THIS 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 stockbroker or other registered dealer in securities, 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 together with the enclosed form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

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 DISPOSAL

Whether or not you are able to attend the extraordinary general 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 Union Registrars Limited at 18/F, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, 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 Announcements" page for seven days from the date of its publication and the Company website at www.8171.com.hk.

22 December 2009

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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.

DEFINITIONS

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

"2008 Annual Report"	the annual report of the Company for the year ended 31 December 2008 containing the audited financial statement of the Group made up to 31 December 2008
"Adventure"	Adventure Corporate Services Limited, a company incorporated in Hong Kong with limited liability, is owned as to 50% by Mr. Yu and 50% by an Independent Third Party
"associates"	has the meaning ascribed to this term under the GEM Listing Rules
"Board"	the board of Directors
"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
"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 (as supplemented by the First Deed and the Second Deed)
"connected persons"	has the meaning ascribed to this term under the GEM Listing Rules
"Directors"	the directors of the Company
"Disposal"	the Disposal of the Sale Share and the Sale Loan by the Vendor as contemplated under the Sale and Purchase Agreement (as supplemented by the First Deed and the Second Deed)
"Disposal Group"	the Target and its subsidiaries

"EGM"	the extraordinary general meeting of the Company to be held and convened on Monday, 18 January 2010 at 11:00 a.m. for the purpose of considering and, if thought fit, approving the Sale and Purchase Agreement (as supplemented by the First Deed and the Second Deed) and the transactions contemplated thereunder
"Expenses"	(i) all reasonable costs and expenses incurred or to be incurred by the Disposal Group including legal expenses, accounts expenses and other expenses, which was paid by Adventure; and (ii) all advancement of loans made by Adventure to meet funding and working capital requirements of the Disposal Group
"First Deed"	the deed of assignment and novation dated 30 September 2009 entered into among the Company, Mr. Yu and Adventure in relation to the assignment of all the rights and novation of all the obligations of Mr. Yu to Adventure under the Sale and Purchase Agreement
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Third Party"	any person 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"	18 December 2009, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
"Mr. Yu"	Yu Shu Kuen, the purchaser of the Sale Share and the Sale Loan under the Sale and Purchase Agreement (as supplemented by the First Deed and the Second Deed)
"Net Proceeds"	the proceeds from the sale or transfer of all or part of the Sale Share or any of its economic interests or any assets of any company of the Disposal Group by Adventure after deducting the Expenses

"Remaining Group"	the Group as excluding the Disposal Group upon Completion
"Results Announcement"	announcement of the Company in relation to the annual results of the Group for the year ended 31 December 2008
"Sale and Purchase Agreement"	the conditional sale and purchase agreement dated 15 June 2009 entered into between the Purchaser and the Company in relation to the sale and purchase of the Sale Share and the Sale Loan
"Sale Loan"	all obligations, liabilities and debts owing or incurred by the Target to the Company 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 30 June 2009, amounted to HK$32,582,000
"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
"Second Deed"	the deed of assignment and novation dated 1 December 2009 entered into among the Company, Mr. Yu and Adventure in relation to the assignment of all the rights and novation of all the obligations of Adventure to Mr. Yu under the Sale and Purchase Agreement (as supplemented by the First Deed)
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.01 each in the capital of the Company
"Shareholder(s)"	holder(s) of the issued Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target"	Ace Solution Technology Limited, a company incorporated in the British Virgin Islands, whose entire issued share capital is beneficially owned by the Company
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"US$"	United States dollars, the lawful currency of the United States of America
"%"	per cent.

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. Yang Gao Cai
Mr. Wong Chak Keung
Mr. Law Gerald Edwin

Independent non-executive Directors:
Mr. Zhang Zhan Liang
Ms. Lu Yuhe
Mr. Kwok Chi Hung

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

22 December 2009

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL DISPOSAL

INTRODUCTION

Reference is made to the announcement of the Company dated 14 August 2009 in which the Board announced that on 15 June 2009, the Company, entered into the Sale and Purchase Agreement with Mr. Yu pursuant to which Mr. Yu has agreed to acquire and the Company 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 amounted to approximately HK$32,582,000 as at 30 June 2009, for a total consideration of HK$1.00.

Reference is also made to the announcement of the Company dated 30 September 2009 in which the Company, Mr. Yu and Adventure entered into the First Deed, pursuant to which Adventure was assigned with all the rights and interests and assumed all the obligations and liabilities of Mr. Yu under the Sale and Purchase Agreement. The First Deed was entered at the request of Mr. Yu.

Reference is also made to the announcement of the Company dated 1 December 2009 in which the Company, Mr. Yu and Adventure entered into the Second Deed, pursuant to which Mr. Yu was assigned with all the rights and interests and assumed all the obligations and liabilities of Adventure under the Sale and Purchase Agreement (as supplemented by the First Deed). The Second Deed was entered at the request of Adventure.

The Disposal constitutes a very substantial disposal on the part of the Company under the GEM Listing Rules.

The purpose of this circular is to provide you with further information regarding the Disposal.

THE SALE AND PURCHASE AGREEMENT (AS SUPPLEMENTED BY THE FIRST DEED AND THE SECOND DEED)

Date: 15 June 2009

Parties:

Parties:	(1)	Vendor	:	The Company
	(2)	Purchaser	:	Yu Shu Kuen

The Purchaser is a resident in Hong Kong and has over 20 years of financial market experience. He has worked in the investment banking field in Hong Kong and has his own financial services business. The Purchaser and the companies controlled by him are established distressed assets buyers with a history of dealings with the distressed assets since 2002.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser is an Independent Third Party.

Assets to be disposed

Pursuant to the Sale and Purchase Agreement (as supplemented by the First Deed and the Second Deed), the Purchaser has agreed to acquire and the Company 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 amounted to approximately HK$32,582,000 as at 30 June 2009.

Pursuant to the Sale and Purchase Agreement (as supplemented by the First Deed and the Second Deed), the Company has not provided any warranties to the Purchaser in relation to the assets, liabilities, business and operations of the Disposal Group. As such, the Company would not incur any additional liability in relation to the assets, liabilities, business and operations of the Disposal Group following Completion.

Consideration

The consideration of HK$1.00 for the sale and purchase of the Sale Share and Sale Loan shall be paid by the Purchaser to the Company in cash at Completion.

The consideration for the Sale Share and the Sale Loan was agreed between the Company and the Purchaser after arm's length negotiations according to the circumstances of the Company as set out in the section headed "Reasons for the Disposal" below and the undertakings made by the Purchaser as set out in the paragraph headed "Purchaser's undertakings" below.

According to the unaudited consolidated management accounts of the Disposal Group prepared under the Hong Kong accounting standards, the net book value of the Disposal Group as at 30 June 2009 was approximately HK$7,154,000. The Consideration represents a deficit of approximately HK$39,736,000 to the net book value of the Disposal Group and the Sale Loan as at 30 June 2009. However, given that (i) the Group's loss of access to certain books and records of the Disposal Group, including the information in relation to and the whereabouts of the contract works in progress and the other matters which were qualified by the auditors of the Company in the 2008 Annual Report; (ii) the loss of access to certain books and records have rendered the Directors unable to form an informed overall assessment on the assets, liabilities, business and operations of the Disposal Group; (iii) the risk of potential liabilities which arises from the loss of books and records not known to the Group; (iv) the Directors' view that the Disposal Group should be considered as distressed assets and should not be viewed as ordinary assets; (v) the suspension in the operation of the Disposal Group in the year of 2009; (vi) the undertakings given by the Purchaser to pay a percentage of the proceeds from future sale or transfer of all or part of the Sale Share or any of its economic interests or any assets of any member of the Disposal Group to the Company; and (vii) the loss of books and records have put the Group in a difficult position to identify and secure buyers for valuable consideration of the Disposal Group, the Directors (including the independent non-executive Directors) consider the payment terms of the consideration under the Sale and Purchase Agreement (as supplemented by the First Deed and the Second Deed) to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Purchaser's undertakings

The Purchaser undertakes to the Company that if the Purchaser (or its nominee) enters into any agreement, arrangement or assignment with any third party for the sale or transfer of all or part of the Sale Share or any of its economic interests or any assets of any member of the Disposal Group:

(i) on or before the date falling two years from the date of Completion, the Purchaser agrees to pay to the Company, within five Business Days upon receipt of the proceeds from such sale or transfer by the Purchaser (or its nominee), a sum equivalent to 50% of the Net Proceeds; or

(ii) after the date falling two years from the date of Completion and ending on the date failing ten years after the date of Completion, the Purchaser agrees to pay to the Company, within five Business Days upon receipt of the proceeds from such sale or transfer by the Purchaser (or its nominee), a sum equivalent to 30% of the Net Proceeds.

The Purchaser undertakes to the Company that the Purchaser (or its nominee) shall sell or transfer all of the Sale Share or its economic interests or all of the assets of any member of the Disposal Group at a reasonable consideration to third party(ies) independent of and not connected with the Purchaser on or before the date falling ten years after the date of Completion.

The Purchaser shall or shall procure its nominee to use its best endeavours to assist the Company in connection with the provision all information and documents relating to the Disposal Group required pursuant to the GEM Listing Rules and other applicable rules, codes and regulations whether in connection with the preparation of all documents, advice or otherwise are duly given promptly to the Company, the Stock Exchange and other relevant regulatory authorities.

The Purchaser shall or shall procure its nominee to cooperate in good faith with the Company in any enquiries conducted by the Stock Exchange and other relevant regulatory authorities, including answering promptly and openly any questions relating to the Disposal Group and potential vendor(s) of all or part of the Sale Share or any of its economic interests or any assets of any member of the Disposal Group, promptly producing any documents and attending any meeting at the request of the Company.

The Purchaser shall or shall procure its nominee to report to the Company in a meeting, via telephone conference, via facsimile or via email within five Business Days after the end of each calendar month:

(i) the progress of any agreement, arrangement or assignment with any third party for the sale or transfer of all or part of the Sale Share or any of its economic interests or any assets of any member of the Disposal Group; and

(ii) the progress of any steps to enter into receivership or liquidation and present petition for winding up or appoint receiver for any member of the Disposal Group.

The Purchaser shall or shall procure its nominee to prepare and provide the Company with minutes of all meetings or telephone conferences between the Purchaser or its nominee and the Company above within five Business Days after such meeting or telephone conference.

For the avoidance of doubt, these undertakings shall survive Completion and the rights and remedies of the Company in respect of any breach of such undertakings by the Purchaser shall not be affected by Completion.

The Board will make quarterly announcements in the quarterly, interim and annual results announcements of the Group to keep the Shareholders and the market updated of any development relating to the sale of the Sale Share or any assets of any member of the Disposal Group.

Conditions precedent

Completion shall be conditional upon and subject to:

(a) the passing by the Shareholders at an extraordinary general meeting of the Company to be convened and held of the necessary resolutions to approve the Sale and Purchase Agreement (as supplemented by the First Deed and the Second Deed) and the transactions contemplated thereunder; and

(b) the Purchaser having obtained all necessary consents and approvals required to be obtained on its part in respect of the Sale and Purchase Agreement (as supplemented by the First Deed and the Second Deed) and the transactions contemplated thereunder.

All of the conditions are not waivable under the Sale and Purchase Agreement (as supplemented by the First Deed and the Second Deed). If the conditions have not been satisfied on or before 31 December 2009 (as extended by the letter of extension signed between the Company and the Purchaser on 1 December 2009), or such later date as the Company and the Purchaser may agree, the Sale and Purchase Agreement (as supplemented by the First Deed and the Second Deed) shall cease and determine, and thereafter neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

As at the Latest Practicable Date, none of the conditions have been fulfilled.

COMPLETION

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

Upon Completion, the companies in the Disposal Group will cease to be subsidiaries of the Company.

INFORMATION ON THE DISPOSAL GROUP

The Disposal Group is principally engaged in investment holding, sale and marketing of mobile phone appliances and the relevant application solution and its operation was suspended in 2009. As at the Latest Practicable Date, other than the director(s) of the members of the Disposal Group, the Disposal Group does not have any staff. The customers' list of the Disposal Group is not in the possession of the Company. According to the available information of the Group, the Disposal Group had seven customers in 2008.

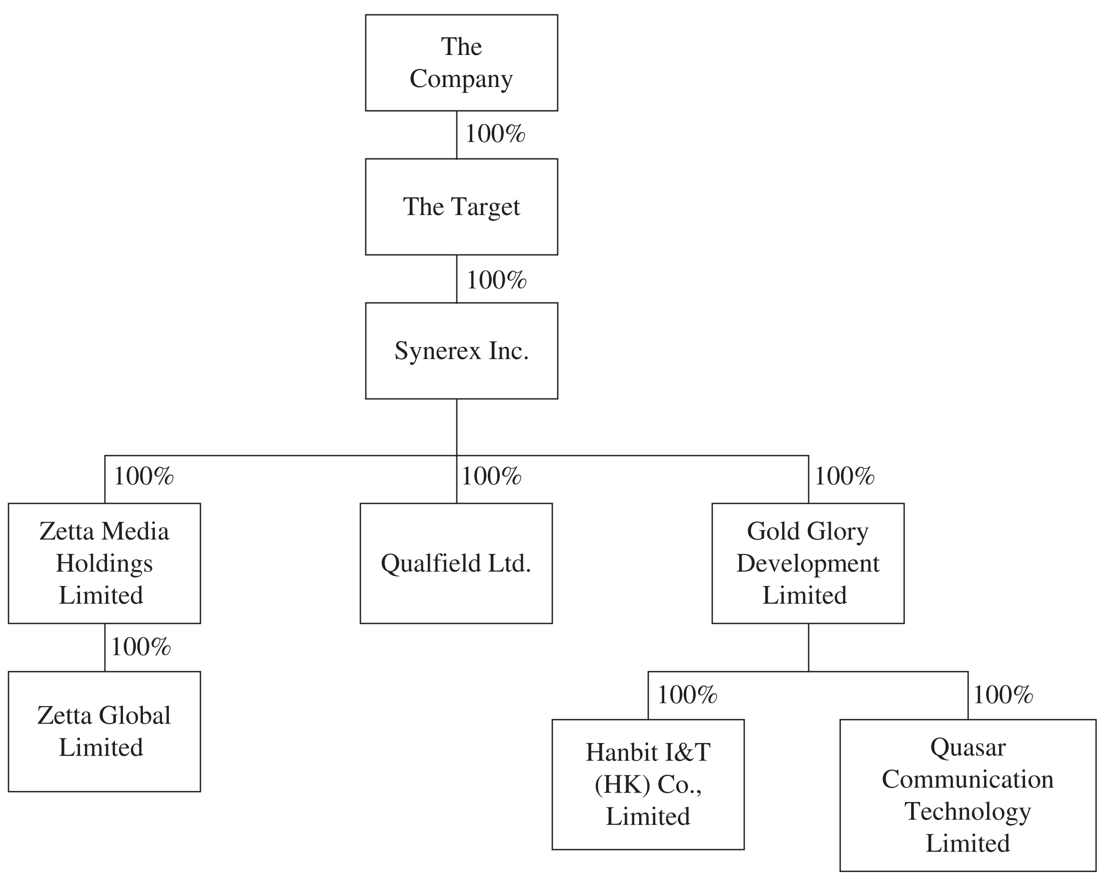
According to the unaudited consolidated management accounts of the Disposal Group prepared under the Hong Kong accounting standards, for year ended 31 December 2007, the net loss before and after taxation was approximately HK$6,995,000 and approximately HK$7,309,000 respectively. The net asset value of the Disposal Group was approximately HK$32,496,000 as at 31 December 2007.

According to the unaudited consolidated management accounts of the Disposal Group prepared under the Hong Kong accounting standards, for year ended 31 December 2008, the net loss before and after taxation was approximately HK$22,181,000 and approximately HK$22,625,000 respectively. The net asset value of the Disposal Group was approximately HK$9,871,000 as at 31 December 2008.

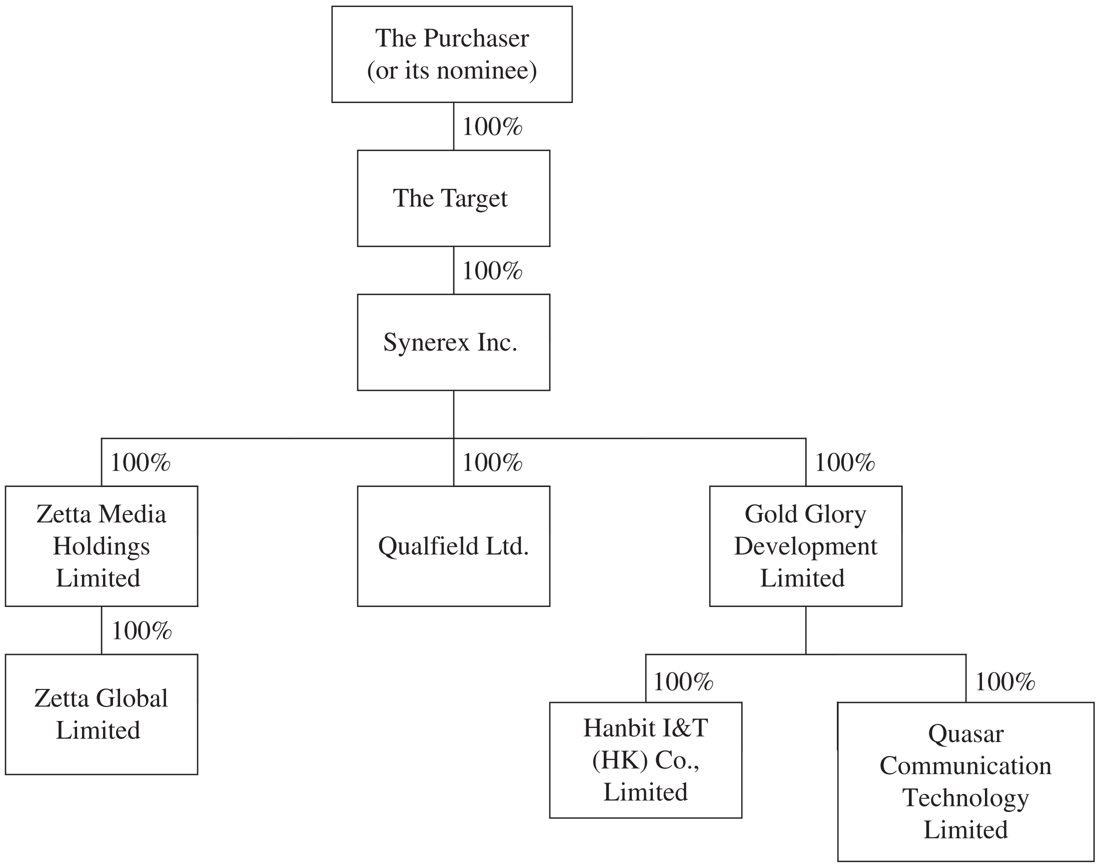
According to the unaudited consolidated management accounts of the Disposal Group prepared under the Hong Kong accounting standards, for the six months ended 30 June 2009, the net loss before and after taxation was approximately HK$2,420,000 and approximately HK$2,717,000 respectively. The net asset value of the Disposal Group was approximately HK$7,154,000 as at 30 June 2009. As at 31 May 2009, the principal assets of the Disposal Group were contract works in progress of approximately HK$34,340,000 (which were contracts of printed circuit board software solution including the industrial design, mechanical design and mould design for mobile phone under the Global System for Mobile communications standard and qualified by the auditors of the Company in the 2008 Annual Report) and prepayment, deposits and other receivable of approximately HK$12,791,000 (of which HK$8,200,000 were qualified by the auditors of the Company in the 2008 Annual Report), and the principal liabilities of the Disposal Group were other payables and accrual of approximately HK$2,774,000, tax payable of approximately HK$5,225,000 and the Sale Loan of approximately HK$32,582,000 (which were qualified by the auditors of the Company in the 2008 Annual Report).

CHANGE OF SHAREHOLDING STRUCTURE OF RELEVANT ENTITIES

The diagram below shows the shareholding structure of the Disposal Group immediately before Completion:



The diagram below shows the shareholding structure of the Disposal Group immediately after Completion:



REASONS FOR THE DISPOSAL

The Group is principally engaged in sales and marketing of mobile phone appliances and the relevant parts solution. Upon Completion, there will not be any change in the principal business of the Group. According to the unaudited consolidated financial statements of the Group prepared under the Hong Kong accounting standards, for the six months ended 30 June 2009, the revenue of approximately HK$26,727,000 was generated by a subsidiary of the Company other than the Disposal Group. The Company conducted similar businesses of the Disposal Group through another subsidiary since mid-December 2008.

There will not be any immediate net proceeds receivable by the Group as a result of the Disposal.

Under the internal policy of the Group, the subsidiaries are required to provide quarterly management accounts of the subsidiaries to the Company for the purpose of consolidation. In each of the first three quarters of 2008, the management of the Disposal Group provided the management accounts of the Disposal Group to the Company and the interim consolidated statements of the Group for the six months ended 30 June 2008 had been audited by Cachet Certified Public Accountants Limited, the auditors of the Company, with a clean auditors' report for internal reference to the Board.

In December 2008, the Group noticed that when most of the former directors of the Disposal Group left the Group, the former directors did not directly deliver the books and records of the Disposal Group to the Company. The Company then sent a legal letter demanding the return of the books and records to the former directors of the Disposal Group in late December 2008. Given the difficulty in retrieving the missing documents and the unhelpfulness of the former directors of the Disposal Group in providing the missing documents and information relating to the Disposal Group, the Group has not conducted any business through the Disposal Group. The Directors decided to conduct similar businesses of the Disposal Group through another subsidiary of the Company.

In or about March 2009 when the auditors of the Group conducted its annual audit for the year ended 31 December 2008, although the Group retrieved some of the books and records from a former director, there were still certain missing books and records, including the information in relation to and the whereabouts of the contract works in progress, from the former directors of the Disposal Group.

Mainly due to the missing of such corporate documents, the consolidated financial statements of the Company for the year ended 31 December 2008 were qualified by the auditors of the Company. For further details in relation to the qualified opinion on the financial statements of the Company, please refer to the 2008 Annual Report.

The Company enquired about the missing books and records of the Disposal Group in an attempt to locate the missing documents and the Company also contacted such former director through its legal advisers a number of times in an effort to retrieve such documents. The Company was notified by the former director(s) of the Disposal Group in early May 2009 that some of the documents were in the custody of the PRC legal advisers of a former director of the Disposal Group. Certain of such documents have been retrieved in mid-May 2009 while a number of documents remain outstanding. As at the Latest Practicable Date, the Company was still pursuing the former director of the Disposal Group for the outstanding books and records of the Disposal Group. The Company will update the Shareholders and investing public further should there be any material development in its retrieval exercise.

In January 2009, after the Company had failed in retrieving the remaining outstanding books and records of the Disposal Group, the Directors decided to suspend the operation of the Disposal Group. The loss of books and records has adversely affected the daily operations of the Disposal Group. Without such books and records of the Disposal Group, the Company has difficulties in identifying buyers for the Disposal Group other than the Purchaser, who, together with the companies controlled by him, are established distressed assets buyers.

Given the substantive time spent and to be spent by the management of the Group to resolve the problem of missing books and records, the Directors consider that it is in the best interests of the Company to dispose of the Disposal Group to an established distressed assets buyer. The Directors further consider that the Disposal (i) will save resources, efforts and time for the management of the Group to explore on and deal with new businesses and customers; (ii) is a realistic choice; and (iii) will provide an opportunity for the Group to obtain further proceeds in the event of the sale of the Sale Share or its economic interests or any assets of any company of the Disposal Group by the Purchaser.

Taking into account the pros and cons of the Disposal as detailed above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Disposal are fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole.

The Board has reviewed the internal control policies of the Group. The Directors consider that the major reason leading to the loss of books and records of the Disposal Group, in particular, due to the uncooperativeness and unhelpfulness of the former directors of the relevant subsidiaries of the Company in providing the missing documents and information relating to the Disposal Group. Prior to their resignation, such former directors were some of the most senior personnel of the relevant subsidiaries who had the access to such corporate documents. This individual separate incident of mishandling of corporate documents cannot be prevented even with tightened internal control procedures. However, to avoid similar incidents in the future, all available books and records of the subsidiaries of the Company have been kept at the principal place of business of the Company in Hong Kong. To further enhance the accountability of the subsidiaries to the Company, members of the Board have been appointed as directors of all subsidiaries (excluding the Disposal Group) of the Company. The Board has also appointed the auditors of the Company to review its internal control procedures of the Group and the results and findings of such internal control review have been reported to the audit committee of the Company. The Board considers that (i) the corporate structure of the Group is simple and the Group does not have a large amount of staff; and (ii) the implementation of all the recommendations of the auditors in the internal control review report will not result in a material improvement on the internal control of the Group, because the existing remedial measures of the Company are sufficient to avoid similar incident relating to the loss of books and records of the subsidiaries in the future. The implementation of the recommendations of the auditors will only enhance the existing measures. Further announcement will be made in relation to the further details of the loss of books and records of the Disposal Group.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE RESULTS OF THE REMAINING GROUP

For the year ended 31 December 2006

Financial review

According to the unaudited consolidated management accounts of the Remaining Group prepared under the Hong Kong accounting standards, for year ended 31 December 2006, the net loss before and after taxation was approximately HK$783,000. There was no revenue of the Remaining Group for year ended 31 December 2006.

Operational review

The Remaining Group was principally engaged in investment holding.

Liquidity, financial resources and gearing

The Remaining Group continued to finance its operation and expenditure mainly through internally generated fund and business expansion from the listing proceeds from issue of new shares. The Remaining Group maintained a healthy liquidity position with a current ratio of approximately 1.0 and total cash and bank balances amounted to approximately HK$11,000. As at 31 December 2006, the gearing ratio based on total debts over total equity was zero.

Capital structure and fluctuation in exchange

The capital of the Remaining Group comprised only ordinary shares as at 31 December 2006. During the period, the transactions of the Remaining 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 Remaining 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 3 full-time staff (including directors) employed by the Remaining Group. The staff costs, for the year including directors' remuneration were approximately HK$1,947,000.

Significant investments and material acquisitions

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

Charge, contingent liabilities and commitments

As at 31 December 2006, other than guarantees to the extent of HK$40,000,000 given to banks by the Company in respect of banking facilities available to certain wholly owned subsidiaries, the Remaining Group had no contingent liabilities. As at 31 December 2006, the Remaining Group had no commitment and there were no charges on any assets of the Remaining Group.

For the year ended 31 December 2007

Financial review

According to the unaudited consolidated management accounts of the Remaining Group prepared under the Hong Kong accounting standards, for year ended 31 December 2007, the net loss before and after taxation was approximately HK$890,000. There was no revenue of the Remaining Group for year ended 31 December 2007.

Operational review

The Remaining Group was principally engaged in investment holding.

Liquidity, financial resources and gearing

The Remaining Group continued to finance its operation and expenditure mainly through internally generated fund and business expansion from the listing proceeds from issue of new shares and warrants. The Remaining Group maintained a healthy liquidity position with a current ratio of approximately 259.7 and total cash and bank balances amounted to approximately HK$15,036,000. As at 31 December 2007, the gearing ratio based on total debts over total equity was zero.

Capital structure and fluctuation in exchange

The capital of the Remaining Group comprised only ordinary shares as at 31 December 2007. During the period, the transactions of the Remaining Group were mainly transacted in US dollars and Hong Kong dollars. As at 31 December 2007, substantial portion of the assets and liabilities of the Remaining 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 2007, there was a total of 3 full-time staff (including directors) employed by the Remaining Group. The staff costs, for the year including directors' remuneration were approximately HK$1,774,000.

Significant investments and material acquisitions

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

Charge, contingent liabilities and commitments

As at 31 December 2007, other than guarantees to the extent of HK$50,000,000 given to banks by the Company in respect of banking facilities available to certain wholly owned subsidiaries, the Remaining Group had no contingent liabilities. As at 31 December 2007, the Remaining Group had no commitment and there were no charges on any assets of the Remaining Group.

For the year ended 31 December 2008

Financial review

According to the unaudited consolidated management accounts of the Remaining Group prepared under the Hong Kong accounting standards, for year ended 31 December 2008, the net loss before and after taxation was approximately HK$10,177,000 and approximately HK$11,110,000 respectively. The revenue of the Remaining Group was approximately HK$2,627,000.

Operational review

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

In view of the intense competition and falling profit margin, the Remaining Group is actively seeking opportunities to other business with higher return than the existing business.

Liquidity, financial resources and gearing

The Remaining Group continued to finance its operation and expenditure mainly through internally generated fund, and support certain product solutions development and business expansion. The Remaining Group maintained a healthy liquidity position with a current ratio of approximately 30.4 and total cash and bank balances amounted to approximately HK$7,172,000. As at 31 December 2008, the gearing ratio based on total debts over total equity was zero.

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

The capital of the Remaining Group comprised only ordinary shares as at 31 December 2008. During the period, sales and purchases of the Remaining Group were mainly transacted in US dollars and Hong Kong dollars. As at 31 December 2008, substantial portion of the assets and liabilities of the Remaining 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 2008, there were a total of 5 full-time staff (including directors) employed by the Group. The staff costs for the year including directors' remuneration were approximately HK$343,000 and equity-settled share option expenses were approximately HK$3,720,000.

Significant investments and material acquisitions

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

Charge, contingent liabilities and commitments

As at 31 December 2008, the Remaining Group had no contingent liabilities, no significant commitment and there were no charges on any assets of the Remaining Group.

For the period ended 30 June 2009

Financial review

According to the unaudited consolidated management accounts of the Remaining Group prepared under the Hong Kong accounting standards, for the six months ended 30 June 2009, the net loss before and after taxation was approximately HK$2,928,000. The revenue of the Remaining Group was approximately HK$25,027,000.

Operation review

The Remaining Group was principally engaged in sales and marketing of mobile phone appliances and the relevant application solution. As set out in the annual report of the Company for the year ended 31 December 2008, there is fierce competition in the current business operations of the Remaining Group and the Board has been seeking opportunities to increase the business scope and the foundation of the Remaining Group. In view of the intense competition and falling profit margin, the Remaining Group is actively seeking opportunities to other business with higher return than the existing business.

On 18 February 2009, the Company entered into a sale and purchase agreement with Ocean Space Development Limited ("Ocean Space"), an independent third party, in respect of acquisition of the entire issued share capital of Legend Century Investments Limited (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 already paid to Ocean Space 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. Since the conditions precedent of the Legend Acquisition has been fulfilled, the completion of the acquisition shall take place in due course when the Listing Committee of the Stock Exchange granting listing of and permission to deal in the new shares to be allotted and issued upon exercise of the conversion rights attached to the convertible bond.

The Company is of the view that the potential business development in optoelectronic industry is one of the key commercial applications in the PRC, the Remaining 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. The Directors consider that the Legend Acquisition represents a good opportunity for the Remaining Group to expand into the optoelectronic, media and advertisement publication business in the PRC.

Since suspension of the trading in the Shares of the Company on 1 April 2009, the Company has been liaising closely with the Stock Exchange with an aim to restore trading in the Shares. During the process, the Stock Exchange has raised concerns on the qualifications made by the auditors of the Company on the financial statements of the Company for the year ended 31 December 2008, the Group's internal control system and the operating and financial positions of the Group. It is expected that the publication of the announcement providing information on the Group's internal control system and the operating and financial positions of the Group will be published in due course.

The Remaining Group will strive to maintain the market share in the current business operations at the same time to explore new businesses, such as the media and advertisement publication, civil and military dual-use optoelectronic and consumer electronic products as mentioned above, so as to bring a reasonable return to the Shareholders.

Liquidity, financial resources and gearing

The Remaining Group continued to finance its operation and expenditure mainly through internally generated fund and the net proceeds from the Placing.

The Remaining Group maintained a healthy liquidity position with a current ratio of approximately 19.0 and total cash and bank balances amounted to approximately HK$6,654,000. As at 30 June 2009, the gearing ratio based on total debts over total equity was zero.

Capital structure and fluctuation in exchange

The capital of the Group comprised only ordinary shares as at 30 June 2009.

During the period, sales and purchases of the Group were mainly transacted in US dollars and Hong Kong dollars. As at 30 June 2009, 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.

Completion of placing of new shares

In accordance with a placing agreement entered into between the Company and a placing agent on 31 December 2008 (the "Placing"), a total of 117,288,000 of new ordinary share(s) of HK$0.01 in the share capital of the Company had been successfully placed and issued to not less than ten placees, who are professional, institutional and/or corporate, or individual investors and independent third parties at the placing price of HK$0.07 per placing share. The net proceeds from the Placing amounted to HK$8,123,000 and were used for general working capital.

Employees

As at 30 June 2009, there was a total of 10 staffs employed by the Remaining Group. The staff costs, including directors' remuneration, for the six months period ended 30 June 2009 were approximately HK$934,000. The total amount comprised salaries, wages and allowance, medical and insurance coverage, pension fund scheme and discretionary bonus.

Significant investments and material acquisitions

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

Charge, contingent liabilities and commitments

As at 30 June 2009, the Remaining Group had no contingent liabilities, no significant commitment and there were no charges on any assets of the Remaining Group.

FINANCIAL EFFECT OF THE DISPOSAL

Set out in Appendix II to this circular is the unaudited pro forma financial information of the Remaining Group which illustrates the financial impact of the Disposal on the assets and liabilities, results and cash flows of the Remaining Group.

The estimate loss on disposal of the Disposal Group will be approximately HK$39,736,000 as if the Disposal had been completed on 30 June 2009. The estimate loss on the Disposal is calculated based on (i) the net consideration of approximately HK$1; and (ii) the adjusted net assets attributable to the Disposal Group as at 30 June 2009 of approximately HK$47,776,000 (representing the net liabilities attributable to the equity holder of the Disposal Group of approximately HK$8,040,000 and the amounts due from the Disposal Group to the Company of approximately HK$32,582,000.

FINANCIAL AND TRADING PROSPECTS OF THE REMAINING GROUP

After completion of the disposal of Disposal Group, the Remaining Group will continue to engage in sales and marketing of mobile phone appliances and the relevant application solutions through a subsidiary of the Company newly established in late 2008. The Remaining Group will keep abreast of technology upgrade on mobile application and development to serve the need of the customers and maintain the market positioning. The Remaining Group will, under its internal financial resources, strive to explore new customers for the sale and marketing of mobile phone appliances and the relevant application solutions. The development of mobile phone application solutions will incorporate value-added solutions to the design and operation of the mobile phone.

Although both the turnover and the loss for the period for the six months ended 30 June 2009 were worse than the same period of last year, the Board still holds positive attitude towards the coming years. As set out in the annual report of the Company for the year ended 31 December 2008, there is fierce competition in the current business operations of the Group and 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. The Group is of the view that the potential business development in optoelectronic industry is one of the key commercial applications in the 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. The Group will strive to maintain the market share in the current business operations at the same time to explore new businesses, such as the media and advertisement publication, civil and military dual-use optoelectronic and consumer electronic products as mentioned above, so as to bring a reasonable return to the Shareholders.

LISTING RULES IMPLICATIONS

The Disposal constitutes a very substantial disposal on the part of the under the GEM Listing Rules.

Pursuant to the GEM Listing Rules, the resolution proposed at the EGM will be taken by way of poll and an announcement will be made after the EGM on the results of the EGM.

The Purchaser is an Independent Third Party and does not hold any Shares as at the Latest Practicable Date. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has material interests in the Disposal and is required to abstain from voting at the EGM.

EGM

Set out on pages 120 to 121 is a notice convening the EGM to be held at 26/F, No. 9 Des Voeux Road West, Sheung Wan, Hong Kong on Monday, 18 January 2010 at 11:00 a.m. at which relevant resolution will be proposed to the Shareholders to consider and, if thought fit, approve the Disposal and the transactions 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, 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 Union Registrars Limited located at 18/F, Fook Lee Commercial Centre, Town

Place, 33 Lockhart Road, 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 EGM or any adjourned meeting. Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the EGM if you so wish.

RECOMMENDATION

The Board considers that the terms of the Disposal 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.

ADDITIONAL INFORMATION

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

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

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, from the independent reporting accountants, Cachet Certified Public Accountants Limited, in respect of the accountants' report on China Trends Holdings Limited and its remaining subsidiaries as set out in this appendix.

CACHET

Cachet Certified Public Accountants Limited

德揚會計師事務所有限公司

22 December 2009

The Board of Directors
China Trends Holdings Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") relating to China Trends Holdings Limited (formerly known as "QUASAR Communication Technology Holdings Limited") (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the years ended 31 December 2006, 2007 and 2008 and for the period from 1 January 2009 to 30 June 2009 (the "Relevant Periods"), including the consolidated statements of comprehensive income, consolidated statements of change in equity and consolidated statements of cash flow for the Relevant Periods and the statements of the financial position of the Group and the Company as at 31 December 2006, 2007, 2008 and 30 June 2009 together with the notes thereto, and the financial information of the Group for the period from 1 January 2008 to 30 June 2008 (the "2008 Comparative Financial Information"), including the consolidated statements of comprehensive income and consolidated statements of cash flow for the period together with the notes thereto, prepared on the basis set out in note 2.1 to Section I below, for inclusion in a circular (the "Circular") the Company dated 22 December 2009 in connection with the proposed disposal (the "Disposal") of (i) 100% equity interest in Ace Solution Technology Limited ("Ace Solution") and its subsidiaries (the "Disposal Group") by the Company and, (ii) all obligations, liabilities and debts owing or incurred by Ace Solution to the Company on or at any time prior to completion of the Disposal whether actual, contingent or deferred and irrespective of whether the same is due and payable on completion ("Sale Loan") pursuant to a sale and purchase agreement (the "Sale and Purchase Agreement") dated 15 June 2009 entered into between the Company and Mr. Yu Shu Kuen ("Mr. Yu"), a third party independent of and not connected with the Group, at a consideration of HK$1.00 (subject to adjustment details of which has been fully disclosed in this Circular). Pursuant to a deed of assignment and novation dated 30 September 2009 (the "First Deed") entered into between the Company, Mr. Yu and Adventure Corporate Service Limited (the "Adventure"), Adventure was assigned with all the rights and interests and assumed all the obligations and liabilities of Mr. Yu under the Sale and Purchase Agreement. Adventure is owned as to 50% by Mr. Yu and 50% by an independent third party. Pursuant to a second deed of assignment and novation dated 1 December 2009 (the "Second Deed") entered into between the Company, Mr. Yu and Adventure, Mr. Yu was assigned with all the rights and interests and assumed all the obligations and liabilities of Adventure under the Sale and Purchase Agreement (as supplemented by the First Deed).

Upon completion of the Sale and Purchase Agreement, Ace Solution will cease to be a subsidiary of the Company. The Disposal constitutes a very substantial disposal of the Company under the Rules (the "GEM Listing Rules") Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and is subject to the approval by the shareholders of the Company at an extraordinary general meeting of the Company to be convened and held.

The Company, through its subsidiaries, is engaged principally in sales and marketing of mobile phone appliance and the relevant application solution during the Relevant Periods. The Group also commenced its trading of LED products during the period from 1 January 2009 to 30 June 2009.

The Company was incorporated in the Cayman Islands on 4 April 2002 as an exempted company with limited liability under the provision of the Companies Law Cap 22.

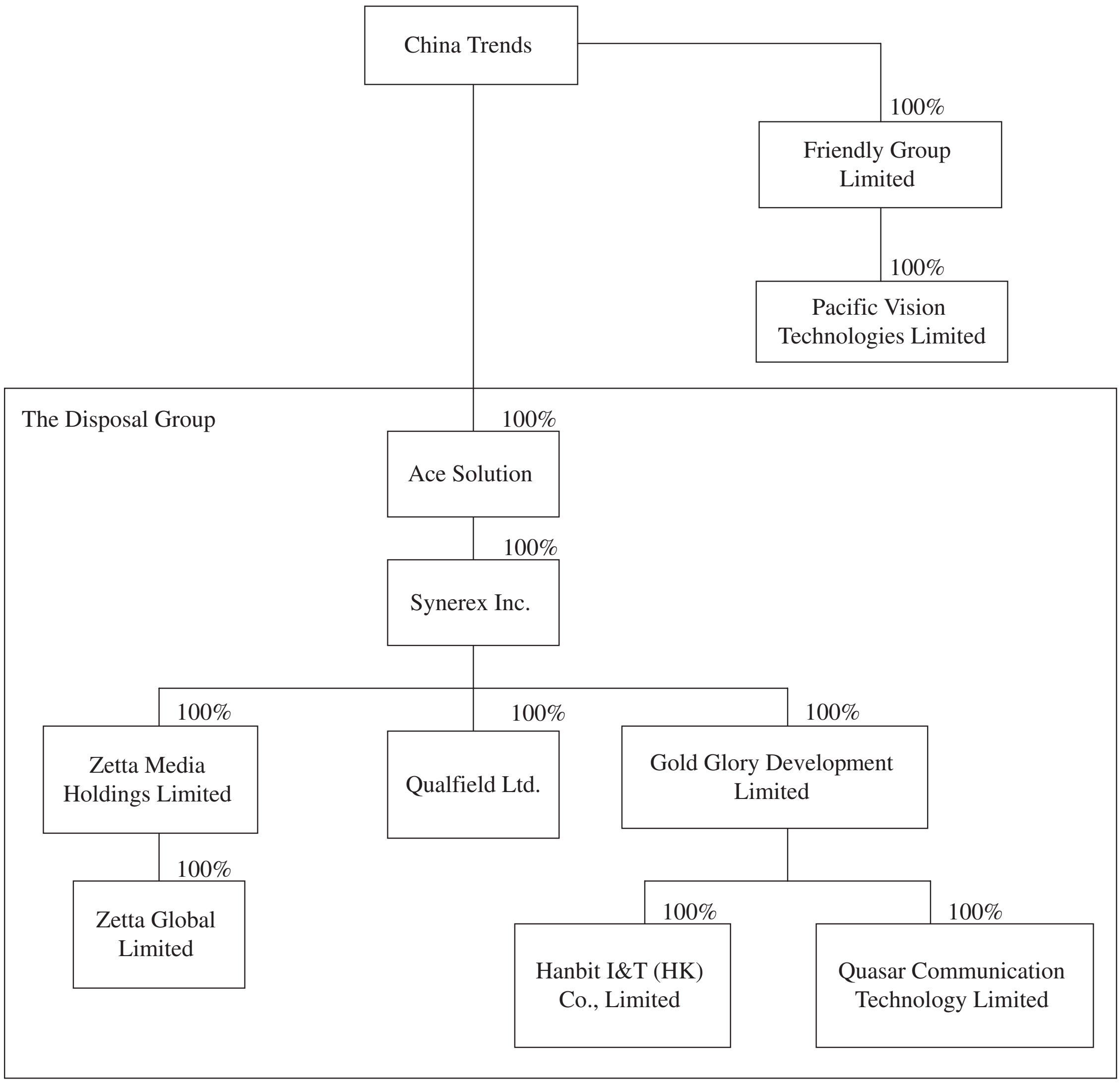
Ace Solution was incorporated in the British Virgin Islands ("BVI") on 12 February 2002 with limited liability and is a wholly owned subsidiary of the Company. Ace Solution is engaged in investment holding and the Disposal Group is principally engaged in sales and marketing of mobile phone appliance and the relevant application solution.

During the Relevant Periods, Ace Solution has the following subsidiaries, all of which are private companies with limited liability:

Name	**Place of incorporation/ registration and operations**	**Date of incorporation**	**Percentage of equity attributable to Ace Solution**		**Principal activities**
			Direct	**Indirect**	
Synerex Inc.	BVI	27 January 2000	100	–	Investment holding
Zetta Media Holdings Limited	BVI	24 May 2001	–	100	Investment holding
Gold Glory Development Limited	BVI	18 May 1998	–	100	Sales and marketing of mobile phone appliance and the relevant application solution and investment holding

Name	Place of incorporation/ registration and operations	Date of incorporation	Percentage of equity attributable to Ace Solution Direct	Indirect	Principal activities
Qualfield Ltd.	BVI	18 September 2002	–	100	Provision of agency services and investment holding
Zetta Global Limited	Hong Kong	18 July 2001	–	100	Provision of management services to group companies
Hanbit I & T (HK) Co., Limited	Hong Kong	30 October 2000	–	100	Sales and marketing of mobile phone appliance and the relevant application solution and relevant components
Quasar Communication Technology Limited	Hong Kong	19 August 2002	–	100	Sales and marketing of mobile phone appliance solution

The diagram below shows the shareholding structure of the Group immediately before the Disposal:



The Financial Information has been prepared by the directors of the Company based on the financial statements (the "Underlying Financial Statements") of the Group, for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include Hong Kong Financial Reporting Standards and 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. The Financial Information also includes the applicable disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules.

The financial statements of the Group for the year ended 31 December 2006 were jointly audited by Messrs Cachet Certified Public Accountants Limited ("Cachet") and CCIF CPA Limited in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA.

The financial statements of the Group for the years ended 31 December 2007 and 2008 and for the period from 1 January 2009 to 30 June 2009 were audited by Cachet in accordance with HKSAs issued by the HKICPA.

For the purpose of this report, the directors of the Company are responsible for the preparation of the Financial Information and the Underlying Financial Statements which are prepared in accordance with accounting principles generally accepted in Hong Kong and which give 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 Financial Information which gives a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently.

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

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

For the purpose of this report, we have audited the Underlying Financial Statements of the Group for the Relevant Periods in accordance with HKSAs and carried out such additional procedures as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

For the purpose of this report, we have carried out a review of the 2008 Comparative Financial Information of the Group, 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 HKSAs 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 2008 Comparative Financial Information.

BASIS OF DISCLAIMER OF OPINION

1. Scope limitation – loss of access to certain books and records maintained by the Disposal Group

As more fully explained in note 2.1 to the Financial Information, the underlying books and records of the Disposal Group were not accessible due to the changes to the board of directors of the Company and the Disposal Group during the year ended 31 December 2008. Although the present board of directors of the Company have represented that they have taken due care in the preparation of the Financial Information of the Group, they were unable to give representation as to the completeness of the books and records of the Disposal Group during the year ended 31 December 2008. The present board of directors was unable to represent that all transactions entered by the Disposal Group during the year ended 31 December 2008 have been properly included in the Financial Information. 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 Group and the Disposal Group's assets and liabilities as at 31 December 2008 and consequentially, as at 30 June 2009 and of its loss and cash flows for the year/period then ended. In respect of the limitation of scope, we are unable to form an opinion as to whether the Financial Information gives a true and fair view of the states of affairs of the Group and the Disposal Group as at 31 December 2008 and consequentially, as at 30 June 2009 and of its loss and cash flows for the year ended 31 December 2008 and for the period from 1 January 2009 to 30 June 2009 and the related disclosures thereof in the Financial Information.

2. Scope limitation – inventories

Included in the consolidated statements of financial position of the Group 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 statements of financial position of the Group and the Disposal 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 and the Disposal Group's net liabilities as at 31 December 2008 and have a consequential effect on its loss for the year then ended and for the period from 1 January 2009 to 30 June 2009 and the related disclosure thereof in the Financial Information.

3. Scope limitation – contract works in progress

As detailed in note 19 to the Financial Information, included in the consolidated statements of financial position was contract works in progress of approximately HK$34,340,000 and HK$34,340,000 as at 31 December 2008 and 30 June 2009, respectively. We had not been invited to attend physical inventory count on or about 31 December 2008 and 30 June 2009 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 statements of financial position of the Group and the Disposal Group as at 31 December 2008 and 30 June 2009 and that the contract works in progress was properly classified, free from material misstatement and was fairly stated as at 31 December 2008 and 30 June 2009. Any adjustments to the balance of the contract works in progress as at 31 December 2008 and 30 June 2009 found to be necessary would affect the Group's net assets and the Disposal Group's net liabilities as at 31 December 2008 and 30 June 2009 and have a consequential effect on its loss for the year then ended and the related disclosure thereof in the Financial Information.

4. Scope limitation – trade receivables

As detailed in note 20 to the Financial Information, included in the consolidated statements of financial position were trade receivables of approximately HK$63,287,000, HK$610,000 and HK$0 after impairment provision of approximately HK$1,211,000, HK$3,888,000 and HK$5,588,000 respectively as at 31 December 2007 and 2008 and 30 June 2009. As also detailed in note 2.1 to the Financial Information, we had not been provided with certain books and records of the Disposal Group 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 had not been provided with sufficient and appropriate evidences for our verification of the existence and the subsequent recovery of the trade receivables of the Disposal Group as at 30 June 2009. 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 statements of financial position at 31 December 2008 and 30 June 2009 were free from material misstatement and were fairly stated. Any adjustments to the balance of the trade receivables as at 31 December 2008 and 30 June 2009 found to be necessary would affect the Group's net assets and the Disposal Group's net liabilities as at 31 December 2008 and 30 June 2009 and have a consequential effect on its loss and cash flows for the year/period then ended and the related disclosures thereof in the Financial Information.

5. Scope limitation – trade deposits paid

As detailed in note 21 to the Financial Information, included in the consolidated statements of financial position were deposits of approximately HK$8,200,000 as at 31 December 2008 and 30 June 2009. The deposits were paid by a subsidiary of Ace Solution to a supplier during the year ended 31 December 2008 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 and the Disposal Group. No subsequent settlement or goods have been received by the Group and the Disposal 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 and 30 June 2009. Any adjustments to the balance of the trade deposits as at 31 December 2008 and 30 June 2009 found to be necessary would affect the Group's net assets and the Disposal Group' net liabilities as at 31 December 2008 and 30 June 2009 and have a consequential effect on its loss for the year/period then ended and the related disclosure thereof in the Financial Information.

6. Scope limitation – revenue and cost of sales

As detailed in note 2.1 and 24 to the Financial Information, included in revenue and cost of sales of HK$78,500,000 and HK$82,324,000 shown in the Group and the Disposal Group's statements of comprehensive income for the year ended 31 December 2008 were certain sales transactions and the related cost of sales amounting to approximately HK$26,979,000 and HK$28,177,000, respectively and included in revenue and cost of sales of HK$26,727,000 and HK$26,354,000 shown in the Group and the Disposal Group's statements of comprehensive income for the period ended 30 June 2009 were certain sales transactions and the related cost of sales amounting to HK$1,700,000 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 statements of comprehensive income for the year ended 31 December 2008 and for the period ended 30 June 2009 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 and for the period ended 30 June 2009 found to be necessary would affect the loss of the Group and the Disposal Group for the year ended 31 December 2008 and for the period ended 30 June 2009 and have a consequential effect on its cash flows for the year ended 31 December 2008 and for the period ended 30 June 2009, its net assets/(liabilities) as at 31 December 2008 and 30 June 2009 and the related disclosures thereof in the Financial Information.

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

Included in the Company's statements of financial position were investments in subsidiaries of approximately HK$14,882,000 and HK$14,882,000, respectively, as at 31 December 2008 and 30 June 2009 and amounts due from the Disposal Group of approximately HK$47,437,000 and HK$32,581,000, respectively, as at 31 December 2008 and 30 June 2009. 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 and 30 June 2009 found to be necessary would affect the Company's net assets as at 31 December 2008 and 30 June 2009 and have a consequential effect on its loss for the year/period then ended and the related disclosure thereof in the Financial Information.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2007

In our opinion, the 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 Group and the Company as at 31 December 2006 and 2007 and of the loss and cashflows of the Group for the years then ended.

DISCLAIMER OPINION IN RESPECT OF THE FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2008 AND FOR THE PERIOD ENDED 30 JUNE 2009

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 Information 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 30 June 2009 and of the Group's loss and cash flows for the year/period then ended in accordance with Hong Kong Financial Reporting Standards and as to whether the Financial Information have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

REVIEW CONCLUSION IN RESPECT OF THE 2008 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 2008 Comparative Financial Information does not give a true and fair view of the consolidated results and cash flows of the Group for the period from 1 January 2008 to 30 June 2008 in accordance with HKFRSs.

I. FINANCIAL INFORMATION

The following is the Financial Information of the Group as at 31 December 2006, 2007 and 2008 and 30 June 2009 and for each of the years ended 31 December 2006, 2007 and 2008 and for the period from 1 January 2009 to 30 June 2009, prepared on the basis set out in note 2 below.

Accordingly, no adjustment was made by the Reporting Accountants against the figures as shown in the published accounts.

Consolidated statements of comprehensive income of the Group

		Year ended 31 December			Six month ended 30 June	
		2006	2007	2008	2008	2009
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Notes	Audited	Audited	Audited	Unaudited	Audited
REVENUE	*5*	250,523	380,523	81,127	51,520	26,727
Cost of sales	*6*	(230,725)	(359,220)	(84,409)	(50,022)	(26,354)
Gross profit/(loss)		19,798	21,303	(3,282)	1,498	373
Other income and gains	*5*	1,885	465	194	192	–
Administrative and other operating expenses		(12,260)	(28,150)	(28,512)	(22,408)	(5,721)
Impairment of Disposal Group to fair value less costs to sell		–	–	–	–	(39,736)
Finance costs	*7*	(2,397)	(1,503)	(758)	(518)	–
PROFIT/(LOSS) BEFORE TAX	*6*	7,026	(7,885)	(32,358)	(21,236)	(45,084)
Tax	*10*	(802)	(314)	(489)	(17)	(297)
PROFIT/(LOSS) FOR THE YEAR/PERIOD	*11*	6,224	(8,199)	(32,847)	(21,253)	(45,381)
OTHER COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		–	–	–	–	–
Income tax relating to components of other comprehensive income		–	–	–	–	–
OTHER COMPREHENSIVE INCOME FOR THE YEAR/PERIOD, NET OF TAX		–	–	–	–	
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		6,224	(8,199)	(32,847)	(21,253)	(45,381)
PROFIT/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY						
Basic						
– For profit/(loss) for the year/period	*12*	1.35 cents	(1.55) cents	(5.60) cents	(3.62) cents	(6.58) cents
Diluted						
– For profit/(loss) for the year/period	*12*	NA	NA	NA	NA	NA

Consolidated statements of financial position of the Group

		31 December			30 June
		2006	**2007**	**2008**	**2009**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Notes	Audited	Audited	Audited	Audited
NON-CURRENT ASSETS					
Property, plant and equipment	*13*	159	406	1,251	845
Available-for-sale investments	*14*	1,342	–	–	–
Other intangible assets	*15*	–	–	–	–
Deferred tax assets	*16*	246	306	280	–
Total non-current assets		1,747	712	1,531	845
CURRENT ASSETS					
Inventories	*18*	5,325	–	1,700	1,940
Contract works in progress	*19*	18,899	3,382	34,340	–
Trade receivables	*20*	53,275	63,287	610	–
Prepayments, deposits and other receivables	*21*	16,539	35,095	43,250	35,332
Non-current assets held for sale	*22*	3,822	–	–	–
Cash and bank balances	*23*	23,571	24,742	7,590	6,654
		121,431	126,506	87,490	43,926
Assets of a disposal Group classified as held for sale	*24*	–	–	–	8,040
Total current assets		121,431	126,506	87,490	51,966
CURRENT LIABILITIES					
Trade and bills payables	*25*	6,478	–	219	970
Trust receipt loans	*26*	12,911	12,040	–	–
Other payables and accruals		5,165	4,752	3,827	1,206
Tax payable		4,668	5,046	4,946	45
Due to a related company	*27*	–	167	221	–
		29,222	22,005	9,213	2,221
Liabilities directly associated with assets classified as held for sale	*24*	–	–	–	8,040
Total current liabilities		29,222	22,005	9,213	10,261
NET CURRENT ASSETS		92,209	104,501	78,277	41,705
TOTAL ASSETS LESS CURRENT LIABILITIES		93,956	105,213	79,808	42,550
NON-CURRENT LIABILITIES					
Deferred tax liabilities	*16*	(4)	–	–	–
Net assets		93,952	105,213	79,808	42,550
EQUITY					
Issued capital	*28*	5,265	5,865	5,865	7,037
Reserves	*31(b)*	88,687	99,348	73,943	35,513
Total equity		93,952	105,213	79,808	42,550

Statements of financial position of the Company

		31 December			30 June
		2006	2007	2008	2009
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Notes	Audited	Audited	Audited	Audited
NON-CURRENT ASSETS					
Property, plant and equipment	*13*	–	–	946	845
Other intangible assets	*15*	–	–	–	–
Interest in subsidiaries	*17*	14,882	14,882	14,882	1
Total non-current assets		14,882	14,882	15,828	846
CURRENT ASSETS					
Inventories	*18*	–	–	–	1,940
Prepayments, deposits and other receivables	*21*	150	30,150	30,459	35,332
Due from subsidiaries		54,142	47,517	47,437	–
Cash and bank balances	*23*	11	15,036	7,172	6,493
Total current assets		54,303	92,703	85,068	43,765
CURRENT LIABILITIES					
Trade and bills payables	*25*	–	–	–	970
Other payables and accruals		157	174	1,238	1,005
Due to subsidiaries		–	19,813	15,060	265
Total current liabilities		157	19,987	16,298	2,240
NET CURRENT ASSETS		54,146	72,716	68,770	41,525
Net assets		69,028	87,598	84,598	42,371
EQUITY					
Issued capital	*28*	5,265	5,865	5,865	7,037
Reserves	*31(b)*	63,763	81,733	78,733	35,334
Total equity		69,028	87,598	84,598	42,371

Consolidated statements of changes in equity of the Group

	Attributable to equity holders of the of the Group						
	Issued capital	Share premium account	Warrant reserve	Share option reserve	Capital reserve	Retained profits/ (Accumulated losses)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Audited	Audited	Audited	Audited	Audited *(note a)*	Audited	Audited
At 1 January 2006	4,063	41,573	–	–	11,157	19,727	76,520
Issue of shares	1,202	10,006	–	–	–	–	11,208
Profit for the year	–	–	–	–	–	6,224	6,224
At 31 December 2006 and at 1 January 2007	5,265	51,579	–	–	11,157	25,951	93,952
Issue of shares	600	16,800	–	–	–	–	17,400
Issue of warrants	–	–	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 arrangement	–	–	–	7,442	–	–	7,442
Share options lapsed during the year	–	–	–	(465)	–	465	–
Warrant lapsed during the year	–	–	(1,160)	–	–	1,160	–
Loss for the year	–	–	–	–	–	(32,847)	(32,847)
At 31 December 2008 and at 1 January 2009	5,865	68,379	900	6,977	11,157	(13,470)	79,808
Issue of shares	1,172	7,037	–	–	–	–	8,209
Share issue expenses	–	(86)	–	–	–	–	(86)
Share options lapsed during the period	–	–	–	(465)	–	465	–
Loss for the period	–	–	–	–	–	(45,381)	(45,381)
At 30 June 2009	7,037	75,330	900	6,512	11,157	(58,386)	42,550

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 statements of cash flow of the Group

	Year ended 31 December			Six month ended 30 June	
	2006	2007	2008	2008	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Audited	Audited	Audited	Unaudited	Audited
CASH FLOW FROM OPERATING ACTIVITIES					
Profit/(loss) before tax	7,026	(7,885)	(32,358)	(21,236)	(45,084)
Adjustments for:					
Amortisation of prepaid license fee	546	–	–	–	–
Written off of property, plant and equipment	–	–	–	–	260
Impairment of available-for-sale investments	2,300	1,342	–	–	–
Impairment of trade receivables	302	304	2,677	–	1,700
Impairment of contract works in progress	–	12,136	–	1,691	–
Impairment of non-current assets held for sales	–	3,822	–	–	–
Impairment of prepayment, deposits and other receivables	–	–	–	–	119
Impairment of Disposal Group to fair value less costs to sell	–	–	–	–	39,736
Equity-settled share option expenses	–	–	7,442	7,442	–
Finance costs	2,397	1,503	758	518	–
Interest income	(291)	(404)	(148)	(147)	–
Loss on disposal of items of property, plant and equipment	–	49	–	–	–
Depreciation of property, plant and equipment	103	95	170	57	146
	12,383	10,962	(21,459)	(11,675)	(3,123)
Decrease/(increase) in inventories	4,550	5,325	(1,700)	–	(240)
Decrease/(increase) in contract works in progress	1,696	3,381	(30,958)	–	–
Decrease/(increase) in trade receivables	(7,090)	(10,316)	60,000	16,733	(1,090)
Decrease/(increase) in prepayments, deposits and other receivables	(4,797)	11,444	(8,155)	(8,978)	(4,873)
Increase/(decrease) in trade payables	(16,971)	(6,478)	219	219	970
Increase/(decrease) in other payables and accruals	4,186	(413)	(925)	(2,884)	2
Increase/(decrease) in amount due to a related company	–	167	54	54	(221)
Cash generated from/(used in) operations	(6,043)	14,072	(2,924)	(6,531)	(8,575)
Interest received	291	404	148	147	–
Interest paid	(2,397)	(1,503)	(758)	(518)	–
Hong Kong profits tax paid	(119)	–	(563)	(198)	(58)
Net cash inflow/(outflow) from operating activities	(8,268)	12,973	(4,097)	(7,100)	(8,633)

	Year ended 31 December			Six month ended 30 June	
	2006	2007	2008	2008	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Audited	Audited	Audited	Unaudited	Audited
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of items of property, plant and equipment	(28)	(391)	(1,015)	(7)	–
Deposits paid for proposed acquisitions	–	(30,000)	–	–	–
Increase in pledged time deposit	–	–	–	(15,157)	–
Net cash outflow from investing activities	(28)	(30,391)	(1,015)	(15,164)	–
CASH FLOWS FROM FINANCING ACTIVITIES					
Net proceeds from issue of shares	11,208	17,400	–	–	8,123
Proceeds from issue of warrants	–	2,060	–	–	–
Repayment of trust receipts loans, net	(41,943)	(871)	(12,040)	(1,148)	–
Net cash inflow/(outflow) from financing activities	(30,735)	18,589	(12,040)	(1,148)	8,123
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(39,031)	1,171	(17,152)	(23,412)	(510)
Cash and cash equivalents at beginning of year/period	62,602	23,571	24,742	24,742	7,590
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	23,571	24,742	7,590	1,330	7,080
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and bank balances held by the Group	8,252	21,683	7,590	1,330	6,654
Cash and bank balances held by the Disposal Group	–	–	–	–	426
Non-pledged time deposits with original maturity of less than three months when acquired	15,319	3,059	–	–	–
	23,571	24,742	7,590	1,330	7,080

NOTES TO FINANCIAL STATEMENTS

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 the 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 Relevant Periods and were involved in sales and marketing of mobile phone appliance and the relevant application solution.

The Group also commenced its trading of LED products during the period ended 30 June 2009.

2.1 BASIS OF PREPARATION

These 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 Financial Information include 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 Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These Financial Information are presented in Hong Kong dollars and all values are rounded to the nearest thousand except otherwise indicated.

Basis of consolidation

The Financial Information includes the financial information of the Company and its subsidiaries (collectively referred to as the "Group") for the years ended 31 December 2006, 2007 and 2008 and for the period from 1 January 2009 to 30 June 2009. 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.

State of books and records maintained by the Disposal Group

The directors of the Company are responsible to prepare the Group's Financial Information based on the books and records maintained by the Company and its subsidiaries. However, after the change of the board of directors of the Company and the Disposal Group during the year ended 31 December 2008, other than Friendly Group Limited and Pacific Vision Technologies Limited which were newly incorporated subsidiaries during the year ended 31 December 2008, the Company no longer has access to certain books and records of the Disposal Group, namely Hanbit I & T (HK) Co., Limited, Quasar Communication Technology Limited, Zetta Global Limited, Ace Solution Technology Limited, Gold Glory Development Limited, Qualfield Ltd., Synerex Inc. and Zetta Media Holdings Limited. 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 Disposal Group. 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 Disposal Group within the time constraint in the preparation of these Financial Information. Hence, only limited books and records of the Disposal Group 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 of the Group and the Disposal Group for the year ended 31 December 2008 and consequentially, for the period ended 30 June 2009 could be given by the present directors of the Company although due care has been taken in the preparation of the Financial Information to mitigate the effect of the incomplete books and records of the Disposal Group. 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 Financial Information.

2.2 EARLY ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The HKICPA has issued a number of new and revised HKFRSs which are effective for accounting periods beginning on or after 1 January 2007, 2008 and 2009. The Company has early adopted these new and revised HKFRSs except for those listed in note 2.3 below in preparing the financial statements for the years ended 31 December 2006, 2007, 2008 and for the period ended 30 June 2009. The adoption of these new and revised HKFRSs did not have any significant impact on its results of operations and financial position.

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

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

HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards [1]
HKFRS 3 (Revised)	Business Combinations [1]
HKFRS 9	Financial Instrument[4]
HKAS 24 (Revised)	Related Party Disclosures[3]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [1]
HKAS 39 Amendments	Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items [1]
HK (IFRIC)–Int 17	Distributions of Non-cash Assets to Owners [1]
HK (IFRIC)–Int 18	Transfers of Assets from Customers [1]
HK (IFRIC)–Int 19	Extinguishing Financial Liabilities with Equity Instruments[5]

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 reviewing inconsistencies and clarify wording.

1 Effective for annual periods beginning on or after 1 July 2009
2 Effective for transfers of assets from customers received on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 January 2010
4 Effective for annual periods beginning on or after 1 January 2013
5 Effective for annual periods beginning on or after 1 July 2010

* *Improvements to HKFRS 5 issued on October 2008, 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.*

^ *Improvements to HKFRSs issued on May 2009, contain amendments to HKFRS 2, HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 18, HKAS 36, HKAS 38, HKAS 39, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16. These amendments are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard.*

The Company 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 3 (Revised) and HKAS 27 (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 statement of comprehensive income 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 Statement of Comprehensive Income 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 statement of comprehensive income 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 statement of comprehensive income 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 of the end of the reporting period.

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 Statement of Comprehensive Income 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 of the end of the reporting period.

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 Statement of Comprehensive Income 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 Statement of Financial Position 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 statement of comprehensive income. The net fair value gain or loss recognised in the statement of comprehensive income 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 the statement of comprehensive income 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 statement of comprehensive income. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the Statement of Comprehensive Income 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 statement of comprehensive income 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 end of the reporting period. 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 of the end of the reporting period 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 statement of comprehensive income. 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 recognized impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the statement of comprehensive income, 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 statement of comprehensive income, is transferred from equity to the statement of comprehensive income. 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 statement of comprehensive income.

Derecognition of financial assets

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

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

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

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

Financial liabilities including trade and bills 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 statement of comprehensive income.

Gains and losses are recognised in the statement of comprehensive income 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 statement of comprehensive income. The net fair value gain or loss recognised in the statement of comprehensive income does not include any interest charged on these financial liabilities.

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 end of the reporting period; 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 statement of comprehensive income.

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 statement of cash flow, 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 statement of financial positions, 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 end of the reporting period 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 statement of comprehensive income.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income, 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 end of the reporting period 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 of the end of the reporting period 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 of the end of the reporting period 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 end of the reporting period. 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 29 to the Financial Information. 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 of the end of the reporting period 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 statement of comprehensive income 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 statement of comprehensive income 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 Information is 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 Information 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 end of the reporting period. All differences are taken to statement of comprehensive income. 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 end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the of the end of the reporting period and their statement of comprehensive incomes 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 statement of comprehensive income.

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 Information:

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 Information.

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 Information.

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

Business Segment

The Group reports information by the reportable segments as set out below, reflecting how senior management monitors the operating results of its operating segments for the purpose of making decisions about resource allocation and performance assessment. Summary details of the business segments are as follows:

(a) the marketing of mobile appliance segment is involved in sales and marketing of mobile phone appliance and the relevant application solution in Mainland China and Thailand;

(b) the trading of LED products segment is involved trading of LED products in Mainland China, which commenced during the period from 1 January 2009 to 30 June 2009.

Business segments

The following tables present revenue, results and certain asset and expenditure information for the Group's business segments for the period ended 30 June 2009.

Six month ended 30 June 2009

	Sales and marketing of mobile appliance *HK$'000* Audited	**Trading of LED products** *HK$'000* Audited	**Total** *HK$'000* Audited
Segment revenue	10,971	15,756	26,727
Segment results	217	156	373
Interest and other income			–
Unallocated expenses			(5,721)
Impairment of Disposal Group to fair value less costs to sell			(39,736)
Finance costs			–
Loss before tax			(45,084)
Tax			(297)
Loss for the period			(45,381)
Segment assets	8,040	–	8,040
Unallocated assets			44,771
Total assets			52,811
Segment liabilities	8,040	–	8,040
Unallocated liabilities			2,221
Total liabilities			10,261
Capital expenditure	–	–	–
Depreciation and amortisation	146	–	146

No business segment information is presented for the years ended 31 December 2006, 2007 and 2008 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.

Additional disclosure

Geographical segments

The following tables present revenue and certain asset and expenditure information for the Group's geographical segments for the period ended 30 June 2009.

Six month ended 30 June 2009

	Hong Kong	China	Thailand	Korea	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:					
Sales to external customers	–	17,456	9,271	–	26,727
Other segment information:					
Segment assets	23,830	11,821	–	17,160	52,811

No geographical segment information for the years ended 31 December 2006, 2007 and 2008 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.

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group' 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:

	Year ended 31 December			Six month ended 30 June	
	2006	2007	2008	2008	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Audited	Audited	Audited	Unaudited	Audited
Revenue					
Sales and marketing of mobile appliance and the relevant application solution	250,523	380,523	81,127	51,520	10,971
Trading of LED products	–	–	–	–	15,756
	250,523	380,523	81,127	51,520	26,727
Other income and gains					
Bank interest income	291	404	148	147	–
Exchange gains, net	83	–	–	3	–
Others	1,511	61	46	42	–
	1,885	465	194	192	–
Total revenue, other income and gains	252,408	380,988	81,321	51,712	26,727

6. PROFIT/(LOSS) BEFORE TAX

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

	Year ended 31 December			Six month ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Audited	Audited	Audited	Unaudited	Audited
Cost of sales	230,725	359,220	84,409	50,022	26,354
Amortisation of prepaid licence fees*	546	–	–	–	–
Auditors' remuneration:					
Annual audit	320	350	238	–	–
Interim audit	–	–	250	240	–
Other assurance services	–	–	430	–	240
	320	350	918	240	240
Depreciation	103	95	170	57	146
Loss on disposal of items of property, plant and equipment	–	49	–	–	–
Employee benefits expenses (including directors' remuneration *(note 8)*):					
Wages and salaries	4,987	4,318	2,702	1,807	1,112
Others	196	85	35	15	46
Pension scheme contributions	104	92	13	7	24
Equity-settled share option expenses	–	–	7,442	7,442	–
	5,287	4,495	10,192	9,271	1,182
Minimum lease payments under operating leases on land and buildings	545	373	730	238	694
Bank interest income	(291)	(404)	(148)	(147)	–
Impairment of available-for-sale investments	2,300	1,342	–	–	–
Impairment of trade receivables	302	304	2,677	–	1,700
Impairment of contract works in progress	–	12,136	–	1,691	–
Impairment of non-current assets held for sales	–	3,822	–	–	–
Equity-settled share option expenses	–	–	7,442	7,442	–
Impairment of prepayments, deposits and other receivables	–	–	–	–	119
Impairment of Disposal Group to fair value less costs to sell	–	–	–	–	(39,736)
Written off of property, plant and equipment	–	–	–	–	260

* *The amortisation of prepaid license fees included in "Cost of sales" on the face of the consolidated statements of comprehensive income.*

7. FINANCE COSTS

	Year ended 31 December			Six month ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Audited	Audited	Audited	Unaudited	Audited
Interest:					
Bank borrowings wholly repayable within five years	2,397	600	252	227	–
Factoring of receivables	–	903	506	291	–
	2,397	1,503	758	518	–

8. DIRECTOR'S REMUNERATION

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

	Year ended 31 December			Six month ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Audited	Audited	Audited	Unaudited	Audited
Fees	298	283	3	3	–
Other emoluments:					
Salaries, allowances and benefits in kind	1,915	1,743	336	50	360
Pension scheme contributions	32	31	7	1	6
Equity-settled share option expenses	–	–	5,117	5,117	–
	1,947	1,774	5,460	5,168	366
	2,245	2,057	5,463	5,171	366

	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*
	Audited	Audited	Audited	Audited	Audited
For the year ended 31 December 2006					
Executive directors:					
Mr. Chan Ka Wo (f)	–	550	11	–	561
Mr. Ra Chang Ju (h)	–	750	10	–	760
Mr. Ong Se Mon (h)	–	615	11	–	626
	–	1,915	32	–	1,947
Independent non-executive directors:					
Mr. Lo Hang Fong (l)	–	120	–	–	120
Mr. Li Meng Long (n)	–	58	–	–	58
Mr. Choy Mun Kei (m)	–	120	–	–	120
	–	298	–	–	298
Total	–	2,213	32	–	2,245
For the year ended 31 December 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)	–	114	–	–	114
Mr. Li Meng Long (n)	–	58	–	–	58
	–	283	–	–	283
Total	–	2,026	31	–	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*
	Audited	Audited	Audited	Audited	Audited
For the year ended 31 December 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*
	Audited	Audited	Audited	Audited	Audited
For the period ended 30 June 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)	–	–	–	930	930
Mr. Chan Ka Wo (f)	–	50	1	–	51
Ms. Yu Xiao Min (g)	–	–	–	–	–
	–	50	1	3,720	3,771
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. Lo Hang Fong (l)	–	–	–	–	–
Mr. Choy Mun Kei (m)	–	–	–	–	–
Mr. Li Meng Long (n)	3	–	–	–	3
	3	–	–	1,397	1,400
Total	3	50	1	5,117	5,171

	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*
	Audited	Audited	Audited	Audited	Audited
For the period ended 30 June 2009					
Executive directors:					
Mr. Cho Hui Jae (a)	–	–	–	–	–
Mr. Xiang Xin (c)	–	–	–	–	–
Mr. Wong Chak Keung (c)	–	60	–	–	60
Mr. Im Kai Chuen Stephen (d)	–	300	6	–	306
Mr. Yang Xiao Ming (e)	–	–	–	–	–
Mr. Siu Pang (o)	–	–	–	–	–
	–	360	6	–	366
Independent non-executive directors:					
Mr. Sze Lin Tang (i)	–	–	–	–	–
Mr. Leung Wing Kin (j)	–	–	–	–	–
Mr. Zhang Zhan Liang (k)	–	–	–	–	–
Mr. Zhang Jun (p)	–	–	–	–	–
	–	–	–	–	–
Total	–	360	6	–	366

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) Appointed on 16 January 2006 and 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
(o) Appointed on 6 February 2009 and resigned on 9 May 2009
(p) Appointed on 6 February 2009

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

During the years/periods, 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.

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

	Number of directors				
	Year ended 31 December			Six month ended 30 June	
	2006	2007	2008	2008	2009
	Audited	Audited	Audited	Unaudited	Audited
Nil to HK$1,000,000	6	11	11	12	10
HK$1,000,001 to HK$2,000,000	–	–	1	–	–
	6	11	12	12	10

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the years ended 31 December 2006, 2007 and 2008 and during the period ended 30 June 2008 and 2009 included three, three, four, four and one directors, respectively, details of whose remuneration are set out in note 8 above.

Details of the remuneration of the remaining two, two, one, one and four non-directors, respectively, highest paid employees, respectively for the year/period are as follows:

	Year ended 31 December			Six month ended 30 June	
	2006	2007	2008	2008	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Audited	Audited	Audited	Unaudited	Audited
Salaries, allowances and benefits in kind	1,274	1,200	570	324	756
Equity-settled share option expenses	–	–	465	465	–
Pension scheme contributions	24	24	–	–	20
	1,298	1,224	1,035	789	776

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

	Number of employees				
	Year ended 31 December			Six month ended 30 June	
	2006	2007	2008	2008	2009
	Audited	Audited	Audited	Unaudited	Audited
Nil to HK$1,000,000	2	2	–	1	4
HK$1,000,001 to HK$2,000,000	–	–	1	–	–
	2	2	1	1	4

10. TAX

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the years ended 31 December 2006, 2007, 2008 and during the period ended 30 June 2009.

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.

	Year ended 31 December			Six month ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Audited	Audited	Audited	Unaudited	Audited
Current tax					
Charge for the year	822	378	47	–	58
Underprovision in previous year	–	–	416	–	297
	822	378	463	–	355
Deferred tax	(20)	(64)	26	17	(58)
Total tax charge for the year	802	314	489	17	297

A reconciliation of the tax expense applicable to profit/(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:

	Year ended 31 December						Six month ended 30 June			
	2006		**2007**		**2008**		**2008**		**2009**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
	Audited		Audited		Audited		Unaudited		Audited	
Profit/(loss) before tax	7,026		(7,885)		(32,358)		(21,236)		(45,084)	
Tax at the statutory tax rate	1,230	17.5	(1,380)	17.5	(5,339)	16.5	(3,504)	16.5	(7,438)	16.5
Income not subject to tax	(760)	(10.8)	(184)	2.3	(1)	–	(24)	0.1	–	–
Expenses not deductible for tax	737	10.4	1,964	(24.9)	1,001	(3.1)	1,856	(8.7)	7,448	(16.5)
Equity-settled share option expenses not deductible for tax	–	–	–	–	–	–	1,228	(5.8)	–	–
Tax losses utilised	(501)	(7.1)	(195)	2.5	–	–	(20)	0.1	–	–
Tax benefit not recognised	147	2.1	165	(2.1)	4,343	(13.4)	464	(2.2)	(10)	–
Underprovision in previous year	–	–	–	–	416	(1.3)	–	–	297	(5.5)
Effect of changes in tax rates	–	–	–	–	69	(0.2)	17	–	–	–
Others	(51)	(0.7)	(56)	0.7	–	–	–	–	–	–
Tax charge at the Group's effective tax rate	802	11.4	314	(4.0)	489	(1.5)	17	(2.2)	297	(5.5)

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

The consolidated loss attributable to equity holders of the Company for the years ended 31 December 2006, 2007 and 2008 and for the period from 1 January 2009 to 30 June 2009 includes a loss of HK$783,000, HK$890,000 and HK$10,442,000, HK$50,350,000 respectively, which has been dealt with in the Financial Information of the Company (note 31(b)).

12. EARNING/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic earning/(loss) per share amounts is based on the profit/(loss) for the year/period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the years/periods.

The calculations of basic profit/(loss) per share are based on:

	Year ended 31 December			**Six month ended 30 June**	
	2006	**2007**	**2008**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Audited	Audited	Audited	Unaudited	Audited
Earnings					
Profit/(loss) for the year/period attributable to equity holders of the Company, used in the basic earning/(loss) per share calculation	6,224	(8,199)	(32,847)	(21,253)	(45,381)

	Number of share				
	Year ended 31 December			**Six month ended 30 June**	
	2006	**2007**	**2008**	**2008**	**2009**
	Audited	Audited	Audited	Unaudited	Audited
Shares					
Weighted average number of ordinary shares in issue during the year/ period used in the basic earning/(loss) per share calculation	461,934,240	529,739,171	586,451,500	586,451,500	690,131,500

Diluted earnings per share amount for the year ended 31 December 2006 has not been disclosed as no diluting events existed during the year.

Diluted loss per share amount for the year ended 31 December 2007 has not been disclosed as the share options and warrants outstanding during the year had an anti-dilutive effect on the basic loss per share.

Diluted loss per share amount for the year and 31 December 2008 and for the period ended 30 June 2009 have not been disclosed as the share options and warrants outstanding during the year had no dilutive effect on the basic loss per share.

13. PROPERTY, PLANT AND EQUIPMENT

The Group

	Leasehold improvements	Furniture and fixtures	Office and computer equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Audited	Audited	Audited	Audited	Audited
30 June 2009					
At 1 January 2009:					
Cost	838	506	401	414	2,159
Accumulated depreciation	(51)	(149)	(294)	(414)	(908)
Net carrying amount	787	357	107	–	1,251
At 1 January 2009, net of accumulated depreciation	787	357	107	–	1,251
Additions	–	–	–	–	–
Depreciation provided during the period	(84)	(45)	(17)	–	(146)
Impairment	–	(199)	(61)	–	(260)
At 30 June 2009, net of accumulated depreciation and impairment	703	113	29	–	845
At 30 June 2009:					
Cost	838	506	401	414	2,159
Accumulated depreciation	(135)	(194)	(311)	(414)	(1,054)
Impairment	–	(199)	(61)	–	(260)
Net carrying amount	703	113	29	–	845

The Group

	Leasehold improvements	**Furniture and fixtures**	**Office and computer equipment**	**Motor vehicles**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Audited	Audited	Audited	Audited	Audited
31 December 2008					
At 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

The Group

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

The Group

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

The Company

	Furniture and fixtures	Office and computer equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Audited	Audited	Audited	Audited
30 June 2009				
At 1 January 2009:				
Cost	838	136	34	1,008
Accumulated depreciation	(51)	(9)	(2)	(62)
Net carrying amount	787	127	32	946
At 1 January 2009, net of accumulated depreciation	787	127	32	946
Additions	–	–	–	–
Depreciation provided during the period	(84)	(14)	(3)	(101)
At 30 June 2009, net of accumulated depreciation	703	113	29	845
At 30 June 2009:				
Cost	838	136	34	1,008
Accumulated depreciation	(135)	(23)	(5)	(163)
Net carrying amount	703	113	29	845

The Company

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

The Group

	31 December			30 June
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Audited	Audited	Audited	Audited
Unlisted share, at cost	9,142	9,142	9,142	9,142
Impairment	(7,800)	(9,142)	(9,142)	(9,142)
Net carrying amount	1,342	–	–	–
Less: Transfer to assets of a disposal group classified as held for sale *(note 24)*				
Unlisted share, at cost	–	–	–	9,142
Impairment	–	–	–	(9,142)
	–	–	–	–
Net carrying amount	1,342	–	–	–

At each of the reporting date, 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

The Group and the Company

	31 December			30 June
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Audited	Audited	Audited	Audited
Cost	17	17	17	17
Accumulated amortisation	(17)	(17)	(17)	(17)
Net carrying amount	–	–	–	–

The other intangible assets represented the trade mark of QUASAR.

16. DEFERRED TAX ASSETS

The Group

	Accelerated depreciation *HK$'000* Audited	Tax losses *HK$'000* Audited	Total *HK$'000* Audited
At 1 January 2006	(24)	246	222
Deferred tax credited to statements of comprehensive income during the year	20	–	20
At 31 December 2006 and at 1 January 2007	(4)	246	242
Deferred tax credited to statements of comprehensive income during the year	20	44	64
At 31 December 2007 and at 1 January 2008	16	290	306
Deferred tax credited/(charged) to statements of comprehensive income during the year	10	(36)	(26)
At 31 December 2008 and at 1 January 2009	26	254	280
Deferred tax credited/(charged) to statements of comprehensive income during the period	–	58	58
Transfer to assets of a disposal group classified as held for sale *(note 24)*	(26)	(312)	(338)
At 30 June 2009	–	–	–

At 31 December 2006, 2007 and 2008 and 30 June 2009, the Group has unused tax losses of approximately HK$7,005,000, HK$6,835,000 and HK$33,426,000, HK$30,237,000 respectively, available indefinitely for offset against future profits. A deferred tax has been recognised in respect of tax losses of HK$2,772,000, HK$1,657,000, HK$1,538,000, and HK$1,538,000, respectively of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of HK$4,233,000, HK$5,178,000, HK$31,888,000 and HK$28,699,000, respectively due to the unpredictability of future profit streams.

17. INTERESTS IN SUBSIDIARIES

The Company

	31 December 2006 HK$'000 Audited	31 December 2007 HK$'000 Audited	31 December 2008 HK$'000 Audited	30 June 2009 HK$'000 Audited
Unlisted shares, at cost	14,882	14,882	14,882	14,882
Less: impairment	–	–	–	(14,881)
	14,882	14,882	14,882	1
Due from subsidiaries	54,142	47,517	47,437	32,581
Less: impairment	–	–	–	(32,581)
	54,142	47,517	47,437	–
Due to subsidiaries	–	(19,813)	(15,060)	(265)
Total	69,024	42,586	47,259	(264)

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 during the Relevant Periods 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	Percentage of equity attributable to the Company 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
Pacific Vision Technologies Limited#	Hong Kong	1 ordinary share of HK$1 each	–	100	Trading of mobile phone and mobile accessories and LED products

Particulars of the subsidiaries during the Relevant Periods 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	Percentage of equity attributable to the Company Indirect	Principal activities
Qualfield Ltd.	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 on 10 October 2008.*

\# *Newly incorporated on 29 August 2008.*

After the change of the board of directors of the Company during the year ended 31 December 2008 and for the period ended 30 June 2009, other than Friendly Group Limited and Pacific Vision Technologies Limited which were companies newly incorporated during the year ended 31 December 2008, the Company no longer has access to certain books and records of the certain subsidiaries of the Company, namely Hanbit I & T (HK) Co., Limited, Quasar Communication Technology Limited, Zetta Global Limited, Ace Solution Technology Limited, Gold Glory Development Limited, Qualfield Ltd., Synerex Inc. and Zetta Media Holdings Limited. Further details of which has been stated in note 2.1 to the Financial Information.

18. INVENTORIES

The Group

	31 December			30 June
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Audited	Audited	Audited	Audited
Finished goods	5,325	–	1,700	1,940

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.

The Company

	31 December			30 June
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Audited	Audited	Audited	Audited
Finished goods	–	–	–	1,940

19. CONTRACT WORKS IN PROGRESS

The Group

	31 December			30 June
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Audited	Audited	Audited	Audited
Contract costs for development of mobile phone appliance solution	29,770	15,518	34,340	34,340
Impairment	(10,871)	(12,136)	–	–
Net carrying amount	18,899	3,382	34,340	34,340
Less: Transfer to assets of a disposal group classified as held for sale *(note 24)*				
Contract costs for development of mobile phone appliance solution	–	–	–	34,340
Impairment	–	–	–	–
	–	–	–	34,340
	18,899	3,382	–	–

The Group had contract work in progress of HK$34,340,000 for development of mobile phone application solution as at 31 December 2008 and 30 June 2009. In the opinion of the directors of the Company, as detailed in note 2 to the Financial Information, as the directors were unable to obtain access to certain relevant information and documents of the Disposal Group, 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 and 30 June 2009.

20. TRADE RECEIVABLES

The Group

		31 December		**30 June**
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Audited	Audited	Audited	Audited
Trade receivables	54,182	64,498	4,498	5,588
Impairment	(907)	(1,211)	(3,888)	(5,588)
	53,275	63,287	610	–
Less: Transfer to assets of a disposal group classified as held for sale *(note 24)*				
Trade receivables	–	–	–	5,588
Impairment	–	–	–	(5,588)
	–	–	–	–
Net carrying amount	53,275	63,287	610	–

In the opinion of the directors of the Company, as detailed in note 2.1 to the Financial Information, as the directors were unable to obtain access to certain relevant information and documents of the Disposal Group, they were not able to obtain adequate information in verifying of the settlement of the trade receivables throughout the year ended 31 December 2008. Accordingly, the directors of the Company were not able to assess if the trade receivables and the impairment were fairly stated as at 31 December 2008.

During the period ended 30 June 2009, a further impairment of HK$1,700,000 was made by the directors of the Company as they were of the opinion that they were not able to obtain adequate information in verifying the existence of a sales transaction and the subsequent recoverability of the receivable amount of HK$1,700,000. Nevertheless, due to insufficient information available, the directors were not able to assess if the trade receivables and the impairment were fairly stated as at 30 June 2009.

The Group's trading terms with its customers are mainly on credit. 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:

	2006	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Audited	Audited	Audited	Audited
Within 1 month	27,205	14,477	610	–
1 to 2 months	9,622	21,680	–	–
2 to 3 months	2,274	14,988	–	–
Over 3 months	14,174	12,142	–	–
	53,275	63,287	610	–

The aged analysis of the trade receivables that are not (or neither individually nor collectively) considered to be impaired is as follows:

	2006	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Audited	Audited	Audited	Audited
Neither past due nor impaired	35,720	36,157	610	–
Less than 1 month past due	3,381	14,988	–	–
1 to 3 months past due	10,413	12,142	–	–
Over 90 days	3,761	–	–	–
	53,275	63,287	610	–

Receivables that were neither past due nor impaired relate to a 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.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	The Group				The Company			
	31 December			30 June	31 December			30 June
	2006	2007	2008	2009	2006	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Audited	Audited	Audited	Audited	Audited	Audited	Audited	Audited
Prepayments	150	150	340	5,066	150	150	299	5,023
Deposits for proposed acquisitions *(note a)*	–	30,000	30,000	30,000	–	30,000	30,000	30,000
Trade deposits paid *(note b)*	–	–	8,200	8,200	–	–	–	–
Rental deposit	–	–	281	179	–	–	160	179
Other receivables	12,300	856	340	470	–	–	–	130
Tax reserve certificate	4,089	4,089	4,089	4,089	–	–	–	–
	16,539	35,095	43,250	48,004	150	30,150	30,459	35,332
Less: Transfer to assets of a disposal group classified as held for sale *(note 24):*								
Prepayments	–	–	–	(43)	–	–	–	–
Trade deposits paid *(note b)*	–	–	–	(8,200)	–	–	–	–
Other receivables	–	–	–	(340)	–	–	–	–
Tax reserve certificate	–	–	–	(4,089)	–	–	–	–
	–	–	–	(12,672)	–	–	–	–
Net carrying amount	16,539	35,095	43,250	35,332	150	30,150	30,459	35,332

Notes:

(a) Deposits paid for proposed acquisitions as at 31 December 2008 and 30 June 2009 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 34(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 34(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 to the Financial Information, as the directors were unable to obtain access to certain relevant information and documents of the Disposal Group, 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 and 30 June 2009.

* *for identification purpose*

22. NON-CURRENT ASSETS HELD FOR SALE

The Group

	31 December			30 June
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Audited	Audited	Audited	Audited
Cost	5,460	5,460	5,460	5,460
Accumulated amortisation	(1,638)	(5,460)	(5,460)	(5,460)
Net carrying amount	3,822	–	–	–
Less: Transfer to assets of a disposal group classified as held for sale *(note 24)*				
Cost	–	–	–	5,460
Accumulated amortisation	–	–	–	(5,460)
	–	–	–	–
	–	–	–	–

The balance represented prepaid Free To Air ("FTA") licence fee, a the full-type approval certificate for testing and accreditation of mobile phone appliances under a set of required testing standards which was amortisable over its useful economic life.

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.

23. CASH AND BANK BALANCES

The Group

	31 December			30 June
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Audited	Audited	Audited	Audited
Cash and bank balances	15,330	21,683	7,590	7,080
Time deposits	8,241	3,059	–	–
	23,571	24,742	7,590	7,080
Less: Transfer to assets of a disposal group classified as held for sale *(note 24)*	–	–	–	(426)
Net carrying amount	23,571	24,742	7,590	6,654

The Company

	31 December			30 June
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Audited	Audited	Audited	Audited
Cash and bank balances	11	15,036	7,172	6,493
Time deposits	–	–	–	–
Net carrying amount	11	15,036	7,172	6,493

24. INFORMATION OF THE DISPOSAL GROUP

Ace Solution, the holding company of the Disposal Group, was incorporated in the BVI on 12 February 2002 with limited liability and is engaged in investment holding and the Disposal Group is principally engaged in sales and marketing of mobile phone appliance and the relevant application solution in Mainland China.

Pursuant to a sales and purchase agreement entered into between the Company and Mr. Yu Shu Kuen ("Mr. Yu") dated 15 June 2009, the Company will dispose its entire equity interest in Ace Solution subject to the approval by the shareholders of the Company at an extraordinary general meeting to be convened and held for this purpose. Pursuant to the First Deed entered into between the Company, Mr. Yu and Adventure, Adventure was assigned with all the rights and interests and assumed all the obligations and liabilities of Mr. Yu under the Sale and Purchase Agreement. Adventure is owned as to 50% by Mr. Yu and 50% by an independent third party. Pursuant to the Second Deed entered into between the Company, Mr. Yu and Adventure, Mr. Yu was assigned with all the rights and interests and assumed all the obligations and liabilities of Adventure under the Sale and Purchase Agreement (as supplemented by the First Deed).

The Financial Information of the Disposal Group is as follows:

Consolidated statements of comprehensive income of the Disposal Group

	Year ended 31 December			Six month ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Audited	Audited	Audited	Unaudited	Audited
Revenue	250,523	380,523	78,500	51,520	1,700
Cost of sales	(230,725)	(359,220)	(82,324)	(50,022)	(1,700)
Gross profit/(loss)	19,798	21,303	(3,824)	1,498	–
Other income and gains	1,884	438	63	61	–
Administrative and other operating expenses	(9,176)	(9,629)	(14,985)	(12,667)	(340)
Finance costs	(2,397)	(1,503)	(758)	(518)	–
Other impairment losses	(2,300)	(17,604)	(2,677)	(1,691)	(2,080)
Profit/(loss) for the year/period	7,809	(6,995)	(22,181)	(13,317)	(2,420)
Tax	(802)	(314)	(444)	(17)	(297)
Profit/(loss) for the year/period	7,007	(7,309)	(22,625)	(13,334)	(2,717)

Consolidated statements of financial position of the Disposal Group

	31 December			30 June
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Audited	Audited	Audited	Audited
NON-CURRENT ASSETS				
Property, plant and equipment	159	406	305	–
Deferred tax assets	246	306	280	338
Available-for-sales investments	1,342	–	–	–
Total non-current assets	1,747	712	585	338
CURRENT ASSETS				
Inventories	5,325	–	1,700	–
Contract works in progress	18,899	3,382	34,340	34,340
Trade receivables	53,275	63,287	–	–
Prepayments, deposits and other receivables	16,389	4,945	12,791	12,672
Non-current assets held for sale	3,822	–	–	–
Cash and bank balances	23,560	9,706	418	426
Total current assets	121,270	81,320	49,249	47,438
CURRENT LIABILITIES				
Trade and bills payables	6,478	–	219	219
Trust receipt loans	12,911	12,040	–	–
Other payables and accruals	5,008	4,578	2,248	2,623
Tax payable	4,668	5,046	4,901	5,198
Due to a related company	–	167	221	–
Due to ultimate holding company	54,143	27,705	32,374	32,582
Total current liabilities	83,208	49,536	39,963	40,622
NET CURRENT ASSETS	38,062	31,784	9,286	6,816
TOTAL ASSETS LESS CURRENT LIABILITIES	39,809	32,496	9,871	7,154
NON-CURRENT LIABILITIES				
Deferred tax liabilities	(4)	–	–	–
Net assets	39,805	32,496	9,871	7,154
EQUITY				
Issued capital	80	80	80	80
Reserves	39,725	32,416	9,791	7,074
Total equity	39,805	32,496	9,871	7,154

Consolidated statements of changes in equity of the Disposal Group

	Share capital	Capital reserve	Retained profits/ (accumulated losses)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Audited	Audited	Audited	Audited
			(note a)	
At 1 January 2006	80	11,080	21,638	32,798
Profit for the year	–	–	7,007	7,007
At 31 December 2006 and at 1 January 2007	80	11,080	28,645	39,805
Loss for the year	–	–	(7,309)	(7,309)
At 31 December 2007 and at 1 January 2008	80	11,080	21,336	32,496
Loss for the year	–	–	(22,625)	(22,625)
At 31 December 2008 and at 1 January 2009	80	11,080	(1,289)	9,871
Loss for the period	–	–	(2,717)	(2,717)
At 30 June 2009	80	11,080	(4,006)	7,154

Note a: Capital reserve represents the difference between the nominal value of shares issued by Ace Solution 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 statements of cash flow of the Disposal Group

	Year ended 31 December			Six month ended 30 June	
	2006	2007	2008	2008	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Audited	Audited	Audited	Unaudited	Audited
CASH FLOW FROM OPERATING ACTIVITIES					
Profit/(loss) before tax	7,809	(6,995)	(22,181)	(13,317)	(2,420)
Adjustments for:					
Amortisation of prepaid license fee	546	–	–	–	–
Written off of property, plant and equipment	–	–	–	–	260
Impairment of available-for-sale investments	2,300	1,342	–	–	–
Impairment of trade receivables	302	304	2,677	–	1,700
Impairment of contract works in progress	–	12,136	–	1,691	–
Impairment of non-current assets held-for-sales	–	3,822	–	–	–
Impairment of prepayments, deposits and other receivable	–	–	–	–	119
Finance costs	2,397	1,503	758	518	–
Interest income	(290)	(377)	(27)	(17)	–
Loss on disposal of items of property, plant and equipment	–	49	–	–	–
Depreciation of property, plant and equipment	103	95	108	57	45
	13,167	11,879	(18,665)	(11,068)	(296)
Decrease/(increase) in inventories	4,550	5,325	(1,700)	–	1,700
Decrease/(increase) in contract works in progress	1,696	3,381	(30,958)	–	–
Decrease/(increase) in trade receivables	(7,090)	(10,316)	60,610	16,733	(1,700)
Decrease/(increase) in prepayments, deposits and other receivables	(4,797)	11,444	(7,846)	(8,994)	–
Increase/(decrease) in trade payables	(16,971)	(6,478)	219	219	–
Increase/(decrease) in other payables and accruals	4,170	(430)	(2,330)	(3,147)	317
Increase/(decrease) in amount due to a related company	–	167	54	54	(221)
Cash generated from/(used in) operations	(5,275)	14,972	(616)	(6,203)	(200)
Interest received	290	377	27	17	–
Interest paid	(2,397)	(1,503)	(758)	(518)	–
Hong Kong profits tax paid	(119)	–	(563)	(198)	–
Net cash inflow/(outflow) from operating activities	(7,501)	13,846	(1,910)	(6,902)	–
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of items of property, plant and equipment	(28)	(391)	(7)	(7)	–
Net cash outflow from investing activities	(28)	(391)	(7)	(7)	–

	Year ended 31 December			Six month ended 30 June	
	2006	2007	2008	2008	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Audited	Audited	Audited	Unaudited	Audited
CASH FLOWS FROM FINANCING ACTIVITIES					
Increase/(decrease) in amount due to ultimate holding company	10,446	(26,438)	4,669	(328)	208
Repayment of trust receipts loans, net	(41,943)	(871)	(12,040)	(1,148)	–
Net cash inflow/(outflow) from financing activities	(31,497)	(27,309)	(7,371)	(1,476)	208
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(39,026)	(13,854)	(9,288)	(8,385)	8
Cash and cash equivalents at beginning of year/period	62,586	23,560	9,706	9,706	418
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	23,560	9,706	418	1,321	426
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and bank balances	8,241	6,647	418	1,321	426
Non-pledged time deposits with original maturity of less than three months when acquired	15,319	3,059	–	–	–
	23,560	9,706	418	1,321	426
Profits/(loss) per share:					
Basic, from the discontinued operation	1.50 cents	(1.38) cents	(3.86) cents	(2.27) cents	(0.15) cents
Diluted, from the discontinued operation	N/A	N/A	N/A	N/A	N/A

The calculations of basic and diluted profits/(loss) per share from the discontinued operation are based on:

	Year ended 31 December			Six month ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Audited	Audited	Audited	Unaudited	Audited
Profit/(loss) attributable to ordinary equity holders of the parent from the discontinued operation	7,007	(7,309)	(22,625)	(13,334)	(1,017)
Weighted average number of ordinary shares in issue during the year/period used in the basic profits/(loss) per share calculation	461,934,240	529,739,171	586,451,500	586,451,500	690,131,500
Weighted average number of ordinary shares used in the diluted profits/(loss) per share calculation	N/A	N/A	N/A	N/A	N/A

The major classes of assets and liabilities of the Disposal Group as at 30 June 2009 are as follows:

	2009
	HK$'000
	Audited
ASSETS	
Property, plant and equipment	–
Deferred tax assets *(note 16)*	338
Available-for-sales investments *(note 14)*	–
Inventories	–
Contract works in progress *(note 19)*	34,340
Trade receivables *(note 20)*	–
Prepayments, deposits and other receivables *(note 21)*	12,672
Non-current assets held for sale *(note 22)*	–
Cash and bank balances *(note 23)*	426
Assets classified as held for sale	47,776
LIABILITIES	
Trade and bills payables *(note 25)*	(219)
Trust receipt loans	–
Other payables and accruals	(2,623)
Tax payable	(5,198)
Due to a related company	–
Liabilities directly associated with the assets classified as held for sale	(8,040)
INTERCOMPANY BALANCES WITH OTHER MEMBERS OF THE GROUP	
Due to ultimate holding company	(32,582)
Net assets directly associated with the Disposal Group	7,154
Assets classified as held for sale	47,776
Less: impairment	(39,736)
Assets classified as held for sale, net of impairment	8,040
Liabilities directed associated with assets classified as held for sale	(8,040)
	–

25. TRADE AND BILLS PAYABLES

The Group

An aged analysis of the trade payables at each the end of each of reporting period, based on the invoice date, is as follows:

	31 December			30 June
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Audited	Audited	Audited	Audited
Within 1 month	–	–	–	1,189
Over 3 months	6,478	–	219	–
	6,478	–	219	1,189
Less: Transfer to liabilities of a disposal group classified as held for sale *(note 24)*	–	–	–	(219)
	6,478	–	219	970

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

The Company

An aged analysis of the trade payables at each of the end of reporting period, based on the invoice date, is as follows:

	31 December			30 June
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Audited	Audited	Audited	Audited
Within 1 month	–	–	–	970
	–	–	–	970

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

26. TRUST RECEIPT LOANS

As at 31 December 2006 and 2007, the trust receipt loans 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 ended 31 December 2008.

27. 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.

28. SHARE CAPITAL

The Group and the Company

(a) Shares

	31 December			30 June
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Audited	Audited	Audited	Audited
Authorised:				
31 December 2008 and 30 June 2009: 30,000,000,000 ordinary shares (31 December 2006 and 2007: 1,000,000,000 ordinary shares) of HK$0.01 each *(note v)*	10,000	10,000	300,000	300,000
Issued and fully paid:				
30 June 2009: 703,739,500 ordinary shares (31 December 2007 and 2008: 586,451,500 ordinary shares, (31 December 2006: 526,451,500 ordinary shares)) of HK$0.01 each	5,265	5,865	5,865	7,037

A summary of the transactions during the years/periods 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*
			Audited	Audited	Audited
At 1 January 2006	1,000,000,000	406,251,500	4,063	41,573	45,636
Issue of shares:					
On 24 May 2006 *(note i)*	–	81,200,000	812	6,496	7,308
On 1 November 2006 *(note ii)*	–	39,000,000	390	3,510	3,900
At 31 December 2006 and 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 iv)*	–	60,000,000	600	16,800	17,400
At 31 December 2007 and at 1 January 2008	1,000,000,000	586,451,500	5,865	68,379	74,244
Increase of authorised share capital *(note v)*	29,000,000,000	–	–	–	–
At 31 December 2008 and at 1 January 2009	30,000,000,000	586,451,500	5,865	68,379	74,244
Issue of shares:					
On 21 January 2009 *(note vi)*	–	117,288,000	1,172	7,037	8,209
Share issue expenses	–	–	–	(86)	(86)
Net proceed	–	117,288,000	1,172	6,951	8,123
At 30 June 2009	30,000,000,000	703,739,500	7,037	75,330	82,367

Notes:

(i) On 8 May 2006, the Company entered into a subscription agreement with an independent third party (the "Subscriber A") pursuant to which the Subscriber A has agreed to subscribe for and the Company has agreed to allot and issue 81,200,000 new shares of the Company of HK$0.01 each at a subscription price of HK$0.09 per share. The subscription was completed on 24 May 2006 with gross proceeds of HK$7,308,000 which had been fully applied as the Group's general working capital. The new shares were ranked pari passu with the existing shares in issue in all aspects.

(ii) On 9 October 2006, the Company entered into a subscription agreement with an independent third party (the "Subscriber B") pursuant to which the Subscriber B has agreed to subscribe for and the Company has agreed to allot and issue 39,000,000 new shares of the Company of HK$0.01 each at a subscription price of HK$0.10 per share. The subscription was completed on 1 November 2006 with gross proceeds of HK$3,900,000 which had been fully applied as the Group's general working capital. The new shares were ranked pari passu with the existing shares in issue in all aspects.

(iii) On 28 May 2007, the Company entered into a warrant placing agreement with an independent third party (the "Subscriber C") in relation to a private placing of 58,000,000 warrants at an issue price of HK$0.02 per warrant, which entitle Subscriber C 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.

(iv) On 21 November 2007, the Company entered into a share subscription agreement and a warrant subscription agreement with an independent third party (the "Subscriber D") 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 D 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 30 June 2009.

(v) 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.

(vi) On 31 December 2008, the Company entered into a placing agreement, with a placing agent to place 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$8,123,000 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 29 to the Financial Information.

29. 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.

No option had been granted or agreed to be granted by the Company under the Scheme during the years ended 31 December 2006 and 2007 and no outstanding as at 31 December 2006 and 2007.

Details of the options granted under the Scheme and outstanding at 31 December 2008 and 30 June 2009 are as follows:

31 December 2008

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.*

30 June 2009

Grantee	Date of grant	Exercise period	Outstanding as at 1 January 2009	Granted during the period	Exercise during the period	Lapse during the period	Outstanding as at 31 December 2009	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[#1]	9 Apr 2008	9 Apr 2008 – 8 Apr 2013	5,000,000	–	–	–	5,000,000	0.28
Sze Lin Tang[#2]	9 Apr 2008	9 Apr 2008 – 8 Apr 2013	2,500,000	–	–	(2,500,000)	–	0.28
Leung Wing Kin[#3]	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	–	–	(2,500,000)	20,000,000	
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	–	–	(2,500,000)	25,000,000	
Employees	9 Apr 2008	9 Apr 2008 – 8 Apr 2013	10,000,000	–	–	–	10,000,000	0.28
			37,500,000	–	–	(2,500,000)	35,000,000	

#1 *The resolution to re-elect Mr. Cho Hui Jae as the executive director of the Company was not passed in the annual general meeting of the Company held on 30 June 2009 and the share option was lapsed on 30 September 2009.*

#2 *Sze Lin Tang resigned as an independent non-executive director of the Company on 11 February 2009.*

#3 *Mr. Leung Wing Kin resigned as an independent non-executive director of the Company on 24 August 2009 and the share option was lapsed on 23 November 2009.*

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.

30. WARRANTS

On 28 May 2007, the Company entered into a warrant placing agreement with an independent third party (the "Subscriber C") in relation to a private placing of 58,000,000 warrants at an issue price of HK$0.02 per warrant, as detail in note 28 (iii) to the Financial Information.

On 21 November 2007, the Company entered into a share subscription agreement and a warrant subscription agreement with an independent third party (the "Subscriber D") 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, as detail in note 28 (iv) to the Financial Information.

The Company had a total of 103,000,000 warrants outstanding as at 31 December 2007 and its movements during the year are as follows:

Date of issue	*Note*	Outstanding at 1/1/2007	Issued during the year	Exercised/ (Lapsed) during the year	Outstanding at 31/12/2007	Exercise period	Exercise price per share
3 July 2007	*28(iii)*	–	58,000,000	–	58,000,000	53 weeks commencing from 3 July 2007	HK$0.50
12 December 2007	*28(iv)*	–	45,000,000	–	45,000,000	2 years commencing from 12 December 2007	HK$0.28
		–	103,000,000	–	103,000,000		

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 Exercise period	price per share
3 July 2007	*28(iii)*	58,000,000	–	(58,000,000)	–	53 weeks commencing from 3 July 2007	HK$0.50
12 December 2007	*28(iv)*	45,000,000	–	–	45,000,000	2 years commencing from 12 December 2007	HK$0.28
		103,000,000	–	(58,000,000)	45,000,000		

The Company had a total of 45,000,000 warrants outstanding as at 30 June 2009 and its movements during the period are as follows:

Date of issue	*Note*	Outstanding at 1/1/2009	Issued during the period	Exercised/ (Lapsed) during the period	Outstanding at 30/6/2009	Exercise period	Exercise price per share
12 December 2007	*28(iv)*	45,000,000	–	–	45,000,000	2 years commencing from 12 December 2007	HK$0.28
		45,000,000	–	–	45,000,000		

31. RESERVES

(a) The Group

The amounts of the Group's reserves and the movements therein for the current year are presented in the consolidated statements of changes in equity on page 33 of the Financial Information.

(b) The 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*
	Audited	Audited	Audited	Audited	Audited	Audited
At 1 January 2006	41,573	–	–	14,879	(1,912)	54,540
Issue of share	10,006	–	–	–	–	10,006
Loss for the year	–	–	–	–	(783)	(783)
At 31 December 2006 and at 1 January 2007	51,579	–	–	14,879	(2,695)	63,763
Issue of shares	16,800	–	–	–	–	16,800
Issue of warrants	–	–	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	–	7,442	–	–	–	7,442
Share options lapsed during the year	–	(465)	–	–	465	–
Warrants lapsed during the year	–	–	(1,160)	–	1,160	–
Loss for the year	–	–	–	–	(10,442)	(10,442)
At 31 December 2008 and at 1 January 2009	68,379	6,977	900	14,879	(12,402)	78,733
Issue of shares	7,037	–	–	–	–	7,037
Share issue expenses	(86)	–	–	–	–	(86)
Share options lapsed during the period	–	(465)	–	–	465	–
Loss for the period	–	–	–	–	(50,350)	(50,350)
At 30 June 2009	75,330	6,512	900	14,879	(62,287)	35,334

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 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 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:

		31 December		**30 June**
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Audited	Audited	Audited	Audited
Special reserve	14,879	14,879	14,879	14,879
Share premium account	51,579	68,379	68,379	75,330
Accumulated losses	(2,695)	(3,585)	(12,402)	(62,287)
	63,763	79,673	70,856	27,922

32. CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities at each of the end of reporting period.

The Company had the following contingent liabilities at each of the end of reporting period:

		31 December		**30 June**
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Audited	Audited	Audited	Audited
Corporate guarantee given in respect of banking facilities:				
Maximum amount granted to the subsidiaries	40,000	50,000	–	–
Amount of facilities utilised by the subsidiaries	35,145	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.

33. 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 each of the end of each of reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	31 December			30 June
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Audited	Audited	Audited	Audited
Within one year	310	410	1,370	1,074
In the second to fifth years, inclusive	89	675	1,679	566
	399	1,085	3,049	1,640

34. OTHER COMMITMENTS

In addition to the operating lease commitments detailed in note 33 to the Financial Information, the Group and the Company had the following commitments as at 30 June 2009:

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

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

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

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

The Legend Acquisition has been approved by the shareholders of the Company at an extraordinary general meeting held on 12 June 2009. The completion of the Legend Acquisition is subject to the approval by the listing committee of the Stock Exchange granting listing of and permission to deal in the Conversion Shares.

(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.

Subsequent to the reporting date on 30 September 2009, the Company entered into a sales and purchase agreement with the Vendor pursuant to which, the Company will acquire from the Vendor the copyrights of a film library at a consideration of HK$25,000,000 which will be set-off against the deposit for the Allwin Acquisition which shall be otherwise be refunded by the Vendor on or before 30 September 2009.

(e) Subsequent to the reporting date on 10 December 2009, the Company entered into a sale and purchase agreement with an independent third party (the "Vendor") pursuant to which the Company agreed to acquire the entire issued share capital of Nopo International Limited, which is principally engaged as an agent of the products of a mobile location-based service provider in the PRC and the sole franchised dealer in overseas markets under a distribution agreement, at a consideration of HK$19,493,000. A refundable deposit of HK$1,993,000, without interest, had been paid by the Company to the Vendor upon signing of the agreement. The balance of HK$17,500,000 will be settled by the issue of 140,000,000 consideration shares of the Company at an issue price of HK$0.125 upon completion.

35. RELATED PARTIES TRANSACTIONS

Save as those disclosed elsewhere in these Financial Information, the Group and the Company had the following material transactions with related parties during the years/period:

	Year ended 31 December			Six month ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Audited	Audited	Audited	Unaudited	Audited
New Era Group (China) Limited					
Management fee	–	–	54	–	54
Rental paid	–	–	320	–	480
Rental deposit paid	–	–	160	–	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 21) in the Statement of Financial Position.

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

36. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments at each of the end of reporting period are as follows:

31 December 2006

The Group

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$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Audited	Audited	Audited	Audited	Audited	Audited
Available-for-sale investments	–	–	–	–	1,342	1,342
Trade receivables	–	–	–	53,275	–	53,275
Financial assets included in prepayments, deposit and other receivables	–	–	–	16,389	–	16,389
Cash and bank balances	–	–	–	23,571	–	23,571
	–	–	–	93,235	1,342	94,577

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$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Audited	Audited	Audited	Audited
Trade and bills payables	–	–	6,478	6,478
Trust receipt loans	–	–	12,911	12,911
Financial liabilities included in other payables and accruals	–	–	5,165	5,165
	–	–	24,554	24,554

The carrying amounts of each of the categories of financial instruments at each of the end of reporting period are as follows:

31 December 2007

The Group

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$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Audited	Audited	Audited	Audited	Audited	Audited
Trade receivables	–	–	–	63,287	–	63,287
Financial assets included in prepayments, deposit and other receivables	–	–	–	34,945	–	34,945
Cash and bank balances	–	–	–	24,742	–	24,742
	–	–	–	122,294	–	122,294

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$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Audited	Audited	Audited	Audited
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

The carrying amounts of each of the categories of financial instruments at each of the end of reporting period are as follows:

31 December 2008

The Group

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$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Audited	Audited	Audited	Audited	Audited	Audited
Trade receivables	–	–	–	610	–	610
Financial assets included in prepayments, deposit and other receivables	–	–	–	42,910	–	42,910
Cash and bank balances	–	–	–	7,590	–	7,590
	–	–	–	51,110	–	51,110

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$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Audited	Audited	Audited	Audited
Trade and bills 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

The carrying amounts of each of the categories of financial instruments at each of the end of reporting period are as follows:

30 June 2009

The Group

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$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Audited	Audited	Audited	Audited	Audited	Audited
Financial assets included in prepayments, deposit and other receivables	–	–	–	30,309	–	30,309
Cash and bank balances	–	–	–	6,654	–	6,654
	–	–	–	36,963	–	36,963

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$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Audited	Audited	Audited	Audited
Trade and bills payable	–	–	970	970
Financial liabilities included in other payables and accruals	–	–	1,206	1,206
	–	–	2,176	2,176

The carrying amounts of each of the categories of financial instruments at each of the end of reporting period are as follows:

31 December 2006

The Company

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$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Audited	Audited	Audited	Audited	Audited	Audited
Financial assets included in prepayments, deposit and other receivables	–	–	–	–	–	–
Cash and bank balances	–	–	–	11	–	11
	–	–	–	11	–	11

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$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Audited	Audited	Audited	Audited
Financial liabilities included in other payables and accruals	–	–	157	157
	–	–	157	157

The carrying amounts of each of the categories of financial instruments at each of the end of reporting period are as follows:

31 December 2007

The Company

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$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Audited	Audited	Audited	Audited	Audited	Audited
Trade receivables	–	–	–	–	–	–
Financial assets included in prepayments, deposit and other receivables	–	–	–	30,000	–	30,000
Cash and bank balances	–	–	–	15,036	–	15,036
	–	–	–	45,036	–	45,036

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$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Audited	Audited	Audited	Audited
Financial liabilities included in other payables and accruals	–	–	174	174
	–	–	174	174

The carrying amounts of each of the categories of financial instruments at each of the end of reporting period are as follows:

31 December 2008

The Company

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$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Audited	Audited	Audited	Audited	Audited	Audited
Financial assets included in prepayments, deposit and other receivables	–	–	–	30,160	–	30,160
Cash and bank balances	–	–	–	7,172	–	7,172
	–	–	–	37,332	–	37,332

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$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Audited	Audited	Audited	Audited
Financial liabilities included in other payables and accruals	–	–	1,238	1,238
	–	–	1,238	1,238

The carrying amounts of each of the categories of financial instruments at each of the end of reporting period are as follows:

30 June 2009

The Company

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$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Audited	Audited	Audited	Audited	Audited	Audited
Financial assets included in prepayments, deposit and other receivables	–	–	–	30,309	–	30,309
Cash and bank balances	–	–	–	6,493	–	6,493
	–	–	–	36,802	–	36,802

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$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Audited	Audited	Audited	Audited
Trade and bills payable	–	–	970	970
Financial liabilities included in other payables and accruals	–	–	1,005	1,005
	–	–	1,975	1,975

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

The main risks arising from The Group's financial instruments are 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 Information.

Interest rate risk

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

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit/(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*
2009			
Hong Kong dollar	–	–	–
	–	–	–
2008			
Hong Kong dollar	–	–	–
	–	–	–
2007			
Hong Kong dollar	1%	(30)	(30)
	(1%)	30	30
2006			
Hong Kong dollar	1%	(32)	(32)
	(1%)	32	32

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 over 90% of the Group's sales are dominated in currencies other than the functional currency of the operating units marking the sales, and almost 90% 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 years ended 31 December 2006, 2007 and 2008 and during the period from 1 January 2009 to 30 June 2009.

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, trade receivables and prepayments. deposits 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 Information.

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 loans, and trust receipt loans. All of the Group's trust receipt loans would mature in less than one year as at 31 December 2006 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 end of reporting period, the Group has not 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 and bills payables, trust receipt loan, other payables and accruals and amount due to related company less cash and bank balances. Capital includes equity attributable to equity holders of the Company. The gearing ratios as at the Statement of Financial Position dates were as follows:

	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Audited	Audited	Audited	Audited
Trade and bills payables	6,478	–	219	970
Trust receipt loans	12,911	12,040	–	–
Other payables and accruals	5,165	4,752	3,827	1,206
Due to a related company	–	167	221	–
Cash and bank balances	(23,571)	(24,742)	(7,590)	(6,654)
Net debt	983	(7,783)	(3,323)	(4,478)
Total capital				
Equity attributable to equity holders	93,952	105,213	79,808	83,986
Capital and net debt	94,935	97,430	76,485	79,508
Gearing ratio	1%	N/A	N/A	N/A

38. COMPARATIVE AMOUNTS

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

39. APPROVAL OF THE FINANCIAL INFORMATION

The Financial Information were approved and authorised for issue by the board of directors on 22 December 2009.

Yours faithfully,

CACHET CERTIFIED PUBLIC ACCOUNTANTS LIMITED
Certified Public Accountants
Hong Kong, 22 December 2009

Chan Chi Yuen
Practising Certificate Number P02671

The following is the text of a report, prepared for the purpose of incorporation in this circular, from Cachet Certified Public Accountants Limited in respect of the unaudited pro forma financial information of the remaining group as set out in this appendix:

The Directors
China Trends Holdings Limited

Dear Sirs,

We report on the unaudited pro forma financial information of China Trends Holdings Limited (formerly known as "QUASAR Communication Technology Holdings Limited") (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") in connection with the proposed disposal (the "Disposal") of (i) 100% equity interest in Ace Solution Technology Limited ("Ace Solution") and its subsidiaries (the "Disposal Group") by the Company and, (ii) all obligations, liabilities and debts owing or incurred by Ace Solution to the Company on or at any time prior to completion of the Disposal whether actual, contingent or deferred and irrespective of whether the same is due and payable on completion (the "Sale Loan") pursuant to a sale and purchase agreement (the "Sale and Purchase Agreement") dated 15 June 2009 entered into between the Company and Mr. Yu Shu Kuen ("Mr. Yu"), a third party independent of and not connected with the Group, at a consideration of HK$1.00 (subject to adjustment details of which has been fully disclosed in the Circular). Pursuant to a deed of assignment and novation dated 30 September 2009 (the "First Deed") entered into between the Company, Mr. Yu and Adventure Corporate Service Limited (the "Adventure"), Adventure was assigned with all the rights and interests and assumed all the obligations and liabilities of Mr. Yu under the Sale and Purchase Agreement. Adventure is owned as to 50% by Mr. Yu and 50% by an independent third party. Pursuant to a second deed of assignment and novation dated 1 December 2009 (the "Second Deed") entered into between the Company, Mr. Yu and Adventure, Mr. Yu was assigned with all the rights and interests and assumed all the obligations and liabilities of Adventure under the Sale and Purchase Agreement (as supplemented by the First Deed). The basis of preparation of the pro forma financial information is set out in Appendix II to the Circular.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND REPORTING ACCOUNTANTS

It is the responsibility solely 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 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 Group (except for the Disposal Group) (the "Remaining Group") as at 30 June 2009 or at any future date; or

– the results or the cash flows of the Remaining Group for the year ended 31 December 2008 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
Hong Kong, 22 December 2009

Chan Chi Yuen
Practising Certificate Number P02671

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

The following unaudited pro forma financial information of the Group (except for the Disposal Group) (the "Remaining Group") has been prepared to illustrate the effect of the proposed disposal (the "Disposal") of (i) 100% equity interest in Ace Solution Technology Limited ("Ace Solution") and its subsidiaries (the "Disposal Group") by the Company and, (ii) all obligations, liabilities and debts owing or incurred by the Ace Solution to the Company on or at any time prior to completion of the Disposal whether actual, contingent or deferred and irrespective of whether the same is due and payable on completion ("Sale Loan") pursuant to a sale and purchase agreement (the "Sale and Purchase Agreement") dated 15 June 2009 entered into between the Company and Mr. Yu Shu Kuen ("Mr. Yu"), a third party independent of and not connected with the Group, at consideration of HK$1.00 (subject to adjustment details of which has been fully disclosed in this Circular). Pursuant to a deed of assignment and novation dated 30 September 2009 (the "First Deed") entered into between the Company, Mr. Yu and Adventure Corporate Service Limited ("Adventure"), Adventure was assigned with all the rights and interests and assumed all the obligations and liabilities of Mr. Yu under the Sale and Purchase Agreement. Adventure is owned as to 50% by Mr. Yu and 50% by an independent third party. Pursuant to a second deed of assignment and novation dated 1 December 2009 (the "Second Deed") entered into between the Company, Mr. Yu and Adventure, Mr. Yu was assigned with all the rights and interests and assumed all the obligations and liabilities of Adventure under the Sale and Purchase Agreement (as supplemented by the First Deed).

The unaudited pro forma statement of comprehensive income and statement of cash flow of the Remaining Group are prepared based on the audited statement of comprehensive income and statement of cash flow of the Group for the year ended 31 December 2008 as extracted from the annual report of the Company and the audited statement of comprehensive income and statement of cash flow of the Disposal Group for the year ended 31 December 2008 as extracted from the accountants' report as set out in Appendix I to the Circular, respectively, after a number of pro forma adjustments assuming the Disposal had been completed on 1 January 2008.

The unaudited pro forma statement of financial position of the Remaining Group is prepared based on the audited statement of financial position of the Group as at 30 June 2009 as extracted from the accountants' report as set out in Appendix I to the Circular, and the audited statement of financial position of Disposal Group as at 30 June 2009 as extracted from the accountants' report as set out in Appendix I to the Circular, respectively, after a number of pro forma adjustments assuming the Disposal had been completed on 30 June 2009.

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

2. UNAUDITED PRO FORMA INCOME STATEMENT OF THE REMAINING GROUP

	The Group 31 December 2008	The Disposal Group 31 December 2008	The Remaining Group before adjustment		Pro-forma adjustment		The Remaining Group after adjustment
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Audited	Audited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	(i)	*(ii)*	*(iii) = (i) – (ii)*	*(Note (a))*	*(Note (b))*	*(Note (c))*	
REVENUE	81,127	78,500	2,627				2,627
Cost of sales	(84,409)	(82,324)	(2,085)				(2,085)
Gross profit/(loss)	(3,282)	(3,824)	542				542
Other income and gains	194	63	131				131
Administrative and other operating expenses	(28,512)	(17,662)	(10,850)		(60,201)	(780)	(71,831)
Finance costs	(758)	(758)	–				–
LOSS BEFORE TAX	(32,358)	(22,181)	(10,177)				(71,158)
Tax	(489)	444	(933)				(933)
LOSS FOR THE YEAR	(32,847)	(21,737)	(11,110)				(72,091)
OTHER COMPREHENSIVE INCOME FOR THE YEAR	–	–	–				–
Income tax relating to components of other comprehensive income	–	–	–				–
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	–	–	–				–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	(32,847)	(21,737)	(11,110)				(72,091)

3. UNAUDITED PRO FORMA BALANCE SHEET OF THE REMAINING GROUP

	The Group 30 June 2009	The Group Disposal Group 30 June 2009	The Remaining before adjustment		Pro-forma adjustment		The Remaining Group 30 June 2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Audited	Audited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	(i)	*(ii)*	*(iii) = (i) – (ii)*	*(Note (a))*	*(Note (b))*	*(Note (c))*	
NON-CURRENT ASSETS							
Property, plant and equipment	845	–	845				845
Available-for-sale investments	–	–	–				–
Other intangible assets	–	–	–				–
Deferred tax assets	–	338	(338)	338			–
Total non-current assets	845	338	507				845
CURRENT ASSETS							
Inventories	1,940	–	1,940				1,940
Contract works in progress	–	34,340	(34,340)	34,340			–
Trade receivables	–	–	–				–
Prepayments, deposits and other receivables	35,332	12,672	22,660	12,672			35,332
Non-current assets held for sale	–	–	–				–
Cash and bank balances	6,654	426	6,228	426			6,654
	43,926	47,438	(3,512)				43,926
Assets of a disposal group classified as held for sale	8,040	–	8,040	(8,040)			–
Total current assets	51,966	47,438	4,528				43,926
CURRENT LIABILITIES							
Trade and bills payables	970	219	751	219			970
Trust receipts loans	–	–	–				–
Other payables and accruals	1,206	2,623	(1,417)	2,623		780	1,986
Due to a related company	–	–	–				–
Due to a ultimately holding company	–	32,582	(32,582)		32,582		–
Tax payable	45	5,198	(5,153)	5,198			45
	2,221	40,622	(38,401)				3,001
Liabilities directly associated with assets classified as held for sale	8,040	–	8,040	(8,040)			–
Total current liabilities	10,261	40,622	(30,361)				3,001
NET CURRENT ASSETS	41,705	6,816	34,889				40,925
Net assets	42,550	7,154	35,396				41,770
EQUITY							
Issued capital	7,037	80	6,957		80		7,037
Reserves	35,513	7,074	28,439	39,736	(39,736) 7,074	(780)	34,733
Total equity	42,550	7,154	35,396				41,770

4. UNAUDITED PRO FORMA CASH FLOW STATEMENTS OF THE REMAINING GROUP

	The Group 31 December 2008	The Group Disposal 31 December 2008	The Remaining Group before adjustment		Pro-forma adjustment		The Remaining Group after adjustment
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Audited	Audited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	(i)	*(ii)*	*(iii) = (i) – (ii)*	*(Note (a))*	*(Note (b))*	*(Note (c))*	
CASH FLOW FROM OPERATING ACTIVITIES							
Loss before tax	(32,358)	(22,181)	(10,177)		(60,201)	(780)	(71,158)
Adjustments for:							
Impairment of trade receivables	2,677	2,677	–				–
Equity-settled share option expenses	7,442		7,442				7,442
Finance costs	758	758	–				–
Interest income	(148)	(27)	(121)				(121)
Loss on disposal of the Disposal Group	–	–	–		60,201		60,201
Depreciation of property, plant and equipment	170	108	62				62
	(21,459)	(18,665)	(2,794)				(3,574)
Increase in inventories	(1,700)	(1,700)	–				–
Increase in contract works in progress	(30,958)	(30,958)	–				–
Decrease/(increase) in trade receivables	60,000	60,610	(610)				(610)
Increase in prepayment, deposits and other receivables	(8,155)	(7,846)	(309)				(309)
Increase in trade payables	219	219	–				–
Decrease/(increase) in other payables and accruals	(925)	(2,330)	1,405			780	2,185
Increase in amount due to related company	54	54	–				–
Cash used in operations	(2,924)	(616)	(2,308)				(2,308)
Interest received	148	27	121				121
Interest paid	(758)	(758)	–				–
Hong Kong profits tax paid	(563)	(563)	–				–
Net cash outflow from operating activities	(4,097)	(1,910)	(2,187)				(2,187)
CASH FLOWS FROM INVESTING ACTIVITIES							
Purchases of items of property, plant and equipment	(1,015)	(7)	(1,008)				(1,008)
Net cash outflow from investing activities	(1,015)	(7)	(1,008)				(1,008)
CASH FLOWS FROM FINANCING ACTIVITIES							
Increase in amount due to ultimate holding company	–	4,669	(4,669)				(4,669)
Repayment of trust receipts loans, net	(12,040)	(12,040)	–				–
Net cash outflow from financing activities	(12,040)	(7,371)	(4,669)				(4,669)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(17,152)	(9,288)	(7,864)				(7,864)
Cash and cash equivalents at beginning of the year	24,742	9,706	15,036				15,036
CASH AND CASH EQUIVALENTS AT END OF YEAR	7,590	418	7,172				7,172
CASH AND CASH EQUIVALENTS AT END OF YEAR	7,590	418	7,172				7,172

NOTES TO UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

(a) The adjustment reflects the re-classification of all of the assets and liabilities of the Disposal Group which were showed in the statement of financial position of the Group as "Assets of a disposal group classified as held for sale" and "Liabilities directly associated with assets of a disposal group classified as held for sale" respectively as at 30 June 2009.

(b) The adjustment reflects (A) the elimination of (i) intercompany current account of HK$32,582,000 between the Company and the Disposal Group; and (ii) the share capital and reserves of the Disposal Group of HK$80,000 and HK$7,074,000, respectively; and (B) loss of the Disposal.

The adjustment reflects loss of the Disposal as if the Disposal had been completed on 1 January 2008 the calculation of which is as follows:

		HK$'000
Sales proceeds satisfy by cash		–
Sales loan		–
Fair value of the contingent consideration		–
Total consideration*		–
Less: Net assets of the Disposal Group as at 1 January 2008		
Property, plant and equipment	406	
Deferred tax assets	306	
Trade receivables	63,287	
Contract works in progress	3,382	
Prepayments, deposits and other receivables	4,945	
Cash and bank balances	9,706	
Trust receipts loans	(12,040)	
Other payables and accruals	(4,578)	
Tax payable	(5,046)	
Due to a related company	(167)	60,201
Loss on disposal of the Disposal Group as if the Disposal had been completed on 1 January 2008		(60,201)

The adjustment reflects loss of the Disposal as if the Disposal had been completed on 30 June 2009, the calculation of which is as follows:

		HK$'000
Sales proceeds satisfy by cash		–
Sales loan		–
Fair value of the contingent consideration		–
Total consideration*		–
Less: Net assets of the Disposal Group as at 30 June 2009		
Property, plant and equipment	–	
Deferred tax assets	338	
Contract works in progress	34,340	
Prepayments, deposits and other receivables	12,672	
Cash and bank balances	426	
Trust receipts loans	(219)	
Other payables and accruals	(2,623)	
Tax payable	(5,196)	
Due to a related company	–	39,736
Loss on disposal of the Disposal Group as if the Disposal had been completed on 30 June 2009		(39,736)

* Pursuant to the Sales and Purchase Agreement, the consideration of the Disposal is HK$1.00 plus a contingent consideration (the "Contingent Consideration") which has to be determined by the followings:

(1) on or before the date falling two years from the date of Completion, the Purchaser agrees to pay to the Company, within five Business Days upon receipt of the proceeds from sale or transfer of all or part of the Sale Shares or any the above assets of the Disposal Group by the Purchaser, a sum equivalent to 50% of such proceeds; or

(2) after the date falling two years from the date of Completion and ending on the date falling ten years after the date of Completion, the Purchaser agrees to pay to the Company, within five Business Days upon receipt of the proceeds from sale or transfer of all or part of the Sale Shares or any the above assets of the Disposal Group by the Purchaser, a sum equivalent to 30% of such proceeds.

The fair value of the Contingent Consideration was assessed by an independent professional valuer, Ascent Partners Transaction Service Limited, pursuant to a valuation report dated 16 December 2009, to be zero as at 30 June 2009.

(c) The adjustment reflects the provision of legal, audit and other professional fees of approximately HK$780,000 directly related to the Disposal.

1. INDEBTEDNESS

Borrowings

As at the close of business on 31 October 2009, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular (the "Indebtedness Date"), the Group had not any outstanding borrowings.

Contingent liabilities

As at 31 October 2009, the 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 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. In December 2008, the Group noticed that when most of the former directors of the Subsidiaries left the Group and discharged their directorship, the former directors did not directly deliver the books and records of certain subsidiaries to the Company. 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 October 2009.

2. WORKING CAPITAL

Taking into account the internally generated funds, the Directors are of the opinion that the Group will, following the completion of the Disposal, 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.

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 share options

Name of Director	Number or Attributable number of shares or underlying shares held	Type of interests	Approximate percentage of issued share capital
Xiang Xin	5,000,000	Beneficiary	0.71%
Wong Chak Keung	5,000,000	Beneficiary	0.71%
Zhang Zhan Liang	2,500,000	Beneficiary	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.

As at the Latest Practicable Date, none of the Directors was a director or employee of a company which had, or was deemed to have, an interests or short position in the Shares or underlying Shares 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.

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 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
Ascent Partners Transaction Service Limited ("Ascent Partners")	An independent professional valuer
Cachet	Certified Public Accountants

Each of Ascent Partners and Cachet 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 Ascent Partners and Cachet 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. 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.

6. MATERIAL CONTRACTS

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

(i) 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;

(ii) 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;

(iii) 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;

(iv) 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 and 30 June 2009 respectively, the Company had 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 Ms. Zhuang Xiao Shan on or before 30 September 2009 or such later date as the Company and Ms. Zhuang Xiao Shan may agree;

(v) 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 Xin ("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;

(vi) 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;

(vii) 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;

(viii) sale and purchase agreement dated 18 February 2009 entered into between the Company, Ocean Space Development Limited and Zhang Shao Cai in relation to the sale and purchase of one ordinary share of US$1.00 in the issued share capital of Legend Century Investments Limited and the shareholder's loan owing or incurred by Legend Century Investments Limited to Ocean Space Development Limited at completion at an aggregate consideration of HK$600,000,000;

(ix) assets transfer agreement dated 30 September 2009 entered into between the Company and Ms. Zhuang Xiao Shan in relation to the acquisition of the copyrights of a film library at a consideration of HK$25,000,000;

(x) sale and purchase agreement dated 10 December 2009 entered into between the Company and Nopo Group Limited in relation to the acquisition of the entire issued share capital of Nopo International Limited at a consideration of HK$19,493,000;

(xi) the Sale and Purchase Agreement;

(xii) the First Deed; and

(xiii) the Second Deed.

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

Save as disclosed herein, 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 Group subsisting at the date of this circular in which any Director is materially interested and which is significant to the business of the Group.

(B) As at the Latest Practicable Date, none of Ascent Partners, Cachet 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 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 principal share registrar and transfer agent of the Company in the Cayman Islands is HSBC Trustee (Cayman) Limited located at PO Box 484, HSBC House 68 West Bay Road, Grand Cayman, KY1-1106, Cayman Islands.

(F) The branch share registrar and transfer office of the Company in Hong Kong is Union Registrars Limited located at 18/F, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong.

(G) 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.

(H) 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.

(I) 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, Ms. Lu Yuhe and Mr. Kwok Chi Hung (with Mr. Zhang Zhan Liang, as the Chairman thereof).

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. Zhang Zhan Liang ("Mr. Zhang"), aged 39, 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 Company on 23 January 2008 and Mr. Zhang does not hold any directorship in other listed public companies.

Ms. Lu Yuhe ("Ms. Lu"), aged 32, a member of Chinese Institute of Certified Public Accountants and holder of a master degree in economics from the Capital University of Economics and Business and a bachelor degree in Economics from the Central University for Nationalities. Ms. Lu has worked for an international accounting firm in China and has substantial experience in auditing and accounting practice. Ms. Lu joined the Company on 10 July 2009 and Ms. Lu does not hold any directorship in other listed public companies.

Mr. Kwok Chi Hung ("Mr. Kwok"), aged 48, possesses over 20 years of experience in financial and corporate management. Mr. Kwok is one of the founders of China-Key HR Outsourcing Co., Limited engaging in the provision of human resources under business processing outsourcing services in the PRC and it was recognized by InterChina Consulting as one of the fast developing human resources outsourcing companies in the PRC. Mr. Kwok joined the Company on 24 August 2009. Other than being an executive director of China Innovation Investment Limited, a company listed on the Main Board of the Stock Exchange, during the period from 30 December 2004 to 1 November 2007, Mr. Kwok does not hold any directorship in other listed public companies.

for identification only

(J) The English text of this circular 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 18 January 2010 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 accountants' report on the Group prepared by Cachet, the text of which is set out in Appendix I to this circular;

(e) the accountants' report from Cachet on the unaudited pro forma financial information of the Remaining Group, the text of which is set out in Appendix II to this circular;

(f) the valuation report of the Disposal Group prepared by Ascent Partners dated 16 December 2009;

(g) the annual reports of the Company and its subsidiaries for each of the two financial years ended 31 December 2007 and 31 December 2008;

(h) the interim report of the Company and its subsidiaries for the six months ended 30 June 2009; and

(i) circular of the Company dated 26 May 2009.

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 Monday, 18 January 2010 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**") (a copy of which has been produced to the EGM marked "A" and signed by the chairman of the EGM for the purpose of identification) dated 15 June 2009 and entered into between the Company as vendor and Yu Shu Kuen ("**Mr. Yu**") as purchaser (as supplemented by the deed of assignment and novation (the "**First Deed**") (a copy of which has been produced to the EGM marked "B" and signed by the chairman of the EGM for the purpose of identification) dated 30 September 2009 and entered into between the Company, Mr. Yu and Adventure Corporate Services Limited ("**Adventure**") and the second deed of assignment and novation (the "**Second Deed**") (a copy of which has been produced to the EGM marked "C" and signed by the chairman of the EGM for the purpose of identification) dated 1 December 2009 and entered into between the Company, Mr. Yu and Adventure) in relation to the sale and purchase of one share of US$1.00 in the share capital of Ace Solution Technology Limited (the "**Target**") and all obligations, liabilities and debts owing or incurred by the Target to the Company 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 at a consideration of HK$1.00 and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified; and

(b) any one or more of the directors (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/she/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 (as supplemented by the First Deed and the Second Deed) and the transactions contemplated thereunder."

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

Hong Kong, 22 December 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 Company's branch share registrar in Hong Kong, Union Registrars Limited located at 18/F, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, 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.