, George Town, Grand Cayman, British West Indies.

(D) The head office and principal place of business of the Company in Hong Kong is located at 26/F, No.9 Des Voeux Road West, Sheung Wan, Hong Kong.

(E) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Abacus Limited located at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(F) The company secretary of the Company is Mr. Wong Chak Keung ("Mr. Wong"). Mr. Wong is also an executive Director. Mr. Wong holds a bachelor's 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.

(G) The compliance officer of the Company appointed pursuant to Rule 5.19 of the GEM Listing Rules is Mr. Xiang who is an executive Director. 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. Mr. Xiang joined the Group on 25 February 2008.

(H) The Board established an audit committee with written terms of reference in accordance with Rules 5.28 of the GEM Listing Rules. The audit committee comprises three members who are Independent non-executive Directors, namely, Mr. Zhang Zhan Liang (the Chairman), Mr. Leung Wing Kin and Mr. Zhang Jun.

The principal duties of the audit committee are to review and supervise the financial reporting process and internal control procedures of the Company, and to review the appointment of external auditors on an annual basis as well as to ensure independence of the continuing auditor.

Mr. Leung Wing Kin, 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, aged 38, 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 9 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, 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.

(I) The English text of this document shall prevail over its Chinese text in case of inconsistencies.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours at the head office and principal place of business in Hong Kong of the Company at 26/F, No. 9 Des Voeux Road West, Sheung Wan, Hong Kong from the date of this circular up to and including 12 June 2009 and at the EGM:

(a) the memorandum and articles of association of the Company;

(b) the material contracts referred to in the paragraph headed "Material contracts" in this Appendix;

(c) the written consents of the experts referred to in the paragraph headed "Experts" in this Appendix;

(d) the letter from the Independent Board Committee, the text of which is set out on page 29 of this circular;

(e) the letter of advice from SinoPac to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 30 to 48 in this circular;

(f) the valuation report on Protex China, the text of which is set out in Appendix I to this circular;

(g) the accountants' report on the Target Group prepared by Cachet, the text of which is set out in Appendix III to this circular;

(h) the accountants' report on the CNP Group prepared by Cachet, the text of which is set out in Appendix IV to this circular;

(i) the accountants' report from Cachet in respect of the unaudited pro forma financial information of the Enlarged Group as set out in Appendix V to this circular;

(j) the letter from Cachet in relation to the valuation of Protex China, the text of which is set out in Appendix VI to this circular;

(k) the letter from the Board in relation to the valuation of Protex China, the text of which is set out in Appendix VI to this circular; and

(l) the annual reports of the Company for each of the two financial years ended 31 December 2007 and 31 December 2008.

CHINA TRENDS HOLDINGS LIMITED
中國趨勢控股有限公司

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 8171)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of the shareholders of China Trends Holdings Limited (the "**Company**") will be held at 26/F, No. 9 Des Voeux Road West, Sheung Wan, Hong Kong on Friday, 12 June 2009 at 11:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution of the Company:

ORDINARY RESOLUTION

"**THAT**

(a) the conditional sale and purchase agreement (the "**Sale and Purchase Agreement**") dated 18 February 2009 (a copy of which has been produced to this EGM marked "A" and signed by the chairman of this EGM for the purpose of identification) entered into between the Company, Ocean Space Development Limited (the "**Vendor**") and Zhang Shao Cai relating to the sale and purchase of the entire issued share capital of Legend Century Investments Limited (the "**Target**") and all obligations, liabilities and debts owing or incurred by the Target to the Vendor on or at any time prior to completion, at a total consideration of HK$600,000,000 and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;

(b) any one or more of the directors of the Company be and is/are hereby authorised to do all such acts and things and execute all such documents which he/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Sale and Purchase Agreement and the transactions contemplated thereunder;

(c) the issue of convertible bond (the "**Convertible Bond**") in the principal amount of HK$595,000,000 of the Company to the Vendor in accordance with the terms and conditions of the Sale and Purchase Agreement and the transactions contemplated thereunder be and is hereby approved; and

(d) any one or more of the directors of the Company be and is/are hereby authorised to take all steps he/they consider necessary, desirable or expedient for the purpose of, or in connection with, the issue of the Convertible Bond including but not limited to the allotment and the issue of the shares of HK$0.01 each in the share capital of the Company which may fall to be issued upon the exercise of the conversion rights attached to the Convertible Bond."

By order of the Board
China Trends Holdings Limited
Xiang Xin
Chairman

Hong Kong, 26 May 2009

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

Head office and principal place of business in Hong Kong:
26/F, No.9 Des Voeux Road West
Sheung Wan
Hong Kong

Notes:

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

2. A form of proxy for use at the EGM is enclosed. Whether or not you intend to attend the EGM in person, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the EGM or any adjournment thereof, should he so wish.

3. In order to be valid, the form of proxy, together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.

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