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)

MAJOR TRANSACTION
ACQUISITION OF COPYRIGHTS IN A FILM LIBRARY

A notice convening the EGM to be held at 25/F, No. 9 Des Voeux Road West, Sheung Wan, Hong Kong at 11:00 a.m. on Wednesday, 29 September 2010 is set out on pages 125 to 126 of this circular. A form of proxy for use at the meeting is enclosed. Whether or not you intend to attend the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Union Registrars Limited of 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 meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so desire.

7 September 2010

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.

CONTENTS

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

"Acquisition"	the proposed acquisition of the Sale Copyrights by the Company from the Vendor pursuant to the Acquisition Agreement
"Acquisition Agreement"	the conditional acquisition agreement dated 30 September 2009 entered into between the Company and the Vendor in relation to the sale and purchase of the Sale Copyrights
"ANDA"	ANDA CPA Limited
"Ascent Partners"	Ascent Partners Transaction Service Limited, an independent valuer
"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
"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 Copyrights in accordance with the terms and conditions of the Acquisition Agreement
"Consideration"	the consideration of HK$25,000,000 paid by the Company to the Vendor for the Acquisition and to be satisfied in the manner as described in this circular
"Deposit"	the deposit in the amount of HK$25,000,000 already paid by the Company to the Vendor
"Directors"	the directors of the Company
"EGM"	the extraordinary general meeting of the Company to be convened by the Company to approve the Acquisition

"Former Target"	廣東愛威文化發展有限公司 (transliterated Guangdong Allwin Culture Development Co., Ltd.), a limited company established in the PRC
"GEM"	Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Group"	the Company and its subsidiaries
"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 (as defined in the GEM Listing Rules)
"Latest Practicable Date"	3 September 2010, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
"Mr. Xiang"	Mr. Xiang Xin, an executive Director and the chairman of the Company
"Protex Utility"	Boss Media Limited (formerly known as Protex Utility Computing (Hong Kong) Limited), a company incorporated in Hong Kong with limited liability and the entire issued share capital of which are held by Fair Sharp Investments Limited, of which Mr. Xiang is the sole director of Fair Sharp Investments Limited
"Registrar"	Union Registrars Limited, the branch share registrar of the Company in Hong Kong
"Rights Issue"	the issue of 3,374,958,000 new Shares by way of rights of four rights Shares for every one Share at the subscription price of HK$0.04 per rights Share completed on 8 July 2010. For detail, please refer to the prospectus of the Company dated 15 June 2010
"Sale and Purchase Agreement"	the conditional sale and purchase agreement dated 20 September 2008 (as supplemented by the supplemental agreement dated 10 October 2008) entered into between the Company and the Vendor in relation to the sale and purchase of the Sale Capital

"Sale Capital"	the registered and paid up capital of the Former Target in the amount of RMB24,000,000, representing 24% of the registered and paid up capital upon completion of the proposed increase in the registered and paid up capital of the Former Target from RMB32,800,000 to RMB100,000,000
"Sale Copyrights"	the copyrights of a film library which contains five series (a total of 320 episodes), and 16 education series of an animation (the "Animation") 神探威威貓 (Wiwione – Detective Winkey Cat) and music songs
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.01 each in the capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Valuation Report"	the valuation report in respect of copyrights in a film library dated 7 September 2010 and prepared by Ascent Partners
"Vendor"	Ms. Zhuang Xiao Shan
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"%"	per cent

All amounts in RMB has been translated in HK$ at a rate of RMB1 = HK$1.136 in this circular for illustration purpose only.

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 *(Chairman)*
Mr. Yang Gaocai
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

Principal Place of business in Hong Kong:
26/F, No.9 Des Voeux Road West
Sheung Wan
Hong Kong

7 September 2010

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION ACQUISITION OF COPYRIGHTS IN A FILM LIBRARY

INTRODUCTION

Reference is made to the announcement of the Company dated 27 January 2010 in which the Board announced that on 30 September 2009, the Company and the Vendor entered into the Acquisition Agreement pursuant to which the Company agreed to acquire and the Vendor agreed to sell the Sale Copyrights at a consideration of HK$25,000,000. The trademarks attached to the Sale Copyrights would be transferred from the Vendor to the Company at nil consideration at Completion.

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

THE ACQUISITION AGREEMENT

Date: 30 September 2009

Parties: (1) Purchaser : The Company

(2) Vendor : The Vendor

The Directors acquainted with the Vendor through a friend. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor is an Independent Third Party.

Assets to be acquired

Pursuant to the Acquisition Agreement, the Company has agreed to acquire and the Vendor has agreed to sell the Sale Copyrights. The trademarks (the "**Trademarks**") attached to the Sale Copyrights would be transferred from the Vendor to the Company at nil consideration at Completion.

Pursuant to the Sale and Purchase Agreement entered into between the Company and the Vendor in relation to the sale and purchase of the Sale Capital, the conditions of the Sale and Purchase Agreement include, among others, the completion of the capital injection of cash and the technical method in the amount of RMB67,200,000 by Protex Utility into the Former Target. Since the conditions including the injection of cash and the technical method by Protex Utility into the Former Target had not been fulfilled, the Sale and Purchase Agreement was terminated thereafter and it did not constitute as a connected transaction on the part of the Company lastly.

The Sale Copyrights and the Trademarks were originally owned by the Former Target. After the termination of the Sale and Purchase Agreement, the Former Target directly transferred the Sale Copyrights and the Trademarks to the Vendor. The Vendor and the Company then entered into the Acquisition Agreement. The Company confirmed that the Vendor had not entered, nor proposed to enter, into any agreement, arrangement, understanding or undertaking, whether formal or informal and whether expressed or implied, with Mr. Xiang or any other connected persons of the Company in relation to the Acquisition. The Acquisition does not constitute a connected transaction on the part of the Company because the Former Target and the Vendor are Independent Third Parties.

Consideration

The Consideration for the Sale Copyrights shall be HK$25,000,000 and will be set off by the Deposit already paid by the Company at Completion. The parties to the Acquisition Agreement have agreed that the Consideration has been paid by the Company to the Vendor as refundable deposit.

Reference is made to the announcement of the Company dated 10 October 2008 (the "**Announcement**") in relation to the proposed acquisition of the Sale Capital by the Company from the Vendor pursuant to the Sale and Purchase Agreement. Pursuant to the Sale and Purchase Agreement, the refundable deposit of HK$25,000,000 (the "**Deposit**") shall be paid by the Company to the Vendor within three Business Days from the date of publication of the Announcement. The Deposit had been paid by the Company to the Vendor on 15 October 2008 and the Deposit would not bear any interest and security.

On 27 February 2009, the Company verbally agreed with the Vendor to terminate the Sale and Purchase Agreement for the purpose of further negotiation for the terms and ways of possible cooperation and/or transaction between the Vendor and the Company. As additional time was required for the Vendor and the Company to negotiate for the terms and ways of possible cooperation and/or transaction between the Vendor and the Company, on 30 June 2009, the Company further verbally agreed with the Vendor to extend the period for the parties to enter into a binding agreement regarding the possible cooperation and/or transaction to on or before 30 September 2009 or such later date as the Company and the Vendor may agree. On 30 September 2009, the Company and the Vendor entered into the Acquisition Agreement pursuant to which the Company agreed to acquire and the Vendor agreed to sell the Sale Copyrights at a consideration of HK$25,000,000. Since the Consideration was more favorable than its existing cost of development, the Company considered that the Consideration will be set off by the Deposit already paid by the Company at Completion to be fair and reasonable.

The Consideration was determined with reference to the Directors' valuation of the Sale Copyrights based on market approach by reference to companies holding similar copyrights and operated in the PRC. The local production cost per minute for the film in average was approximately RMB10,000 in the PRC market after consulting with local producers in the PRC. The Acquisition consisted of the animated series and educational film series in a total of approximately 5,400 minutes. According to the assessment by the Directors, the Consideration represented a substantial discount to the cost of its production. The Consideration was agreed between the Company and the Vendor after arm's length negotiations. By discounting the total estimated production cost by around 35% to account for the date of its production (first batch of animation under the Sale Copyrights was produced by late 2004), the Directors estimated the fair value of the Sale Copyrights was approximately RMB34,320,000 (equivalent to approximately HK$39,000,000) before entering into the Acquisition Agreement. Mr. Xiang has many years of business experience in animation technology, film and television production industry in the PRC. For detail, please refer to the section under the "Reason for the Acquisition". The Consideration also represented a discount of approximately 32.4% to the cost value of the Sale Copyrights in the amount of RMB32,628,000 as recorded by the Former Target before the Sales Copyrights was transfered to the Vendor in June 2009. As such, the Directors (including the independent non-executive Directors) consider that the terms and conditions of the Acquisition to be fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

According to the valuation report recently prepared by Ascent Partners, an independent valuer, as set out in Appendix II of this circular, the fair value of the Sale Copyrights amounted to RMB32,658,000 (equivalent to approximately HK$37,111,000) as at 31 May 2010. The Consideration represented a discount of approximately 32.6% to the fair value of the Sale Copyrights as above.

In the event that Completion does not take place, the Vendor shall forthwith refund to the Company the Deposit, without interest.

Conditions precedent

Completion shall be conditional upon and subject to:

– the passing by the Shareholders at an extraordinary general meeting of the Company to be convened and held of an ordinary resolution to approve the Acquisition Agreement and the transactions contemplated thereunder.

All of the conditions are not waivable under the Acquisition Agreement. If the conditions have not been satisfied on or before 30 September 2010, or such later date as the Company and the Vendor may agree, the Vendor shall forthwith refund the Deposit, without interest, to the Company and the Acquisition Agreement 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.

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 Vendor.

INFORMATION ON THE SALE COPYRIGHTS AND THE TRADEMARKS

The Sale Copyrights

The copyrights of a film library which contains five series (a total of 320 episodes), and 16 education series of an animation (the "**Animation**") 神探威威貓 (Wiwione – Detective Winkey Cat) and music songs. The first series, the second series, the third series, the fourth series and the fifth series of the Animation has 69 episodes, 60 episodes, 72 episodes, 60 episodes and 60 episodes respectively. Each episode for the first and second series is approximately 13 minutes and each episode for the third, fourth and fifth series is approximately 14 minutes. For the education series, it has 16 episodes and each episode is approximately 60 minutes. For the music songs, it includes the copyright of 16 albums of children's songs of which each album contains 20 songs under Wiwione. The Sale Copyrights for the two financial years immediately preceding the Acquisition did not generate any profit.

Since its establishment in 1998, the Former Target developed and registered the Sale Copyrights and the Trademark. The Sale Copyrights did not generate any profit in the Former Target because the management of the Former Target did not achieve the basic number of broadcasting hours as required for the promotion of programmes under the Sale Copyrights in each television station in the PRC in order to promote the popularity of the Animation. The revenue generated from the Sale Copyrights was not sufficient to maintain its operation in the Former Target since the establishment of the Former Target up to 31 December 2006. Upon completion, the Company will change the marketing strategy into free broadcasting approach from the programmes of the Sale Copyrights in exchange for the usage of air time promotion and advertisement in the television stations in the PRC, and will apply for the subsidies entitlement under approved government policies in the PRC.

According to the audited financial statements of the Former Target prepared under the PRC accounting standard, for the year ended 31 December 2007, the Former Target (including the Sale Copyrights) did not record any turnover and net profit or loss before and after taxation.

According to the unaudited management accounts of the Former Target prepared under the PRC accounting standard, for the year ended 31 December 2008, the Former Target (including the Sale Copyrights) did not record any turnover and net profit or loss before and after taxation.

According to the unaudited management accounts of the Former Target prepared under the PRC accounting standard, for the six months ended 30 June 2009, the Former Target (including the Sale Copyrights) did not record any turnover and net profit or loss before and after taxation.

Pending the completion of the Acquisition Agreement, the Sale Copyrights did not generate any revenue or incur any further material expenses since June 2009.

The Trademarks

The trademarks are trademarks in relation to the Animation including the characters of the Animation 威威貓 (Wiwione), 愛愛兔 (Aiaitwo) and 頑逗 (Winkeycat) and the name of the Animation.

Since the Sale Copyrights and the Trademarks were originally owned by the Former Target, the Company has reviewed the cost of the Sale Copyrights and the Trademarks in the management accounts of the Former Target for the two years before the disposal of the Sale Copyrights and the Trademarks from the Former Target to the Vendor. After the termination of the Sale and Purchase Agreement, the Former Target directly transferred the Sale Copyrights and the Trademarks to the Vendor at cost value of RMB32,628,000 in June 2009.

REASONS FOR THE ACQUISITION

The Group is principally engaged in sales and marketing of information technology products and the relevant application solution. As set out in the annual report of the Company for the year ended 31 December 2009, as there is fierce competition in the current business operations of the Group, the Board has been seeking opportunities to increase the business scope and the foundation of the Group. In view of the intense competition and falling profit margin, the Company is actively seeking opportunities to other business with higher return.

Mr. Xiang has many years of business experience in animation technology, film and television production industry in the PRC. Mr. Xiang had participated in the development of the business plans and investment cooperation in 廣州國家動漫基地公共技術平臺 (The Public Technology Platform for the National Animation Base in Guangzhou*) and 深圳國家動漫基地公共技術平臺 (The Public Technology Platform for the National Animation Base in Shenzhen*) and is familiar with the policies, government support and the business modelling in the animation industry in the PRC. Mr. Xiang's family owns the distribution network with more than 3,000 agents for the leading children toy "Muma toys" in the PRC. Mr. Xiang also has a good relationship with certain level of television stations, various training institutions and production companies in the PRC.

As the Group has the experience in mobile phone business and is now in the development of business in LED and LCD consumer electronic appliances, the Sale Copyrights and the Trademarks will be applied to LED and LCD consumer electronic appliances to expand the series of products and services in the children market. The extension of these LED and LCD consumer electronic appliances in the children market will provide a higher return to the Group since the Group will not need to put a high proportion of resources in production and marketing for the children market. At Completion, the trademarks attached to the Sale Copyrights would be transferred from the Vendor to the Company at nil consideration. The Directors consider that the proposed acquisition including the Trademarks to be transferred from the Vendor to the Company pursuant to the Acquisition Agreement will assist the promotion of the products of the Group in the children market and will assist the Group further broaden the market in the mainland China. The Acquisition will further the Company's products into the children market to be newly developed by the Company.

Based on the above, the Board is of the view that the terms and conditions of the Acquisition are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE ACQUISITION

Assets and liabilities

Set out in Appendix III to this circular is the unaudited pro forma statement of assets and liabilities of the Group. Upon Completion, there is no change of consolidated total assets and total liabilities of the Group.

Earnings

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

GEM LISTING RULES IMPLICATIONS

The Acquisition constitutes a major transaction on the part of the Company under the GEM Listing Rules and is therefore required to be made conditional on Shareholders' approval.

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

EGM

Set out on pages 125 to 126 is a notice convening the EGM to be held at 25/F, No. 9 Des Voeux Road West, Sheung Wan, Hong Kong on Wednesday, 29 September 2010 at 11:00 a.m. at which relevant resolution will be proposed to the Shareholders to consider and, if thought fit, approve the Acquisition Agreement and the transactions contemplated thereunder.

The 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 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 considered that the terms of the Acquisition 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.

FURTHER INFORMATION

Your attention is drawn to the 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

1. FINANCIAL SUMMARY

The following is a summary of the published results, assets and liabilities of the Group for each of the three years ended 31 December 2007, 2008 and 2009 as extracted from the 2007, 2008 and 2009 annual reports of the Company.

CONSOLIDATED INCOME STATEMENTS

For the year ended 31 December

	2009	2008	2007
	HK$'000	*HK$'000*	*HK$'000*
REVENUE	51,183	81,127	380,523
Cost of sales	(50,589)	(84,409)	(359,220)
Gross profit/(loss)	594	(3,282)	21,303
Other income and gains	608	194	465
Administrative and other operating expenses	(8,906)	(25,835)	(10,546)
Finance costs	–	(758)	(1,503)
Other impairment losses	(2,415)	(2,677)	(17,604)
Impairment of assets of a disposal group	(39,655)	–	–
LOSS BEFORE TAX	(49,774)	(32,358)	(7,885)
Income tax expense	–	(489)	(314)
LOSS FOR THE YEAR	(49,774)	(32,847)	(8,199)
Attributable to:			
Owners of the Company	(49,774)	(32,847)	(8,199)
Minority interests	–	–	–
	(49,774)	(32,847)	(8,199)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
– Basic	(7.14) cents	(5.60) cents	(1.55) cents
– Diluted	(7.14) cents	(5.60) cents	N/A

There were no extraordinary items and exceptional items during each of the three years ended 31 December 2007, 2008, and 2009 based on the annual reports of the Company for the respective years.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
31 December

	2009	2008	2007
	HK$'000	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	1,588	1,251	406
Available-for-sales investments	–	–	–
Intangible assets	482,794	–	–
Deferred tax assets	–	280	306
Prepaid licenses fee	–	–	–
Total non-current assets	484,382	1,531	712
CURRENT ASSETS			
Inventories	1,178	1,700	–
Contract works in progress	–	34,340	3,382
Trade receivables	–	610	63,287
Prepayments, deposits and other receivables	27,894	43,250	35,095
Cash and bank balances	6,764	7,590	24,742
	35,836	87,490	126,506
Assets of a disposal group classified as held for sale	7,889	–	–
Total current assets	43,725	87,490	126,506
CURRENT LIABILITIES			
Trade payables	–	219	–
Trust receipt loans	–	0	12,040
Other payables and accruals	2,727	3,827	4,752
Tax payable	46	4,946	5,046
Due to a director	18,520	–	–
Due to a related company	–	221	167
	21,293	9,213	22,005
Liabilities directly associated with the assets classified as held for sale	7,889	–	–
Total current liabilities	29,182	9,213	22,005
NET CURRENT ASSETS	14,543	78,277	104,501

	2009	2008	2007
	HK$'000	*HK$'000*	*HK$'000*
TOTAL ASSETS LESS CURRENT LIABILITIES	498,925	79,808	105,213
Net assets	498,925	79,808	105,213
EQUITY			
Equity attributable to owners of the Company			
Issued capital	7,037	5,865	5,865
Equity component of convertible bonds	460,768	–	–
Reserves	31,120	73,943	99,348
	498,925	79,808	105,213
Minority interests	–	–	–
Total equity	498,925	79,808	105,213

2. INDEPENDENT AUDITORS' REPORTS

Set out below are the auditor's reports made by Ascanda Cachet CPA Limited (formerly Cachet Certified Public Accountants Limited) on the financial statements of the Group for the years ended 31 December 2008 and 2009 as extracted from the 2008 and 2009 annual reports of the Company respectively. Capitalised terms used therein shall have the meanings as ascribed to them in the respective annual reports of the Company and reference to page numbers stated therein shall refer to that of the respective annual reports.

For the year ended 31 December 2008

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

We have audited the financial statements of China Trends Holdings Limited (formerly known as "Quasar Communication Technology Holdings Limited", the "Company") set out on pages 24 to 86, which comprise the consolidated and Company balance sheets as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

Except for the limitation in the scope of our work as explained below, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. However, because of the matter described in the basis for disclaimer of opinion section, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of opinion

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

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

2. *Scope limitation – inventories*

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

3. Scope limitation – contract works in progress

As detailed in note 20 to the financial statements, included in the consolidated balance sheet was contract works in progress of approximately HK$34,340,000 as at 31 December 2008. We had not been invited to attend physical inventory count on or about 31 December 2008 and we had not been provided with a detailed information and explanation of the nature and the future utilisation of the contract works in progress. Due to the lack of sufficient and appropriate evidences available to us, we have not been able to carry out audit procedures we considered necessary to satisfy ourselves as to the existence, completeness and valuation of the contract works in progress as stated in the consolidated balance sheet of the Group as at 31 December 2008 and that the contract works in progress was properly classified, free from material misstatement and was fairly stated as at 31 December 2008. Any adjustments to the balance of the contract works in progress as at 31 December 2008 found to be necessary would affect the Group's net assets as at 31 December 2008 and have a consequential effect on its loss for the year then ended and the related disclosure thereof in the financial statements.

4. Scope limitation – trade receivables

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

5. Scope limitation – trade deposits paid

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

6. Scope limitation – revenue and cost of sales

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

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

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

Disclaimer of Opinion: Disclaimer on View Given by Financial Statements

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

Report on matters under sections 141(4) and 141(6) of the Hong Kong Companies Ordinance

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

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

For the year ended 31 December 2009

"To the shareholders of China Trends Holdings Limited
(Incorporated in Cayman Islands with limited liability)

We have audited the financial statements of China Trends Holdings Limited (the "Company" and together with its subsidiaries, the "Group") set out on pages 32 to 123, which comprise the consolidated and Company statements of financial position as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Except for the limitation in the scope of our work as explained below, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. However, because of the matter described in the basis for disclaimer of opinion paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of opinion

1. *Scope limitation – Prior year's audit scope limitation affecting opening balance and comparative figures arising from loss of access to certain books and records maintained by the Disposal Group*

As more fully explained in notes 2.1(a) and 12 to the financial statements, the underlying books and records of certain subsidiaries of the Company, Ace Solution Technology Limited ("Ace Solution") and its subsidiaries, namely Gold Glory Development Limited, Hanbit I & T (HK) Co., Limited, Qualfield Limited, Quasar Communication Technology Limited, Synerex Inc., Zetta Global Limited, and Zetta Media Holdings Limited (collectively referred as 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 had represented they had taken due care in the preparation of the financial statements of the Group, they were unable to represent as to the completeness of the books and records of the Disposal Group for the year ended 31 December 2008 and accordingly, for the year ended 31 December 2009. The present board of directors was unable to represent that all transactions entered by the Disposal Group during the year ended 31 December 2008 had been properly included in the financial statements. Accordingly, we were unable to carry out adequate audit procedures we considered necessary to satisfy ourselves as to the timing, accuracy and completeness of the Group and the Disposal Group's assets and liabilities as at 31 December 2008. We had disclaimed our opinion in our previous auditors' report dated 30 April 2009 on the Group's consolidated and on the Company's financial position as at 31 December 2008 and consequentially, as at 31 December 2009 and of its loss and cash flows for the years then ended and the related disclosures thereof in the financial statements and the comparative figures.

2. *Scope limitation – Prior year's audit scope limitation affecting opening balance of inventories*

Included in the consolidated statement 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 had 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 statement 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 and we had disclaimed our opinion in our previous auditors' report for the year ended 31 December 2008 accordingly. Despite the fact that these inventories had been disposed during the year ended 31 December 2009, we have not been able to carry out alternative audit procedures we considered necessary to satisfy ourselves as to the opening balance of the inventories as at 1 January 2009. Any adjustments found to be necessary would have a consequential effect on its loss for the year then ended and the related disclosure thereof in the financial statements.

3. *Scope limitation – Prior year's audit scope limitation affecting opening balance and closing balance of contract works in progress of the Disposal Group included in "Assets of a disposal group classified as held for sale"*

As detailed in notes 12 and 21 to the financial statements, included in the consolidated statement of financial position of the Group and the Disposal Group were contract works in progress of approximately HK$34,340,000 as at 31 December 2008 and 2009. We had not been invited to attend physical inventory count on or about 31 December 2008 and 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 Group and the Disposal Group as at 31 December 2008 and 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 2009. Any adjustments to the balance of the contract works in progress as at 31 December 2008 and 2009 found to be necessary would affect the net assets of the Group and the Disposal Group as at 31 December 2008 and 2009 and have a consequential effect on its loss for the years then ended and the related disclosure thereof in the financial statements.

4. *Scope limitation – Prior year's audit scope limitation affecting opening balance and closing balance of trade receivables of the Disposal Group included in "Assets of a disposal group classified as held for sale"*

As detailed in notes 12 and 22 to the financial statements, included in the consolidated statement of financial position of the Group and the Disposal Group were trade receivables of approximately HK$610,000 and HK$0 after impairment provision of approximately HK$3,888,000 and HK$5,588,000 as at 31 December 2008 and 2009 respectively. As also detailed in note 2.1(a) to the financial statements, 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 Group and the Disposal Group as at 31 December 2008. We have not been able to carry out alternative audit procedures we considered necessary to satisfy ourselves that the trade receivables and the impairment as stated in the Group and the Disposal Group as at 31 December 2008 were free from material misstatement and were fairly stated. Despite the fact that the trade receivables had been fully impaired during the year ended 31 December 2008, we have not been able to carry out alternative audit procedures we considered necessary to satisfy ourselves as to the opening balance of the trade receivables and the impairment as at 1 January 2009. Any adjustments found to be necessary would affect the Group and the Disposal Group's net assets as at 31 December 2009 and have a consequential effect on its loss and cash flows for the year then ended and the related disclosures thereof in the financial statements.

5. *Scope limitation – Prior year's audit scope limitation affecting opening balance and closing balance of trade deposits paid of the Disposal Group included in the "Assets of a disposal group classified as held for sales"*

As detailed in notes 12 and 23 to the financial statements, included in the consolidated statement of financial position of the Group and the Disposal Group were deposits of approximately HK$8,200,000 as at 31 December 2008 and 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/or by 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 2009. Any adjustments to the balance of the trade deposits as at 31 December 2008 and 2009 found to be necessary would affect the net assets of the Group and the Disposal Group as at 31 December 2008 and 2009 and have a consequential effect on its loss for the years then ended and the related disclosure thereof in the financial statements.

6. *Scope limitation – Revenue and cost of sales*

As detailed in notes 2.1(a) and 12 to the financial statements, included in revenue and cost of sales of HK$51,183,000 and HK$50,589,000 shown in the Group and the Disposal Group's consolidated income statements for the year ended 31 December 2009 were certain sales transactions and the related cost of sales amounting to approximately HK$1,700,000 respectively for which we had not been provided with sufficient and appropriate information and explanation for our verification of their occurrence, completeness and valuation. We have not been able to carry out alternative audit procedures we considered necessary to satisfy ourselves that the revenue and cost of sales as stated in the consolidated income statement for the year ended 31 December 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 2009 found to be necessary would affect the loss of the Group and the Disposal Group for the year ended 31 December 2009 and have a consequential effect on its cash flows for the year ended 31 December 2009, its net assets as at 31 December 2009 and the related disclosures thereof in the financial statements.

7. *Scope limitation – Impairment of assets of a disposal group*

Included in the Group's consolidated income statement were impairment of assets of a disposal group (the "Impairment Loss") of approximately HK$39,655,000 for the year ended 31 December 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 Impairment Loss. We have not been able to perform alternative audit procedures we considered necessary to satisfy ourselves as to whether the Impairment Loss were free from material misstatement and were fairly stated. Any adjustments to the Impairment Loss for the year ended 31 December 2009 found to be necessary would affect the net assets of the Group and the Disposal Group as at 31 December 2009 and have a consequential effect on its loss for the year then ended and the related disclosure thereof in the financial statements.

8. *Scope limitation – Carrying amounts of investments in subsidiaries and amounts due from subsidiaries*

As detailed in note 19 to the financial statements, included in the Company's statement of financial position were investments in subsidiaries and amount due from subsidiaries of approximately HK$480,650,000 and HK$32,606,000, respectively, as at 31 December 2009, of which, approximately HK$14,882,000 and HK$32,602,000, represented the Company's investments in the Disposal Group and amount due from the Disposal Group. Despite the fact that the investments in the Disposal Group and amount due from the Disposal Group had been fully impaired during the year ended 31 December 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 the Disposal Group and the impairment loss thereon. 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 the Disposal Group, the amounts due from the Disposal Group and the impairment were free from material misstatement and were fairly stated. Any adjustments to the carrying amounts of investments in and amounts due from the Disposal Group and the impairment as at 31 December 2009 found to be necessary would affect the Company's net assets as at 31 December 2009 and have a consequential effect on its loss for the year then ended and the related disclosure thereof in the financial statements.

Disclaimer of Opinion: Disclaimer on View Given by Financial Statements

Because of the significance of the matters described in the basis for disclaimer of opinion section, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2009 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and as to whether the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Report on matters under sections 141(4) and 141(6) of the Hong Kong Companies Ordinance

In respect alone of the limitation on our work relating to points (1), (2), (3), (4), (5), (6), (7) and (8) above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and

- we were unable to determine whether proper books of account had been kept."

3. AUDITED FINANCIAL INFORMATION

Set out below is the audited financial statements of the Group for the year ended 31 December 2009 as extracted from the Company's 2009 annual report. For avoidance of doubt, capitalized terms used therein shall have the same meanings as ascribed to them in the Company's 2009 annual report and reference to page numbers stated therein shall refer to that of the Company's 2009 annual report.

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2009

	Notes	**2009** *HK$'000*	**2008** *HK$'000*
REVENUE	*5*	51,183	81,127
Cost of sales		(50,589)	(84,409)
Gross profit/(loss)		594	(3,282)
Other income and gains	*5*	608	194
Administrative and other operating expenses		(8,906)	(25,835)
Finance costs	*7*	–	(758)
Other impairment losses	*6*	(2,415)	(2,677)
Impairment of assets of a disposal group	*12*	(39,655)	–
LOSS BEFORE TAX	*6*	(49,774)	(32,358)
Income tax expense	*10*	–	(489)
LOSS FOR THE YEAR		(49,774)	(32,847)
Attributable to:			
Owners of the Company	*11*	(49,774)	(32,847)
Minority interests		–	–
		(49,774)	(32,847)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*13*		
Basic		(7.14) cents	(5.60) cents
Diluted		(7.14) cents	(5.60) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2009

	Notes	**2009** *HK$'000*	**2008** *HK$'000*
LOSS FOR THE YEAR		(49,774)	(32,847)
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations		–	–
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		–	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(49,774)	(32,847)
Attributable to:			
Owners of the Company	*11*	(49,774)	(32,847)
Minority interests		–	–
		(49,774)	(32,847)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	1,588	1,251
Available-for-sale investments	15	–	–
Intangible assets	16	482,794	–
Deferred tax assets	17	–	280
Prepaid licenses fee	18	–	–
Total non-current assets		484,382	1,531
CURRENT ASSETS			
Inventories	20	1,178	1,700
Contract works in progress	21	–	34,340
Trade receivables	22	–	610
Prepayments, deposits and other receivables	23	27,894	43,250
Cash and bank balances	24	6,764	7,590
		35,836	87,490
Assets of a disposal group classified as held for sale	12	7,889	–
Total current assets		43,725	87,490
CURRENT LIABILITIES			
Trade payables	25	–	219
Other payables and accruals		2,727	3,827
Tax payable		46	4,946
Due to a director	26	18,520	–
Due to a related company	26	–	221
		21,293	9,213
Liabilities directly associated with the assets classified as held for sale	12	7,889	–
Total current liabilities		29,182	9,213
NET CURRENT ASSETS		14,543	78,277
TOTAL ASSETS LESS CURRENT LIABILITIES		498,925	79,808
Net assets		498,925	79,808
EQUITY			
Equity attributable to owners of the Company			
Issued capital	28	7,037	5,865
Equity component of convertible bonds	27	460,768	–
Reserves	31(a)	31,120	73,943
		498,925	79,808
Minority interests		–	–
Total equity		498,925	79,808

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2009

	Attributable to owners of the Company									
	Issued capital HK$'000	Share premium account HK$'000	Warrant reserve HK$'000	Share option reserve HK$'000	Equity component of convertible bonds HK$'000	Capital reserve HK$'000 (note)	(Accumulated losses)/ Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 January 2008	5,865	68,379	2,060	–	–	11,157	17,752	105,213	–	105,213
Equity-settled share option arrangements	–	–	–	7,442	–	–	–	7,442	–	7,442
Share options lapsed during the year	–	–	–	(465)	–	–	465	–	–	–
Warrants lapsed during the year	–	–	(1,160)	–	–	–	1,160	–	–	–
Total comprehensive income for the year	–	–	–	–	–	–	(32,847)	(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	–	79,808
Issue of shares *(note 28(a)(ii))*	1,172	7,037	–	–	–	–	–	8,209	–	8,209
Share issue expenses	–	(86)	–	–	–	–	–	(86)	–	(86)
Share options lapsed during the year *(note 29)*	–	–	–	(1,860)	–	–	1,860	–	–	–
Warrants lapsed during the year *(note 30)*	–	–	(900)	–	–	–	900	–	–	–
Issue of convertible bonds *(note 27)*	–	–	–	–	460,768	–	–	460,768	–	460,768
Total comprehensive income for the year	–	–	–	–	–	–	(49,774)	(49,774)	–	(49,774)
At 31 December 2009	7,037	75,330	–	5,117	460,768	11,157	(60,484)	498,925	–	498,925

Note: 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 31 July 2002.

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(49,774)	(32,358)
Adjustments for:			
Impairment of trade receivables	6	1,700	2,677
Impairment of prepayments, deposits and other receivables	6	455	–
Written-off of property, plant and equipment	6, 14	260	–
Equity-settled share option expenses		–	7,442
Finance costs		–	758
Interest income	6	(1)	(148)
Depreciation of property, plant and equipment	14	253	170
Impairment of assets of a disposal group	12	39,655	–
		(7,452)	(21,459)
Increase in inventories		(1,178)	(1,700)
Increase in contract works in progress		–	(30,958)
Decrease in trade receivables		610	60,000
Increase in prepayments, deposits and other receivables		(2,669)	(8,155)
Increase in trade payables		–	219
Increase/(decrease) in other payables and accruals		1,466	(925)
(Decrease)/increase in amount due to a related company		(221)	54
		(9,444)	(2,924)
Interest received		1	148
Interest paid		–	(758)
Hong Kong profits tax paid		(112)	(563)
Net cash flows used in operating activities		(9,555)	(4,097)

	Notes	2009 HK$'000	2008 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(183)	(1,015)
Net cash inflow from acquisition of subsidiaries	32	798	–
Net cash outflow for disposal of subsidiaries	12	(77)	–
Net cash flows from/(used in) investing activities		538	(1,015)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of trust receipt loans, net		–	(12,040)
Proceed from issue of shares, net	28	8,123	–
Advance from a director		68	–
Net cash flows from/(used in) financing activities		8,191	(12,040)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(826)	(17,152)
Cash and cash equivalents at beginning of year		7,590	24,742
CASH AND CASH EQUIVALENTS AT END OF YEAR		6,764	7,590
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	24	6,764	7,590

STATEMENT OF FINANCIAL POSITION

31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	921	946
Intangible assets	16	–	–
Interests in subsidiaries	19	465,508	47,259
Total non-current assets		466,429	48,205
CURRENT ASSETS			
Inventories	20	1,178	–
Prepayments, deposits and other receivables	23	27,617	30,459
Cash and bank balances	24	5,615	7,172
Total current assets		34,410	37,631
CURRENT LIABILITIES			
Other payables and accruals		2,212	1,238
Due to a director	26	68	–
Total current liabilities		2,280	1,238
NET CURRENT ASSETS		32,130	36,393
Net assets		498,559	84,598
EQUITY			
Issued capital	28	7,037	5,865
Reserves	31(b)	491,522	78,733
Total equity		498,559	84,598

NOTES TO FINANCIAL STATEMENTS

31 December 2009

1. CORPORATE INFORMATION

China Trends Holdings Limited (the "Company") is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands 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 is principally engaged in sales and marketing of mobile phone appliance and the relevant application solution. During the year, the Group also commenced its operation in the trading of LED/LCD and related products. The Group also intends to engage in the media business which involves the provision of multi-media and advertising business.

The shares of the Company have been listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 31 July 2002.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosure required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 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.

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

2.1(A) STATE OF BOOKS AND RECORDS MAINTAINED BY DISPOSAL GROUP

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

On 15 June 2009, the Company entered into a sale and purchase agreement with an independent third party (the "Purchaser"), pursuant to which, the Company has agreed to dispose (the "Disposal") the Disposal Group to the Purchaser.

As at 31 December 2009, the Disposal has not yet been completed and the assets and liabilities of the Disposal Group were classified as a disposal group held for sale and were stated at the lower of their carrying amounts and the fair value less costs to sell. Details of the Disposal has been set out in note 12 to the financial statements.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 First-time Adoption of HKFRSs and HKAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*
HKFRS 8	*Operating Segments*
HKFRS 8 Amendment*	Amendment to HKFRS 8 *Operating Segments – Disclosure of information about segment assets (early adopted)*
HKAS 1 (Revised)	*Presentation of Financial Statements*
HKAS 18 Amendment*	Amendment to Appendix to HKAS 18 *Revenue – Determining whether an entity is acting as a principal or as an agent*
HKAS 23 (Revised)	*Borrowing Costs*
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation and HKAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement – Embedded Derivatives*
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*
HK(IFRIC)-Int 18	*Transfers of Assets from Customers* (adopted from 1 July 2009)
Improvements to HKFRSs (October 2008)	Amendments to a number of HKFRSs

* *Included in Improvements to HKFRSs 2009 (as issued in May 2009).*

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

(a) Amendments to HKFRS 1 *First-time Adoption of HKFRSs and HKAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*

The HKAS 27 Amendment requires all dividends from subsidiaries, associates or jointly-controlled entities to be recognised in the income statement in the parent's separate financial statements. The distinction between pre and post acquisition profits is no longer required. However, the payment of such dividends requires the Company to consider whether there is an indicator of impairment. The amendment is applied prospectively. HKAS 27 has also been amended to deal with the measurement of the cost of investments where a parent reorganises the structure of its group by establishing a new entity as its parent. The HKFRS 1 Amendment allows a first-time adopter of HKFRSs to measure its investment in subsidiaries, associates or jointly-controlled entities using a deemed cost. As the Group is not a first-time adopter of HKFRSs, the HKFRS 1 Amendment is not applicable to the Group.

(b) Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*

The HKFRS 2 Amendments clarify that vesting conditions are service conditions and performance conditions only. Any other conditions are non-vesting conditions. Where an award does not vest as a result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this is accounted for as a cancellation. As the Group has not entered into share-based payment schemes with non-vesting conditions attached, the amendments have had no impact on the financial position or result of operations of the Group.

(c) Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*

The HKFRS 7 Amendments require additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by sources of inputs using a three-level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance is now required for level 3 fair value measurements, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management.

(d) HKFRS 8 *Operating Segments*

HKFRS 8, which replaces HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group concluded that the operating segments determined in accordance with HKFRS 8 are the same as the business segments previously identified under HKAS 14. These revised disclosures, including the related revised comparative information, are shown in note 4 to the financial statements.

(e) HKAS 1 (Revised) *Presentation of Financial Statements*

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.

(f) Amendment to Appendix to HKAS 18 *Revenue – Determining whether an entity is acting as a principal or as an agent*

Guidance has been added to the appendix (which accompanies the standard) to determine whether the Group is acting as a principal or as an agent. The features to consider are whether the Group (i) has the primary responsibility for providing the goods or services, (ii) has inventory risk, (iii) has the discretion to establish prices and (iv) bears credit risk. The Group has assessed its revenue arrangements against these criteria and concluded that it is acting as a principal in all arrangements. The amendment has had no impact on the financial position or results of operations of the Group.

(g) HKAS 23 (Revised) *Borrowing Costs*

HKAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard has had no impact on the financial position or results of operations of the Group.

(h) Amendments to HKAS 32 *Financial Instruments: Presentation and HKAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*

The HKAS 32 Amendments provide a limited scope exception for puttable financial instruments and instruments that impose specified obligations arising on liquidation to be classified as equity if they fulfil a number of specified features. The HKAS 1 Amendments require disclosure of certain information relating to these puttable financial instruments and obligations classified as equity. As the Group currently has no such financial instruments or obligations, the amendments have had no impact on the financial position or results of operations of the Group.

(i) Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives and HKAS 39 Financial Instruments: Recognition and Measurement – Embedded Derivatives*

The amendment to HK(IFRIC)-Int 9 requires an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. HKAS 39 has been revised to state that if an embedded derivative cannot be separately measured, the entire hybrid instrument must remain classified as fair value through profit or loss in its entirety. The adoption of the amendments has had no impact on the financial position or results of operations of the Group.

(j) HK(IFRIC)-Int 13 *Customer Loyalty Programmes*

HK(IFRIC)-Int 13 requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished. As the Group currently has no customer loyalty award scheme, the interpretation has had no impact on the financial position or results of operations of the Group.

(k) HK(IFRIC)-Int 15 ***Agreements for the Construction of Real Estate***

HK(IFRIC)-Int 15 replaces HK Interpretation 3 Revenue – Pre-completion Contracts for the Sale of Development Properties. It clarifies when and how an agreement for the construction of real estate should be accounted for as a construction contract in accordance with HKAS 11 Construction Contracts or an agreement for the sale of goods or services in accordance with HKAS 18 Revenue. The interpretation has had no impact on the accounting for the Group's construction activities. As the Group currently is not involved in any construction of real estate, the interpretation has had no impact on the financial position or results of operations of the Group.

(l) HK(IFRIC)-Int 16 ***Hedges of a Net Investment in a Foreign Operation***

HK(IFRIC)-Int 16 provides guidance on the accounting for a hedge of a net investment in a foreign operation. This includes clarification that (i) hedge accounting may be applied only to the foreign exchange differences arising between the functional currencies of the foreign operation and the parent entity; (ii) a hedging instrument may be held by any entities within a group; and (iii) on disposal of a foreign operation, the cumulative gain or loss relating to both the net investment and the hedging instrument that was determined to be an effective hedge should be reclassified to the income statement as a reclassification adjustment. As the Group currently has no hedge of a net investment in a foreign operation, the interpretation has had no impact on the financial position or results of operations of the Group.

(m) HK(IFRIC)-Int 18 ***Transfers of Assets from Customers (adopted from 1 July 2009)***

HK(IFRIC)-Int 18 provides guidance on accounting by recipients that receive from customers items of property, plant and equipment or cash for the acquisition or construction of such items, provided that these assets must then be used to connect customers to networks or to provide ongoing access to a supply of goods or services, or both. As the Group currently has no such transactions, the interpretation has had no impact on the financial position or results of operations of the Group.

(n) In October 2008, the HKICPA issued its first *Improvements to HKFRSs* which sets out amendments to a number of HKFRSs. Except for the amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary* which is effective for annual periods beginning on or after 1 July 2009, the Group adopted all the amendments from 1 January 2009. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact to the Group. Details of the key amendments most applicable to the Group are as follows:

- HKFRS 7 *Financial Instruments: Disclosures:* Removes the reference to "total interest income" as a component of finance costs.

- HKAS 1 *Presentation of Financial Statements:* Clarifies that assets and liabilities which are classified as held for trading in accordance with HKAS 39 are not automatically classified as current in the statement of financial position.

- HKAS 16 *Property, Plant and Equipment:* Replaces the term "net selling price" with "fair value less costs to sell" and the recoverable amount of property, plant and equipment is the higher of an asset's fair value less costs to sell and its value in use.

  In addition, items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental are transferred to inventories when rental ceases and they are held for sale.

- HKAS 20 *Accounting for Government Grants and Disclosure of Government Assistance:* Requires government loans granted in the future with no or at a below-market rate of interest to be recognised and measured in accordance with HKAS 39 and the benefit of the reduced interest to be accounted for as a government grant.

- HKAS 27 *Consolidated and Separate Financial Statements:* Requires that when a parent entity accounts for a subsidiary at fair value in accordance with HKAS 39 in its separate financial statements, this treatment continues when the subsidiary is subsequently classified as held for sale.

- HKAS 28 *Investments in Associates:* Clarifies that an investment in an associate is a single asset for the purpose of conducting the impairment test and that no impairment is separately allocated to goodwill included in the investment balance.

- HKAS 36 *Impairment of Assets:* When discounted cash flows are used to estimate "fair value less costs to sell", additional disclosures (e.g., discount rate and growth rate used) are required which are consistent with the disclosures required when the discounted cash flows are used to estimate "value in use".

- HKAS 38 *Intangible Assets:* Expenditure on advertising and promotional activities is recognised as an expense when the Group either has the right to access the goods or has received the service.

- The reference to there being rarely, if ever, persuasive evidence to support an amortisation method for intangible assets other than the straight-line method has been removed. The Group has reassessed the useful lives of its intangible assets and concluded that the straight-line method is still appropriate.

- HKAS 39 *Financial Instruments: Recognition and Measurement:* (i) sets out a number of changes in circumstances relating to derivatives that are not considered to result in reclassification into or out of the fair value through profit or loss category; (ii) removes the reference to the designation of hedging instrument at the segment level; and (iii) requires that the revised effective interest rate (rather than the original effective interest rate) calculated on cessation of fair value hedge accounting should be used for the remeasurement of the hedged item when paragraph AG8 of HKAS 39 is applicable.

- HKAS 40 *Investment Property:* Revises the scope such that property being constructed or developed for future as an investment property is classified as an investment property. The Group has applied the amendment prospectively from 1 January 2009.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards* [1]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters* [2]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions* [2]
HKFRS 3 (Revised)	*Business Combinations* [1]
HKFRS 9	*Financial Instruments* [6]
HKAS 24 (Revised)	*Related Party Disclosures* [5]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements* [1]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* [3]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* [1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement* [5]
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners* [1]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments* [4]
Amendments to HKFRS 5 included in Improvements to HKFRSs issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary* [1]
HK Interpretation 4 (Revised in December 2009)	*Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases* [2]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2009* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 38 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

1 Effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2010
3 Effective for annual periods beginning on or after 1 February 2010
4 Effective for annual periods beginning on or after 1 July 2010
5 Effective for annual periods beginning on or after 1 January 2011
6 Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers 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 income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than deferred tax assets, inventories, 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 the end of each reporting period 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).

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

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 equipments	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 financial year end.

An item of property, plant and equipment and any significant part initially recognised 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.

Non-current assets and disposal groups held for sale

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

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently 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 an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Leases

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

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. 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.

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.

The Group's financial assets include cash and bank balances, trade and other receivables, loans receivable, quoted and unquoted financial instruments, and derivative financial instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in finance income or finance costs in the income statement. These net fair value changes do not include any dividends on these financial assets, which are recognised in accordance with the policy set out for "Revenue recognition" below.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. 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.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the income statement. The loss arising from impairment is recognised in the income statement in finance costs.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment valuation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement in other income, or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in the income statement in other operating expenses and removed from the available-for-sale investment valuation reserve. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the income statement as other income in accordance with the policies set out for "Revenue recognition" below.

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.

The Group evaluates its available-for-sale financial assets whether the ability and intention to sell them in the near term are still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. The reclassification to the held-to-maturity category is permitted only when the entity has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

Derecognition of financial assets

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, 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. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

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

If there is objective evidence that an impairment loss 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 yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the income statement.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, 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 investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through the income statement, if the increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, an amount due to a director and a related company.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes 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 selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any interest charged on these financial liabilities.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. 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.

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

(Where the convertible bonds contain only liability and derivative components) If the conversion option of convertible bonds exhibits characteristics of an embedded derivative, it is separated from its liability component. On initial recognition, the derivative component of the convertible bonds is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs are apportioned between the liability and derivative components of the convertible bonds based on the allocation of proceeds to the liability and derivative components when the instruments are initially recognised. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in the income statement.

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate 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.

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 flows, 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 relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

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 goodwill or 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 the end of each 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. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by 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 for grants after 7 November 2002 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 statements.

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. The cumulative expense recognised for equity-settled transactions at 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 equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service 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, if the original terms of the award are met. In addition, an expense is recognised for any modification, that increases the total fair value of the share-based payment transaction, 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. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. 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. All cancellations of equity-settled transaction awards are treated equally.

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

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 consolidated income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

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

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective 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 the consolidated income statement with the exception of all monetary items that provide an effective hedge for a net investment in a foreign operation. These are recognised in other comprehensive income until the disposal of the net investment, at which time they are recognised in the consolidated income statement. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in equity. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. 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 end of the reporting period and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated income statement.

For the purpose of the consolidated statement of cash flows, 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 statement.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

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 17 to the financial statement.

Assessment of impairment of non-current assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Fair value of unlisted equity investments

The unlisted equity investments have been assessed for impairment based on the financial statement 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 15 to the financial statement.

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.

Amortisation of intangible assets

Amortisation of intangible assets is calculated to write off the cost of items of intangible assets using the straight-line method over their estimated useful lives unless such lives are indefinite. The Group reviews the estimated useful lives of intangible assets annually in order to determine the amount of amortisation expense to be recorded during any reporting period. The useful lives are based on the estimate period over which future economic benefits will be received by the Group and taking into account any unexpected adverse changes in circumstances or events. The amortisation expense for future periods is adjusted if there are significant changes from previous estimates.

Fair value of convertible bonds

The fair values of the convertible bonds were calculated using the closing price of the Company and the Black Scholes option pricing model. The models involve assumptions on the Company's stock price, expiration, risk-free rate and volatility. Should these assumptions change, there would be material changes to the valuation.

4. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

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

(b) the trading of LED/LCD and related products segment is involved in the trading of LED/LCD and related products; and

(c) the media business segment is involved in the provision of multi-media and advertising business.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted loss before tax from continuing operations. The adjusted loss before tax from continuing operations is measured consistently with the Group's loss before tax from continuing operations except that interest income, finance costs, fair value gains/(losses) from the Group's financial instruments as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

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

Year ended 31 December 2009

	Marketing of mobile appliance HK$'000	Trading of LED/LCD and related products HK$'000	Media business HK$'000	Total HK$'000
Segment revenue:				
Sales to external customers	10,975	40,208	–	51,183
Intersegment sales	–	–	–	–
	10,975	40,208	–	51,183
Reconciliation:				
Elimination of intersegment sales				–
Revenue				51,183
Segment results	160	434	–	594
Reconciliation:				
Other income and gains				608
Unallocated expenses				(8,906)
Finance costs				–
Other impairment losses				(2,415)
Impairment of assets of a disposal group				(39,655)
Loss before tax				(49,774)
Income tax expense				–
Loss for the year				(49,774)
Segment assets	7,889	–	484,536	492,425
Unallocated assets				35,682
Total assets				528,107
Segment liabilities	7,889	–	18,768	26,657
Unallocated liabilities				2,525
Total liabilities				29,182
Other segment information:				
Capital expenditure*	183	–	667	850
Depreciation and amortisation	253	–	–	253

* *Capital expenditure consists of additions to property, plant and equipment including assets from acquisition of subsidiaries (notes 14 and 32).*

Year ended 31 December 2008

	Marketing of mobile appliance *HK$'000*	Trading of LED/LCD and related products *HK$'000*	Media business *HK$'000*	Total *HK$'000*
Segment revenue:				
Sales to external customers	81,127	–	–	81,127
Intersegment sales	–	–	–	–
	81,127	–	–	81,127
Reconciliation:				
Elimination of intersegment sales				–
Revenue				81,127
Segment results	(3,282)	–	–	(3,282)
Reconciliation:				
Other income and gains				194
Unallocated expenses				(25,835)
Finance costs				(758)
Other impairment losses				(2,677)
Loss before tax				(32,358)
Income tax expense				(489)
Loss for the year				(32,847)
Segment assets	51,390	–	–	51,390
Unallocated assets				37,631
Total assets				89,021
Segment liabilities	7,976	–	–	7,976
Unallocated liabilities				1,237
Total liabilities				9,213
Other segment information:				
Capital expenditure	1,015	–	–	1,015
Depreciation and amortisation	170	–	–	170

Geographical information

(a) Revenue from external customers

	2009	**2008**
	HK$'000	*HK$'000*
Hong Kong	24,456	–
Mainland China	17,456	78,500
Thailand	9,271	2,627
	51,183	81,127

The revenue information is based on the location of the customers.

(b) Total assets

	2009	**2008**
	HK$'000	*HK$'000*
Hong Kong	43,506	60,040
Mainland China	484,601	11,821
Korea	–	17,160
	528,107	89,021

Total assets information is based on the location of assets and excludes unallocated head office and corporate assets.

Information about a major customer

Revenue of approximately HK$15,756,000 was derived from sales to a single customer during the year ended 31 December 2009.

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

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

	2009	**2008**
	HK$'000	*HK$'000*
Revenue		
Sales of goods	51,183	81,127
Other income and gains		
Bank interest income	1	148
Others	607	46
	608	194
Total revenue, other income and gains	51,791	81,321

6. LOSS BEFORE TAX

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

	2009 *HK$'000*	2008 *HK$'000*
Cost of sales#	50,589	84,409
Auditors' remuneration:		
Annual audit	238	238
Interim audit	–	250
Other assurance services	914	430
Non-assurance services	276	–
	1,428	918
Depreciation	253	170
Exchange losses, net	–	50
Employee benefit expenses (including directors' remuneration *(note (8))*:		
Wages and salaries	2,058	2,702
Others	159	35
Pension scheme contributions	58	13
Equity-settled share option expenses	–	7,442
	2,275	10,192
Minimum lease payments under operating leases on land and buildings	1,177	730
Impairment of trade receivables	1,700	2,677
Impairment of prepayments, deposits and other receivables	455	–
Written-off of property, plant and equipment	260	–
	2,415	2,677
Impairment of assets of a disposal group	39,655	–
Bank interest income	(1)	(148)

\# *Include an amount of HK$253,410 (2008: HK$743,760) in respect of write-down of inventories to net realisable value.*

7. FINANCE COSTS

	2009	**2008**
	HK$'000	*HK$'000*
Interest:		
Bank borrowings wholly repayable within five years	–	252
Factoring of trade receivables	–	506
	–	758

8. DIRECTORS' REMUNERATION

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

	2009	**2008**
	HK$'000	*HK$'000*
Fees	–	3
Other emoluments:		
Salaries, allowances and benefits in kind	666	336
Pension scheme contributions	11	7
Equity-settled share option expenses	–	5,117
	677	5,460
	677	5,463

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Equity-settled share option benefits	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2009					
Executive directors					
Mr. Cho Hui Jae *(a)*	–	–	–	–	–
Mr. Xiang Xin *(b)*	–	–	–	–	–
Mr. Wong Chak Keung *(b)*	–	120	–	–	120
Mr. Im Kai Chuen Stephen *(c)*	–	431	8	–	439
Mr. Yang Xiao Ming *(d)*	–	–	–	–	–
Mr. Siu Pang *(e)*	–	–	–	–	–
Mr. Yang Gaocai *(f)*	–	–	–	–	–
Mr. Law Gerald Edwin *(g)*	–	290*	8*	–	298
	–	841	16	–	857
Independent non-executive directors					
Mr. Sze Lin Tang *(h)*	–	–	–	–	–
Mr. Leung Wing Kin *(i)*	–	–	–	–	–
Mr. Zhang Zhan Liang *(j)*	–	–	–	–	–
Mr. Zhang Jun *(k)*	–	–	–	–	–
Ms. Lu Yuhe *(l)*	–	–	–	–	–
Mr. Kwok Chi Hung *(f)*	–	–	–	–	–
	–	–	–	–	–
	–	841	16	–	857
Less: Salaries paid to Mr. Law Gerald Edwin before his appointment as a director of the Company	–	(175)*	(5)*	–	(180)
	–	666	11	–	677

* *Amount included approximately HK$175,000 and HK$5,000 being salaries and pension scheme contribution, respectively of Mr. Law Gerald Edwin before his appointment as a director of the Company on 1 October 2009.*

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

Notes:

(a) *Retired on 30 June 2009*
(b) *Appointed on 25 February 2008*
(c) *Appointed on 10 November 2008 and resigned on 1 September 2009*
(d) *Appointed on 9 September 2008 and resigned on 2 January 2009*
(e) *Appointed on 6 February 2009 and resigned on 9 May 2009*
(f) *Appointed on 24 August 2009*
(g) *Appointed on 1 October 2009*
(h) *Resigned on 11 February 2009*
(i) *Resigned on 24 August 2009*
(j) *Appointed on 23 January 2008*
(k) *Appointed on 6 February 2009 and resigned on 3 July 2009*
(l) *Appointed on 10 July 2009*
(m) *Resigned on 9 September 2008*
(n) *Resigned on 31 January 2008*
(o) *Resigned on 21 March 2008*
(p) *Resigned on 23 January 2008*

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

During the year, no emoluments have been paid to the directors as an inducement to join or upon joining the Group; or as compensation for loss of office (2008: Nil).

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

	Number of directors	
	2009	**2008**
Nil to HK$1,000,000	14	11
HK$1,000,001 to HK$2,000,000	–	1
	14	12

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2008: four) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining three (2008: one) non-directors, highest paid employees for the year are as follows:

	2009	**2008**
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	588	570
Equity-settled share option expenses	–	465
Pension scheme contributions	–	–
	588	1,035

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

	Number of directors	
	2009	**2008**
Nil to HK$1,000,000	3	–
HK$1,000,001 to HK$2,000,000	–	1
	3	1

10. INCOME TAX EXPENSE

Hong Kong profits tax has not been provided for the year ended 31 December 2009 as the Company did not generate any assessable profits arising in Hong Kong during the year. Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year ended 31 December 2008.

	2009	2008
	HK$'000	*HK$'000*
Current tax – Hong Kong		
Charge for the year	–	47
Underprovision in previous years	–	416
	–	463
Deferred tax		
Charge for the year *(note 17)*	–	26
Total tax charge for the year	–	489

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

	2009		2008	
	HK$'000	%	*HK$'000*	%
Loss before tax	(49,774)		(32,358)	
Tax at the statutory tax rate	(8,212)	16.5	(5,339)	16.5
Income not subject to tax	(25)	0.1	(1)	–
Expenses not deductible for tax	6,953	(14.0)	1,001	(3.1)
Tax benefit not recognised	1,284	(2.6)	4,343	(13.4)
Underprovision in previous years	–	–	416	(1.3)
Effect of changes in tax rate	–	–	69	(0.2)
Tax charge at the Group's effective tax rate	–	N/A	489	(1.5)

11. LOSS ATTRIBUTABLE TO OWNER OF THE PARENT

The consolidated loss attributable to owners of the Company for the year ended 31 December 2009 includes a loss of HK$54,930,000 (2008: HK$10,442,000) which has been dealt with in the financial statements of the Company (note 31(b)).

12. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 15 June 2009, the Company entered into a sale and purchase agreement with an independent third party (the "Purchaser") pursuant to which, the Company has agreed to dispose to the Purchaser (the "Disposal") (i) Ace Solution Technology Limited ("Ace Solution") and its subsidiaries, namely Synerex Inc., Zetta Media Holdings Limited, Gold Glory Development Limited, Qualfield Limited, Zetta Global Limited, Hanbit I & T (HK) Co., Limited and Quasar Communication Technology Limited (collectively referred to as, the "Disposal Group"); and (ii) the amount due by the Disposal Group to the Company (the "Sale Loan") at a consideration of HK$1.00.

Ace Solution was incorporated in the British Virginal Islands (the "BVI") on 12 February 2002 with limited liability and was engaged in investment holding. The Disposal Group were principally engaged in sales and marketing of mobile phone appliance and the relevant application solution.

As at 31 December 2009, the Disposal has not yet been completed and the assets and liabilities of the Disposal Group were classified as a disposal group held for sale and were stated at the lower of their carrying amounts and the fair values less costs to sell. The Disposal was completed subsequent to the end of the reporting period on 5 February 2010.

The results of the Disposal Group for the year are as follows:

	2009	**2008**
	HK$'000	*HK$'000*
Revenue	1,700	78,500
Cost of sales	(1,700)	(82,324)
Gross loss	–	(3,824)
Other income and gains	–	63
Administrative and other operating expenses	(307)	(14,985)
Finance costs	–	(758)
Other impairment losses	(2,079)	(2,677)
Loss before tax	(2,386)	(22,181)
Income tax expense	(434)	(444)
Loss for the year	(2,820)	(22,625)

The major classes of assets and liabilities of the Disposal Group classified as held for sale as at 31 December 2009 are as follows:

	HK$'000
Assets	
Deferred tax assets *(note 17)*	280
Available-for-sales investments *(note 15)*	–
Prepaid licence fee *(note 18)*	–
Inventories	–
Contract works in progress *(note 21)*	34,340
Trade receivables *(note 22)*	–
Prepayments, deposits and other receivables *(note 23)*	12,847
Cash and bank balances *(note 24)*	77
Assets classified as held for sale	47,544
Liabilities	
Trade payables *(note 25)*	(219)
Other payables and accruals	(2,448)
Tax payable#	(5,222)
Liabilities directly associated with the assets classified as held for sale	(7,889)
Intercompany balances with other members of the Group	
Due to ultimate holding company	(32,602)
Net assets directly associated with the Disposal Group	7,053
Less: Consideration for the Disposal*	–
Impairment of assets of the Disposal Group	7,053
Impairment of amount due to ultimate holding company by the Disposal Group	32,602
Total impairment of assets of the Disposal Group*	39,655
Assets of the Disposal Group classified as held for sale	47,544
Less: Impairment	(39,655)
Net assets directly associated with the Disposal Group	7,889
Liabilities directly associated with the assets classified as held for sale	(7,889)
	–

Subsequent to the reporting period in January 2010, the Disposal Group was sued by the Commissioner of Inland Revenue regarding the outstanding tax payable of approximately HK$1,165,000 for the year of assessment 2002/03. The outstanding tax payable together with the penalty has been fully provided for at the end of the reporting period.

* *Pursuant to the agreement of the Disposal, among other things, the net assets of the Disposal Group and the Sale Loan were disposed of at a consideration of HK$1.00. As such, a total impairment loss of HK$39,655,000 was provided as to reflect the loss of the Disposal.*

The net cash flows incurred by the Disposal Group are as follows:

	2009	**2008**
	HK$'000	*HK$'000*
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before tax	(2,386)	(22,181)
Adjustments for:		
Written-off of property, plant and equipment	260	–
Impairment of trade receivables	1,700	2,677
Impairment of prepayments, deposits and other receivable	119	–
Finance costs	–	758
Interest income	–	(27)
Depreciation of property, plant and equipment	45	108
	(262)	(18,665)
Decrease/(increase) in inventories	1,700	(1,700)
Increase in contract works in progress	–	(30,958)
(Increase)/decrease in trade receivables	(1,700)	60,610
Increase in prepayments, deposits and other receivables	(175)	(7,846)
Increase in trade payables	–	219
Increase/(decrease) in other payables and accruals	200	(2,330)
(Decrease)/increase in amount due to a related company	(221)	54
	(458)	(616)
Interest received	–	27
Interest paid	–	(758)
Hong Kong profits tax paid	(113)	(563)
Net cash flows used in operating activities	(571)	(1,910)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	–	(7)
Net cash flows used in investing activities	–	(7)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in amount due to ultimate holding company	230	4,669
Repayment of trust receipts loans, net	–	(12,040)
Net cash flows from/(used in) financing activities	230	(7,371)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(341)	(9,288)
Cash and cash equivalents at beginning of year	418	9,706
CASH AND CASH EQUIVALENTS AT END OF YEAR	77	418

The net cash flows incurred by the Disposal Group are as follows:

	2009	2008
	HK$'000	*HK$'000*
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	77	418

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of Disposal Group is as follows:	
	HK$'000
Sales proceeds	–
Cash and bank balances sold	77
Net outflow of cash and cash equivalents in respect of the Disposal	(77)

Loss per share:		
Basic, from the Disposal Group	(0.40) cents	(3.86) cents
Diluted, from the Disposal Group	(0.40) cents	(3.86) cents

The calculations of basic and diluted loss per share from the Disposal Group are based on:

	2009	2008
	HK$'000	*HK$'000*
Earnings		
Loss for the year attributable to ordinary equity holders of the Company from the Disposal Group	(2,820)	(22,625)
	Number of shares	
	2009	**2008**
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	697,312,760	586,451,500

No adjustment has been made to the basic loss per share amounts from the Disposal Group presented for the years ended 31 December 2009 and 2008 in respect of a dilution as the share options, warrants and convertible bonds outstanding during the year had an anti-dilutive effect on the basic loss per share.

13. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

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

The calculations of basic loss per share are based on:

	2009	**2008**
	HK$'000	*HK$'000*
Earnings		
Loss for the year attributable to ordinary equity holders of the Company, used in the basic loss per share calculation	(49,774)	(32,847)

	Number of shares	
	2009	**2008**
Shares		
Weighted average number of ordinary shares in issue during the year used in basic loss per share calculation	697,312,760	586,451,500

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2009 and 2008 in respect of a dilution as the share options, warrants and convertible bonds outstanding during the year had an anti-dilutive effect on the basic loss per share.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold improvements *HK$'000*	Furniture and fixtures *HK$'000*	Office and computer equipments *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
31 December 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	–	–	183	–	183
Acquisition of subsidiaries *(note 32)*	–	–	667	–	667
Depreciation provided during the year	(168)	(58)	(27)	–	(253)
Written-off	–	(199)	(61)	–	(260)
At 31 December 2009, net of accumulated depreciation	619	100	869	–	1,588
At 31 December 2009:					
Cost	838	146	1,267	–	2,251
Accumulated depreciation	(219)	(46)	(398)	–	(663)
Net carrying amount	619	100	869	–	1,588

Group

	Leasehold improvements	Furniture and fixtures	Office and computer equipments	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
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

Company

	Leasehold improvements *HK$'000*	Furniture and fixtures *HK$'000*	Office and computer equipments *HK$'000*	Total *HK$'000*
31 December 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	–	–	183	183
Depreciation provided during the year	(168)	(27)	(13)	(208)
At 31 December 2009, net of accumulated depreciation	619	100	202	921
At 31 December 2009:				
Cost	838	136	217	1,191
Accumulated depreciation	(219)	(36)	(15)	(270)
Net carrying amount	619	100	202	921

Company

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

15. AVAILABLE-FOR-SALE INVESTMENTS

	Group 2009 *HK$'000*	2008 *HK$'000*
Unlisted shares, at cost	9,142	9,142
Impairment	(9,142)	(9,142)
	–	–
Less: Transfer to assets of a disposal group classified as held for sale *(note 12)*:		
Unlisted shares, at cost	9,142	–
Impairment	(9,142)	–
	–	–
	–	–

At the end of the reporting period, all the unlisted equity investments were stated at cost less impairment. As the range of reasonable fair value estimates is so significant, the directors of the Company are of the opinion that the fair value of the unlisted equity investments cannot be measured reliably.

As detailed in note 12 to the financial statements, the Company has entered into a sale and purchase agreement on 15 June 2009 with an independent third party for the disposal of the Disposal Group. Accordingly, the above unlisted shares were transferred to "Assets of a disposal group classified as held for sales" at the end of the reporting period.

16. INTANGIBLE ASSETS

		Group	
	Trade mark	**Rights in sharing of profit streams from computer games competition operation in Internet cafes**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
	(note (a))	*(note (b))*	
31 December 2009			
At 1 January 2009			
Cost	17	–	17
Accumulated amortisation and impairment	(17)	–	(17)
Net carrying amount	–	–	–
At 1 January 2009, net of accumulated amortisation and impairment	–	–	–
Acquisition of subsidiaries *(note 32)*	–	482,794	482,794
At 31 December 2009, net of accumulated amortisation and impairment	–	482,794	482,794
At 31 December 2009			
Cost	17	482,794	482,811
Accumulated amortisation and impairment	(17)	–	(17)
Net carrying amount	–	482,794	482,794
31 December 2008			
At 1 January 2008 and 31 December 2008			
Cost	17	–	17
Accumulated amortisation and impairment	(17)	–	(17)
Net carrying amount	–	–	–

	Company Trade mark HK$'000 (note (a))	Total HK$'000
31 December 2009		
At 1 January 2009 and 31 December 2009		
Cost	17	17
Accumulated amortisation and impairment	(17)	(17)
Net carrying amount	–	–
31 December 2008		
At 1 January 2008 and 31 December 2008		
Cost	17	17
Accumulated amortisation and impairment	(17)	(17)
Net carrying amount	–	–

Note (a) The trade mark represented the trade mark of QUASAR with an indefinite useful lives.

Note (b) The rights (the "Rights") in sharing of profit steams (the "Profit Steams") from computer games competition operation in Internet cafes of approximately HK$482,794,000 represented the Rights arising from the Co-operation Agreement entered into between a subsidiary of the Company and CY Foundation Group Limited. Pursuant to the Co-operation Agreement, the Group is entitled to participate in the co-operation and share the Profit Streams for a period of 15 years, extensible for another 15 years. The Rights is stated at cost and is amortised on the straight line basis over its estimated useful live. Amortisation shall begin when the Rights is available for use.

17. DEFERRED TAX ASSETS

	Group Accelerated depreciation HK$'000	Tax losses HK$'000	Total HK$'000
At 1 January 2008	16	290	306
Deferred tax credited/(charged) to consolidated income statement during the year *(note 10)*	10	(36)	(26)
At 31 December 2008 and at 1 January 2009	26	254	280
Deferred tax charged to consolidated income statement during the year *(note 10)*	–	–	–
Transfer to assets of the Disposal Group classified as held for sale *(note 12)*	(26)	(254)	(280)
At 31 December 2009	–	–	–

At 31 December 2009, the Group has unused tax losses of approximately HK$41,205,000 (2008: HK$33,426,000) available indefinitely for offset against future profits. A deferred tax has been recognised in respect of tax losses of HK$1,538,000 (2008: HK$1,538,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of HK$39,667,000 (2008: HK$31,888,000), of which approximately HK$16,183,000 (2008: HK$16,150,000) related to the Disposal Group, due to the unpredictability of future profit streams.

18. PREPAID LICENSES FEE

	Group	
	2009	**2008**
	HK$'000	*HK$'000*
Cost	5,460	5,460
Accumulated amortisation and impairment	(5,460)	(5,460)
Net carrying value	–	–
Less: Transfer to assets of a disposal group classified as held for sale *(note 12)*:		
Cost	5,460	–
Accumulated amortisation and impairment	(5,460)	–
	–	–
	–	–

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

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.

As detailed in note 12 to the financial statements, the Company has entered into a sale and purchase agreement on 15 June 2009 with an independent third party for the disposal of the Disposal Group. Accordingly, the above prepaid licenses fee was transferred to "Assets of a disposal group classified as held for sale" at the end of the reporting period.

19. INTERESTS IN SUBSIDIARIES

	Company	
	2009	**2008**
	HK$'000	*HK$'000*
Unlisted shares, at cost	480,650	14,882
Due from subsidiaries	32,606	47,437
Less: Impairment	(47,484)	–
	465,772	62,319
Due to subsidiaries	(264)	(15,060)
	465,508	47,259

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 principal of subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Friendly Group Limited	British Virgin Islands ("BVI")	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/LCD and related products
Legend Century Investments Limited *(note (a))*	BVI	1 ordinary share of US$1 each	100	–	Investment holding
China Net-PC Limited ("CNP") *(note (a))*	BVI	50,000,000 ordinary share of US$0.01 each	–	100	Investment holding
Boss Systems Limited *(note (a))*	BVI	100 ordinary shares of US$1 each	–	95	Investment holding
博思(中國)信息系統有限公司*(note (a) and note (c))*	The People's Republic of China	RMB60,000,000	–	95	Software development and provision of multi-media and advertising business
Boss Power Limited *(note (a))*	Hong Kong	1,000,000 ordinary shares of HK$1 each	–	100	Trading of electronic equipments and components and computer products
Boss Education Limited *(note (a))*	Hong Kong	1,000 ordinary shares of HK$1 each	–	51	Provision of educational and training programs
Ace Solution Technology Limited *(note (b))*	BVI	10,200 ordinary shares of US$1 each	100	–	Investment holding
Gold Glory Development Limited *(note (b))*	BVI	2,000 ordinary shares of US$1 each	–	100	Sales and marketing of mobile phone appliance solution and investment holding

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Hanbit I & T (HK) Co., Limited *(note (b))*	Hong Kong	800,000 ordinary shares of HK$1 each	–	100	Sales and marketing of mobile phone appliance solution and the relevant components
Qualfield Limited *(note (b))*	BVI	100 ordinary shares of US$1 each	–	100	Provision of agency services and investment holding
Quasar Communication Technology Limited *(note (b))*	Hong Kong	10,000 ordinary shares of HK$1 each	–	100	Sales and marketing of mobile phone appliance solution
Synerex Inc. *(note (b))*	BVI	10,200 ordinary shares of US$1 each	–	100	Investment holding
Zetta Global Limited *(note (b))*	Hong Kong	100 ordinary shares of HK$1 each	–	100	Provision of management services to group companies
Zetta Media Holdings Limited *(note (b))*	BVI	100 ordinary shares of US$1 each	–	100	Investment holding

Note a: These subsidiaries were acquired by the Company during the year, details of which are set out in note 32 to the financial statements.

Note b: These subsidiaries had been disposed by the Company pursuant to a sale and purchase agreement dated 15 June 2009 which were completed subsequent to the reporting period on 5 February 2010, details of which are set out in note 12 to the financial statements.

Note c: This subsidiary is registered as a sino-foreign investment enterprise under the PRC laws.

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

20. INVENTORIES

	Group		Company	
	2009	2008	2009	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Finished goods	1,178	1,700	1,178	–

At 31 December 2009, the carrying amount of inventories that were carried at net realisable value amounted to HK$0 (2008: HK$1,700,000) after the write-down of an amount of HK$253,410 (2008: HK$743,760).

21. CONTRACT WORKS IN PROGRESS

	Group	
	2009	2008
	HK$'000	*HK$'000*
Contract costs for development of mobile phone appliance solution	34,340	34,340
Impairment	–	–
Net carrying amount	34,340	34,340
Less: Transfer to assets of a disposal group classified as held for sale *(note 12)*:		
Contract costs for development of mobile phone appliance solution	34,340	–
Impairment	–	–
	34,340	–
	–	34,340

During the year ended 31 December 2008, the Group incurred contract costs of HK$34,340,000 for development of mobile phone application solution. In the opinion of the directors of the Company, as the directors were unable to obtain access to certain relevant information and documents of certain subsidiaries, they were not able to obtain adequate information in assessing the nature and future utilisation of these contract works in progress. Accordingly, the directors of the Company were not able to assess if the amount of the contract works in progress and the impairment amount, if any, were fairly stated as at 31 December 2008 and consequentially, as at 31 December 2009.

As detailed in note 12 to the financial statements, the Company has entered into a sale and purchase agreement on 15 June 2009 with an independent third party for the disposal of the Disposal Group. Accordingly, the above contract works in progress was transferred to "Assets of a disposal group classified as held for sale" at the end of the reporting period.

22. TRADE RECEIVABLES

	Group 2009	2008
	HK$'000	*HK$'000*
Trade receivables	5,588	4,498
Impairment	(5,588)	(3,888)
	–	610
Less: Transfer to assets of a disposal group classified as held for sale *(note 12)*:		
Trade receivables	5,588	–
Impairment	(5,588)	–
	–	–
	–	610

In the opinion of the directors of the Company, as the directors were unable to obtain access to certain relevant information and documents of certain subsidiaries, they were not able to obtain adequate information in verifying of the settlement of the trade receivables throughout the year ended 31 December 2008. Accordingly, the present directors of the Company were not able to assess if the trade receivables and the impairment were fairly stated as at 31 December 2008 and consequentially, as at 31 December 2009.

As detailed in note 12 to the financial statements, the Company has entered into a sale and purchase agreement on 15 June 2009 with an independent third party for the disposal of the Disposal Group. Accordingly, the above trade receivables were transferred to "Assets of a disposal group classified as held for sale" at the end of the reporting period.

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 at the end of the reporting period, based on the invoice date, is as follows:

	Group 2009	2008
	HK$'000	*HK$'000*
Within 1 month	–	610
1 to 2 months	–	–
2 to 3 months	–	–
Over 3 months	–	–
	–	610

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

	Group	
	2009	**2008**
	HK$'000	*HK$'000*
At 1 January	3,888	1,211
Impairment loss recognised during the year	1,700	2,677
	5,588	3,888
Less: Transfer to assets of a disposal group classified as held for sale *(note 12)*	(5,588)	–
At 31 December	–	3,888

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

	Group	
	2009	**2008**
	HK$'000	*HK$'000*
Neither past due nor impaired	–	610
Less than 1 month past due	–	–
1 to 3 months past due	–	–
Over 3 months	–	–
	–	610

Receivables that were past due but not impaired relate to 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.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2009	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Prepayments	363	340	296	299
Deposits for proposed acquisitions *(note (a))*	25,000	30,000	25,000	30,000
Deposits for a proposed acquisition for "Nopo" *(note (b))*	1,993	–	1,993	–
Trade deposits paid *(note (c))*	8,200	8,200	–	–
Rental deposit	398	281	228	160
Other receivables	698	340	100	–
Tax reserve certificate	4,089	4,089	–	–
	40,741	43,250	27,617	30,459
Less: Transfer to assets of a disposal group classified as held for sale *(note (d) and note 12)*:				
Prepayments	(43)	–	–	–
Trade deposits paid *(note (c))*	(8,200)	–	–	–
Other receivables	(515)	–	–	–
Tax reserve certificate	(4,089)	–	–	–
	(12,847)	–	–	–
	27,894	43,250	27,617	30,459

Notes:

(a) During the year ended 31 December 2008, deposits paid for proposed acquisitions consisted of (i) HK$5,000,000 paid to Ocean Space Development Limited ("Ocean Space") (the "Legend Deposit") in respect of the proposed acquisition of a 100% equity interest in Legend Century Investments Limited and the shareholder's loan due from Legend Century Investments Limited to Ocean Space (the "Legend Acquisition") and (ii) HK$25,000,000 paid to an independent third party ("Vendor A") (the "Allwin Deposit") 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) ("Guangdong Allwin").

(i) The Legend Deposit

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

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

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

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 set-off of the Legend Deposit of HK$5,000,000 paid upon the signing of the MOU and (ii) the issue of three-year convertible bonds 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 (subject to adjustment) each.

The Legend Acquisition has been completed on 30 December 2009, and the Legend Deposit has been fully applied as part of the settlement of the consideration for the Legend Acquisition (note 32).

(ii) The Allwin Deposit

On 20 September 2008, the Company entered into a sale and purchase agreement (the "S&P" Agreement) with Vendor A pursuant to which, the Company agreed to acquire an enlarged 24% equity interest in Guangdong Allwin (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 Vendor A on 15 October 2008.

Pursuant to the S&P Agreement, Vendor A shall refund in full the Allwin Deposit of HK$25,000,000 to the Company on or before 31 January 2010 if no binding agreement(s) regarding the possible cooperation an/or transaction would be entered into between the Company and Vendor A on or before 30 September 2009.

On 30 September 2009, the Company entered into another sale and purchase agreement with Vendor A pursuant to which, the Company will acquire from Vendor A the copyrights of a film library (the "Copyrights Acquisition") owned by Guangdong Allwin at a consideration of HK$25,000,000 which will be set-off against the Allwin Deposit. The copyrights of the film liabrary consist of five series (a total of 320 episodes) and 16 education series of an animation 神探威威貓 ("Wiwione – Detective Winkey Cat") and the related music songs.

As the Copyrights Acquisition has not been completed at the end of the reporting period, the Allwin Deposit was included in the prepayments, deposits and other receivables.

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

(b) The deposits paid of HK$1,993,000 as at 31 December 2009 represented the deposit for the proposed acquisition of Nopo Investment Limited. Details of the proposed acquisition are disclosed in note 34 (b) to the financial statements.

(c) Trade deposits paid represented amounts paid to a supplier as deposits for supply of mobile phones and related appliance and accessories during the year ended 31 December 2008. In the opinion of the directors of the Company, as detailed in note 2.1 (a) to the financial statements, as the directors were unable to obtain access to certain relevant information and documents of certain subsidiaries, they were not able to obtain adequate information in assessing the nature of the deposits, including but not limited to the arrangement for the subsequent recovering of the deposits or the ability of the supplier in fulfilment of the obligations in supplying the mobile phones and related appliance and accessories to the Group in the foreseeable future. Accordingly, the present directors of the Company were not able to assess the valuation of the trade deposits and if there was any impairment and that the amount of the trade deposits was fairly stated as at 31 December 2008 and consequentially, as at 31 December 2009.

(d) As detailed in note 12 to the financial statements, the Company has entered into a sale and purchase agreement on 15 June 2009 with an independent third party for the disposal of the Disposal Group. Accordingly, prepayments, trade deposits paid, other receivables and tax reserve certificate amounting to approximately HK$43,000, HK$8,200,000, HK$515,000 and HK$4,089,000, respectively were transferred to "Assets of a disposal group classified as held for sale" at the end of the reporting period.

24. CASH AND CASH EQUIVALENTS

	Group		Company	
	2009	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash and bank balances	6,841	7,590	5,615	7,172
Less: Transfer to assets of a disposal group classified as held for sale *(note 12)*	(77)	–	–	–
	6,764	7,590	5,615	7,172

25. TRADE PAYABLES

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

	Group	
	2009	**2008**
	HK$'000	*HK$'000*
Over 90 days	219	219
	219	219
Less: Transfer to liabilities directly associated with the assets classified as held for sale *(note 12)*	(219)	–
	–	219

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

26. DUE TO A DIRECTOR AND A RELATED COMPANY

The amount due to a director is unsecured and interest-free. The director has agreed not to demand repayment of the amount due to him until the Group and the Company is in a position to do so.

The amount due by the Disposal Group to a related company, of which a director of the Disposal Group was a director, was unsecured, interest-free and has no fixed term of repayment. As detailed in note 12 to the financial statements, this amount has been transferred to "Liabilities directly associated with the assets classified as held for sale" under "Other payables and accrual" at the end of the reporting period.

27. CONVERTIBLE BONDS

On 30 December 2009, the Company issued zero-coupon convertible bonds (the "Convertible Bonds") with a nominal value of HK$595,000,000 as part of the consideration for the Legend Acquisition. The Convertible Bonds are interest-free and convertible at the option of the bondholders into ordinary shares of the Company on or before 30 December 2012 at a conversion price of HK$0.125 each. The Company has the right to mandatorily convert the outstanding of the Convertible Bonds at the maturity date on 30 December 2012.

The Convertible Bonds issued during the year and equity components were as follows:

	2009	**2008**
	HK$'000	*HK$'000*
Nominal value of convertible bonds issued during the year	595,000	–
Fair value adjustment	(134,232)	–
	460,768	–
Equity component	(460,768)	–
Liability component at the issuance date	–	–

The fair value of the Convertible Bonds was estimated at the issuance date by using the closing share price of the Company and the Black-Scholes Option Pricing Model by Ascent Partners Transaction Service Limited, an independent valuer. The inputs into the model were as follows:

	30 December 2009 (issuance date)
Stock price	HK$0.117
Expiration	6 months
Risk-free rate	0.17%
Volatility	62%

28. SHARE CAPITAL

(a) Shares

	2009	**2008**
	HK$'000	*HK$'000*
Authorised:		
30,000,000,000 ordinary shares of HK$0.01 each *(note (i))*	300,000	300,000
Issued and fully paid:		
703,739,500 ordinary shares (2008: 586,451,500) of HK$0.01 each	7,037	5,865

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

	Number of authorised ordinary shares	**Number of shares in issue**	**Issued share capital**	**Share premium account**	**Total**
			HK$'000	*HK$'000*	*HK$'000*
At 1 January 2008	1,000,000,000	586,451,500	5,865	68,379	74,244
Increase of authorised share capital *(note (i))*	29,000,000,000	–	–	–	–
At 31 December 2008 and 1 January 2009	30,000,000,000	586,451,500	5,865	68,379	74,244
Issue of shares:					
On 21 January 2009 *(note (ii))*	–	117,288,000	1,172	7,037	8,209
Share issue expenses	–	–	–	(86)	(86)
	–	117,288,000	1,172	6,951	8,123
At 31 December 2009	30,000,000,000	703,739,500	7,037	75,330	82,367

Notes:

(i) 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.

(ii) 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 proceed 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 statements.

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 2009, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 27,500,000, representing 3.91% of the shares of the Company in issue.

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

Grantee	Date of grant	Exercise period	Outstanding as at 1 January 2009	Granted during the year	Exercised during the year	Lapsed during the year	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
Zhang Zhan Liang	9 Apr 2008	9 Apr 2008 – 8 Apr 2013	2,500,000	–	–	–	2,500,000	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
			22,500,000	–	–	(10,000,000)	12,500,000	
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	–	–	(10,000,000)	17,500,000	
Employees	9 Apr 2008	9 Apr 2008 – 8 Apr 2013	10,000,000	–	–	–	10,000,000	0.28
			37,500,000	–	–	(10,000,000)	27,500,000	

#1 *Mr. Cho Hui Jae was retired as an executive director of the Company at the annual general meeting of the Company held on 30 June 2009 and the share option was lapsed on 28 September 2009.*

#2 *Mr. Sze Lin Tang resigned as an independent non-executive director of the Company on 11 February 2009 and the share options was lapsed on 12 May 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 22 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
Vesting period	Nil

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

The Company did not have any warrants outstanding as at 31 December 2009 and its movements during the year are as follows:

Date of issue	Outstanding at 1/1/2009	Issued during the year	Lapsed during the year	Outstanding at 31/12/2009	Exercise period	Exercise price per share
12 December 2007	45,000,000	–	(45,000,000)	–	2 years commencing from 12 December 2007	HK$0.28

31. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current year are presented in the consolidated statement of changes in equity on page 36 of the financial statements.

(b) Company

	Share premium account	Share option reserve	Warrant reserve	Special reserve	Equity component of convertible bonds	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2008	68,379	–	2,060	14,879	–	(3,585)	81,733
Equity-settled share option arrangement *(note 29)*	–	7,442	–	–	–	–	7,442
Share options lapsed during the year	–	(465)	–	–	–	465	–
Warrants lapsed during the year	–	–	(1,160)	–	–	1,160	–
Total comprehensive income 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 *(note 28)*	7,037	–	–	–	–	–	7,037
Share issue expenses *(note 28)*	(86)	–	–	–	–	–	(86)
Share options lapsed during the year *(note 29)*	–	(1,860)	–	–	–	1,860	–
Warrants lapsed during the year *(note 30)*	–	–	(900)	–	–	900	–
Issue of convertible bonds *(note 27)*	–	–	–	–	460,768	–	460,768
Total comprehensive income for the year	–	–	–	–	–	(54,930)	(54,930)
At 31 December 2009	75,330	5,117	–	14,879	460,768	(64,572)	491,522

Notes:

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

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

ii. Under section 34 of the Companies Law 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:

	2009	2008
	HK$'000	*HK$'000*
Special reserve	14,879	14,879
Share premium account	75,330	68,379
Accumulated losses	(64,572)	(12,402)
	25,637	70,856

32. ACQUISITION OF SUBSIDIARIES

On 30 December 2009, the Group acquired a 100% interest in Legend Century Investments Limited ("Legend") and its subsidiaries, namely China Net-PC Limited, Boss Systems Limited, 博思(中國)信息系統有限公司, Boss Power Limited, Boss Media Limited and Boss Education Limited (collectively referred as the "Legend Group") at a consideration of HK$600,000,000, which were satisfied as to (i) the net-off of the deposit of HK$5,000,000; and (ii) the issue of three-year convertible bonds of HK$595,000,000 (note 27).

Legend Group is principally engaged in the LED/LCD solution business and media business.

The Legend Group has entered into a co-operation agreement (the "Co-operation Agreement") with CY Foundation Group Limited ("CY Foundation") in July 2008. Pursuant to the Co-operation Agreement, the parties have agreed to develop a computer games competition in 30,000 Internet cafes operated by CY Foundation in the PRC for 15 years, extensible for another 15 years. Legend Group will provide LED LCD-NC terminals to the internet cafes and CY Foundation will provide the computer software. Users of the terminals in the internet cafes will be charged on an hourly basis and profits will be shared between the Legend Group and CY Foundation equally. Pursuant to the Co-operation Agreement, both parties have also agreed to offer the advertisement service at the terminals in the internet cafes.

At the end of the reporting period, none of the business as mentioned in the Co-operative Agreement has been carried out by the parties.

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

	Notes	Fair value recognised on acquisition HK$'000	Previous carrying amount HK$'000
Property, plant and equipment	14	667	667
Intangible assets*	16	482,794	–
Prepayments, deposits and other receivables		277	277
Cash and bank balances		798	798
Other payables and accruals		(316)	(316)
Due to a director		(18,452)	(18,452)
Minority interests		–	–
		465,768	(17,026)
Satisfied by convertible bonds	27	460,768	
Satisfied by the net-off of deposit paid *(note 23(a)(i))*		5,000	

* *Other intangible assets of HK$482,794,000 represented the rights in sharing of profit steams for computer games competition operation in Internet cafes arising from the Co-operation Agreement entered into between a subsidiary of the Company and CY Foundation.*

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of Legend Group is as follows:

	HK$'000
Cash consideration net-off with the deposit (note 36)	–
Cash and bank balances acquired	798
Net inflow of cash and cash equivalents in respect of the acquisition of Legend Group	798

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 10 years.

At 31 December 2009, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2009	**2008**
	HK$'000	*HK$'000*
Within one year	1,755	1,370
In the second to fifth years, inclusive	3,447	1,679
After five years	75	–
	5,277	3,049

34. OTHER COMMITMENTS AND EVENT AFTER THE REPORTING PERIOD

In addition to the operating lease commitments detailed in note 33 above, the Group and the Company had the following commitments at the end of the reporting period:

(a) On 28 January 2008, the Company entered into a non-legally binding memorandum of understanding (the "MOU 1") 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 1, 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.

There was no further development of the cooperation during the year.

(b) On 10 December 2009, the Company entered into a sale and purchase agreement with an independent third party ("Vendor B") pursuant to which the Company agreed to acquire the entire issued share capital of Nopo International Limited (the "Nopo Acquisition"), which was 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 (note 23), without interest, had been paid by the Company to the Vendor B upon signing of the agreement. The Nopo Acquisition has been completed subsequent to the reporting period on 22 January 2010 with the balance of the consideration of HK$17,500,000 being settled by the issue of 140,000,000 consideration shares of the Company at an issue price of HK$0.125 per share.

35. RELATED PARTY TRANSACTIONS

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

The Group

	2009	**2008**
	HK$'000	*HK$'000*
New Era Group (China) Limited *(note a)*		
Rental paid	320	320
Rental deposit paid	160	160
New Era Foundation (China) Limited *(note b)*		
Rental deposit paid	170	–

The Company

	2009	**2008**
	HK$'000	*HK$'000*
New Era Group (China) Limited *(note a)*		
Rental paid	320	320
Rental deposit paid	160	160

(a) The Company entered into a tenancy agreement (the "Tenancy Agreement A") with New Era Group (China) Limited (the "Landlord A"), a company of which Mr. Xiang Xin, a director of the Company, is also a director. Pursuant to the Tenancy Agreement A, the Landlord A 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 A 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 23) in the statement of financial position.

(b) On 1 December 2009, a subsidiary of the Company, a subsidiary newly acquired by the Company on 30 December 2009, entered into a tenancy agreement (the "Tenancy Agreement B") with New Era Foundation (China) Limited (the "Landlord B"), a company of which Mr. Xiang Xin, a director of the Company, is also a director. Pursuant to the Tenancy Agreement B, the Landlord B agreed to lease to the Company's subsidiary two office premises for a term of 36 months commencing on 1 January 2010. The Company's subsidiary shall pay a deposit of RMB150,000 (equivalent to approximately HK$170,000) and a monthly rental of RMB71,000 (equivalent to approximately HK$81,000) to the Landlord B with no rental free period. The deposit was included in prepayments, deposits and other receivables (notes 23) in the statement of financial position.

The related party transactions were conducted on terms negotiated between the Company/subsidiary and the related companies.

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transactions

(a) On 30 December 2009, the cash consideration for the Legend Acquisition was net-off against with the deposit of HK$5,000,000 (note 32) paid previously.

(b) On 30 December 2009, the Company issued convertible bonds (note 27) with a fair value of HK$460,768,000 as part of the consideration for the Legend Acquisition (note 32).

37. FINANCIAL INSTRUMENTS BY CATEGORY

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

31 December 2009

Financial assets
Group

	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*
Available-for-sale investments	–	–	–	–	–	–
Trade receivables	–	–	–		–	
Financial assets included in prepayments, deposits and other receivables	–	–	–	27,574	–	27,574
Cash and bank balances	–	–	–	6,764	–	6,764
	–	–	–	34,338	–	34,338

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*
Trade payables	–	–		
Financial liabilities included in other payables and accruals	–	–	2,727	2,727
Due to a director	–	–	18,520	18,520
	–	–	21,247	21,247

31 December 2008

Financial assets

Group

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

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*
Trade payables	–	–	219	219
Financial liabilities included in other payables and accruals	–	–	3,827	3,827
Due to a related company	–	–	221	221
	–	–	4,267	4,267

31 December 2009

Financial assets

Company

	Financial assets at fair value through profit or loss – designated as such upon initial recognition	– held for trading	Held-to-maturity investments	Loans and receivables	Available-for-sale financial assets	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets included in prepayments, deposit and other receivables	–	–	–	27,321	–	27,321
Due from subsidiaries	–	–	–	4	–	4
Cash and bank balances	–	–	–	5,615	–	5,615
	–	–	–	32,940	–	32,940

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*
Financial liabilities included in other payables and accruals	–	–	2,212	2,212
Due to a subsidiary	–	–	264	264
Due to a director	–	–	68	68
	–	–	2,544	2,544

31 December 2008

Financial assets

Company

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

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*
Financial liabilities included in other payables and accruals	–	–	1,238	1,238
Due to subsidiaries	–	–	15,060	15,060
	–	–	16,298	16,298

38. 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 statements.

Interest rate risk

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

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 85% (2008: 100%) of the Group's sales are dominated in currencies other than the functional currency of the operating units marking the sales, and almost 84% (2008: 100%) of costs are dominated in currencies other than the units' functional currency.

The Group does not have significant foreign currency risk arising from future commercial transactions and recognised financial assets and liabilities since almost all of them are denominated in USD and HKD, of which the exchange rate of USD was quite stable during the year ended 31 December 2009 and 2008.

Credit risk

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

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, amounts due from subsidiaries and a joint ventures 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 22 to the financial statements.

Liquidity risk

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

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. And a director of the Company has agreed not to demand repayment of the amount due to him until the Group and the Company is in a position to do so.

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. At the end of the reporting period, the Group has no significant equity price risk.

Capital management

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

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

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

	Group	
	2009	**2008**
	HK$'000	*HK$'000*
Trade payables	–	219
Other payables and accruals	2,727	3,827
Due to a related company	–	221
Due to a director	18,520	–
Less: Cash and bank balances	(6,764)	(7,590)
Net debt	14,483	(3,323)
Total capital:		
Equity attributable to equity holders	498,925	79,808
Capital and net debt	513,408	76,485
Gearing ratio	2.8%	N/A

39. COMPARATIVE AMOUNTS

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

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23 March 2010.

4. INDEBTEDNESS

Borrowings

As at the close of business on 31 July 2010, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular (the "Indebtedness Date"), the Group did not have any outstanding borrowings.

Contingent liabilities

As at 31 July 2010, the Group had no material contingent liabilities.

Capital commitments

As at 31 July 2010, the Group had no material capital commitments.

Operating lease commitments

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms of 2 to 10 years. At 31 July 2010, the Group had total future minimum lease payments under non-cancellable operating leases in respect of land and buildings amounting to approximately HK$4,995,000.

Pledge of assets

As at 31 July 2010, the Group had no pledge of assets.

Disclaimer

Save as aforesaid and apart from intra-group liabilities, as at 31 July 2010 the Group had no debt securities issued and outstanding, and authorised or otherwise created but issued, term loans, distinguishing between guaranteed, unguaranteed, secured and unsecured, and guaranteed, unguaranteed, secured and unsecured bank borrowings including, bank loans and overdrafts or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credit, debentures, mortgages, charges, hire purchase or finance lease commitments, guarantees or other material contingent liabilities.

The Directors confirmed that there has not been any material adverse change in the indebtedness and contingent liabilities of the Group since 31 July 2010.

5. WORKING CAPITAL

Taking into account the internally generated funds and the net proceeds from the Rights Issue as stated in the circular of the Company dated 26 May 2010, the Directors are of the opinion that the Group will 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.

6. FINANCIAL AND TRADING PROSPECTS

The Board anticipates that the worsening global financial and economic crisis will further curtail consumer and corporate demand for goods and services thereby pulling down the Group sales volume and results for year 2010. However, the Company's directors and management will dedicate their best effort to lead the Group to strive for the best interests for its shareholders.

The following is the text of a valuation report on Sale Copyrights, prepared for the purpose of incorporation in this circular, received from Ascent Partners, an independent valuer.

ASCENT PARTNERS
Together We Flourish

6 B&C Sincere Insurance Building,
4-6 Hennessy Road, Wanchai,
Hong Kong.

7 September 2010

The Board of Directors
China Trends Holdings Limited
26/F, No. 9 Des Voeux Road West
Sheung Wan, Hong Kong

Dear Sir/Madam,

Re: Valuation of Copyrights in a Film Library

In accordance with the instruction of China Trends Holdings Limited (hereinafter referred as the "Company") we have undertaken a valuation to determine the fair value of Copyrights of a Film Library (hereinafter referred as the "Copyrights"), which contains five series (a total of 320 episodes), and 16 education series of an animation (hereinafter referred as "Animation") 神探威威貓 (Wiwione – Detective Winkey Cat) and music songs, for the Company as at 31 May 2010 (hereinafter referred as the "Valuation Date").

This report outlines the factors considered, valuation methodology, basis and assumptions employed in formulating our opinions and our conclusion of value.

Ascent Partners Transaction Service Limited (hereinafter referred as "Ascent Partners") is an independent firm providing full range of valuation and advisory services. This report has been prepared independently. Neither Ascent Partners nor any authors of this report hold any interest in the Company or its related parties. The fee for providing this report is based on Ascent Partners' normal professional rates, whilst expenses (if incurred) are being reimbursed at cost. Payment of fees and reimbursements are not contingent upon the conclusions drawn in this report.

For and on behalf of
Ascent Partners Transaction Service Limited

William SW Yuen
Director
CFA, FRM

1. PURPOSE OF VALUATION

The purpose of this valuation is to express an independent opinion on the fair value of Copyrights as at the Valuation Date. This report outlines our latest findings and valuation conclusion, which is prepared for the accounting and disclosure purpose.

2. SCOPE OF WORK

In conducting this valuation exercise, we have

- Discussed with the management of the Company;
- Carried out a research in the sector concerned and collected market data from reliable sources;
- Investigated into the information, and considered the basis and assumptions of our conclusion of value;
- Analysed the financial information of companies in a similar industry; and
- Designed an appropriate valuation model to analyse the market transactions and derive the estimated value of the Copyrights.

3. BACKGROUND

The Company is principally engaged in sales and marketing of information technology products and the relevant application solution. In view of the intense competition and falling profit margin, the Company is actively seeking opportunities to other business with higher return.

On 30 September 2009, the Company entered into the Acquisition Agreement pursuant to which the Company agreed to acquire the Sale Copyrights at a consideration of HK$25 million.

The copyrights of a film library contains five series (a total of 320 episodes), and 16 education series of an animation (the "Animation") 神探威威貓 (Wiwione – Detective Winkey Cat) and music songs. The first series, the second series, the third series, the fourth series and the fifth series of the Animation has 69 episodes, 60 episodes, 72 episodes, 60 episodes and 60 episodes respectively. Each episode for the first and second series is approximately 13 minutes and each episode for the third, fourth and fifth series is approximately 14 minutes. For the education series, it has 16 episodes and each episode is approximately 60 minutes. For the music songs, it includes the copyright of 16 albums of children's songs of which each album contains 20 songs under Wiwione.

The Copyrights and the Trademarks were originally owned by Guangdong Allwin Culture Development Co., Ltd. 廣東愛威文化發展有限公司 (hereinafter referred as the "Allwin"), a limited company established in the PRC. Since its establishment in 1998, Allwin developed and registered the Sale Copyrights and the Trademark. The Sale Copyrights did not generate any profit as the results that Allwin did not achieve the basic number of broadcasting hours as required for the promotion of programmes under the Sale Copyrights in each television station in the PRC to promote the popularity of the Animation. Nevertheless, since the rollout of the Animation, it had been granted over 10 awards and was highly recognized by PRC government and the animation industry, as well as governments and educational institutions from other countries, including the following:

– Granted the Academy Award for Short Animation (動畫短片學術獎), Best Short Animation (最佳動畫短片獎) and Artist Committee Special Award (藝術委員會) in the 3rd award presentation organized by China Television Artists Association in 2004

– Granted the PRC's Animation Audio-visual Production Grand Award (中國最優秀動畫片音像製品大獎) by the Ministry of Culture and the Government of Guangdong Province in 2004

– Granted the Gold Award for the PRC's Most Representative and the Best Animation Film (中國最具代表性優秀動畫影片金獎) and the Organizing Committee's Special Honorary Award (組委會特別榮譽獎) in the International Animation and Film Fair in Guangzhou China (中國(廣州)國際動漫影視博覽會) in 2004 organized by the China Animation Association;

– Nominated for the Short Animation (動畫短片入圍獎) in the Oriental International Original Animation & Comics Arts Awards (東方國際原創動畫漫畫藝術大賽) in 2004;

– Wiwione – Detective Winkey Cat 3 was recommended as the second batch of Outstanding China Produced Animation in 2005 by the State Administration of Radio Film and Television;

– Wiwione – Detective Winkey Cat Series – Magic Princess (神探威威貓系列之魔法公主) was nominated for the Original Animation Award under the Long Animation Category in the 1st China International Animation Festival (中國國際動漫節);

– Wiwione – Detective Winkey Cat was recommended as the second batch of Outstanding China Produced Animation in 2005 by the State Administration of Radio Film and Television;

– Winkey Cat was granted the Potential Animation Design Award (最具潛力的動漫造型獎) in the game industry in China in 2005;

– Granted the Hottest Carton Award in 2005 by TVS (金南方);

– Named one of the 2nd Top Ten Influential Brands in the Animation Industry in China (中國動漫產業十大影響力品牌) in 2005;

– Granted the Best TV & Animation Program Award of Guangdong Private Enterprise (廣東民營企業電視動畫片優秀節目獎) by Guangdong Province Broadcast, Film and TV Bureau

– Designated teaching materials of Chinese language for Indonesian children by the government of Indonesia;

– Used as recommended assistant teaching materials of Chinese language at the interviews in a number of countries in Northern Europe;

– Nominated for the 2007 Best TV & Animation Film (2007年最佳電視動畫片) in the 4th Golden Dragon Award – Annual Animation Chart Nominations (第四界金龍獎年度動漫榜中榜-提名榜單) in 2007

– Named one of the 4th Top Ten Influential Brands in the Animation Industry (中國動漫產業十大影響力品牌) in China in 2007;

– Titled one of the Top Ten Shenzhen Outstanding Enterprises in the Animation & Comics Industry in China (深圳國家動漫畫產業基地十大優秀企業) in 2007;

– Named one of the Top Ten Famous Competitive Brands in China (中國最具競爭力十大著名品牌) in 2008 (Key training and promotion enterprise)

Upon completion of the Acquisition, the Company will change the marketing strategy into free broadcasting approach from the programmes of the Sale Copyrights in exchange for the usage of air time promotion and advertisement in the television stations in the PRC, and will apply for the subsidies entitlement under approved government policies in the PRC.

Animation Industry in China

US, Japan and South Korea are three major countries with a relatively large animation industry in the world. US as the originator of the animation industry has an output of more than US$200 billion per year and Japan is the world's largest producer, representing 65% of the world market and 80% of the European market. South Korea, a late-comer in the industry, takes 30% of the global animation output, just after US and Japan, and 30 times that of China.

China Today, in a report on China Animation Industry in 2008 indicated that since 2002 the government of China began to actively develop China's animation industry, and a series of policies testified to its attitude and determination. Between 2004 and 2005, the government approved the establishment of 19 animation production and research centers, awarding prizes for outstanding cartoon films and exempting the industry from taxes.

In 2006, the government expanded the proportion of Chinese animated films being shown on television, reserving the 5:00 p.m.-8:00 p.m. slot every evening for Chinese-made animation. In 2008, the three-hour period was extended to four. Certain figures seem to support the effectiveness of the above move. At the end of 2006, China had 5,473 animation enterprises and 34 animation TV channels. Statistics from the Radio, Film and Television Administration show that in 2007, China made 186 animated films, totaling 101,900 minutes. Two years earlier, the output was only half that figure. However, the market demand for animated films in China has been estimated to be 250,000 minutes annually, and current production falls far short. According to "2007-2008 Analysis and Investment Consulting report of China's cartoon industry", there were at least 50 million cartoon consumers among 1.3 billion Chinese. China now has more than 5,000 cartoon enterprises, but an output value of only RMB 30 billion. Experts estimate that China's cartoon industry still has RMB 30 billion development opportunity. Furthermore, low production cost in china gives the industry more opportunity to grow. While the world average is RMB 80,000 per minute, the production cost of a Chinese-made animation on average, is between RMB 10,000 to 15,000 per minute.

All these above-mentioned data are enough to spur the optimism of the Chinese animation insiders. Although China is the largest consumer of animation products, it has not created such popular animation images as Kitty, Pika and Mickey Mouse. As a survey suggests, 19 out of 20 animation images favoured by Chinese juveniles are foreign, and the local animation image is only one – the Monkey King. An online survey by Sina.com indicates that none of the animation images favoured by 1,100 participants in different age groups are local.

While this industry receives government support and has low production cost, yet the industry faces many other challenges. According to the statistics from the Chinese Academy of Social Sciences, China's animation industry is growing at the annual rate of 97 percent. However, over 85 percent of Chinese animation companies are still struggling for survival.

For instance, Hu Zhanfan, deputy chief of the Radio, Film and Television Administration, which oversees the animation industry, indicates that "The difficulties we face is that the number of animated films is not small, but few are able to enter the market". Also Wang Ying, general manager of the CCTV Animation Co., Ltd. believes "There is an over-emphasis on original creation and a neglect of market operations. The animation industry should be an industrial chain made up of upper, middle and lower reaches. The upper reach is the creation of content, the middle reach is the filmmaking, and the lower reach is the broadcasting and derivative products development. In China, the three links have not formed a good cycle; they are isolated from one another."

As stated in a report by People Daily in 2009, in the past few years many local and national cartoon industry groups have come into existence to deal with the above mentioned issues. The "2009 China Radio, Film and Television Development Report" showed that a number of cartoon industry groups have been formed in areas like the Yangtze River Delta, South China, North China, Northeast China, Southwest China and Central regions of China.

4. INTRODUCTION

This report has been prepared in accordance with instructions from the Company to determine the fair values of Copyrights as at the Valuation Date. This report outlines our latest findings and valuation conclusion.

5. BASIS OF VALUATION

Our valuation was carried out on a fair value basis. Fair value is defined as "the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction."

6. BASIS OF OPINION

We have conducted our valuation in accordance with International Valuation Standards issued by International Valuation Standards Committee. The valuation procedure includes review of the financial and economic conditions of the subject business, an assessment of key assumptions, estimates, and representations made by the Company. All matters essential to the proper understanding of the valuation are disclosed in the valuation report. Opinions of value included in the valuation report are impartial, independent, and unbiased.

The following factors also form a considerable part of our basis of opinion:

- Assumptions on the market and on the subject business that are considered to be fair and reasonable;
- Financial performance that shows a consistent trend of the operation of the subject business;
- Consideration and analysis on the micro– and macro-economic factors; and
- Analytical review of the subject business.

We have planned and performed our valuation so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to express our opinion on the subject asset. We believe that our valuation provides a reasonable basis for our opinion.

7. SOURCES OF INFORMATION

In conducting our valuation of the subject asset, we have considered, reviewed and relied upon the following key information provided by the instructing party and the public.

- Discussions with the management of the Company;

- Production Detail Report from the management of the Company;
- Publications and private research reports regarding animation industry;
- Bloomberg Database and other reliable sources of market data.

In arriving at our opinion, we have assumed and relied upon the accuracy and completeness of the information reviewed by us for the purpose of this valuation. In addition, we have relied upon the statements, information, opinion and representations provided to us by the Company.

We also conducted research using various sources including government statistical releases and other publications to verify the reasonableness and fairness of information provided and we believe that the information is reasonable and reliable.

Our opinion is based upon economic, market, financial and other conditions as they exist and can be evaluated on the date of this report and we assume no responsibility to update or revise our opinion based on events or circumstances occurring after the date of this report. In reaching our opinion, we have made assumptions with respect to such economic, market, financial and other conditions and other matters, many of which are beyond our control or the control of any party involved in this valuation exercise.

8. VALUATION APPROACH AND METHODOLOGY

In carrying out this valuation exercise, we have considered the following approaches and methodologies:

Cost Approach – The cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation arising from condition, utility, age, wear and tear, or obsolescence (physical, functional or economical) present, taking into consideration past and present maintenance policy and rebuilding history.

Unlike market and income approaches which either incorporate market sentiments or future earnings capacity of an asset as a function to determine its current value, cost approach considers the fundamental cost it takes to form the asset. In our opinion this method is preferable as the animation business is a new venture of the Company to expand its current business scope. The cost approach is thus providing the minimum economic value for the Company to produce additional revenue without the need to get into the production risk as a result of lacking of relevant production capability and know-how.

Market Approach – In this approach, we value an asset by looking at how the market prices similar assets. A general way of estimating a value indication of an asset, the market approach considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect differences in terms, conditions, etc. Assets for which there is an established market may be appraised by this approach. This method is not preferred in this exercise because insufficient market data are available from listed companies engaged in the same business which were regarded as arm's length transactions for analysis and comparison

Income Approach – The income approach is the present worth of the future economic benefits of ownership. This approach is generally applied to an aggregation of assets that consists of all assets of a business enterprise including working capital and tangible and intangible assets. The value of the asset to be valued is developed through the application of the income approach technique known as discounted cash flow method to devolve the values of future income generated by the asset into a present market value. This method is not preferred in this exercise as the animation business is a new venture of the Company of which projection of the future cash flows is of high uncertainty.

9. VALIDATION OF ASSUMPTIONS AND NOTES TO VALUATION

The assumptions considered having significant sensitivity effects in this valuation have been evaluated and validated in arriving at our assessed values.

General Assumptions

We have assumed that there will be no material change in the existing political, legal, technological, fiscal or economic conditions which might adversely affect the economy in general and the business of the Company.

Assumptions and Notes

1. According to the management report from the Company, the production details of the film library is as follows:

	Wiwione – Detective Winkey Cat					
	First Series	Second Series	Third Series	Fourth Series	Fifth Series	Educational Series
Episodes	69	60	72	60	60	16
Episode – Minutes	911.42	816.12	1052.41	853.53	849.22	960.00
Total Minutes						5442.70

2. According to our studies, typical animation production team consists of the director, assistant director, and the crew which requires the roles of writer, designer, vocal talent, sound designer, animator (background artist, timer) and storyboard artist. The team will go through a long production process which may contain steps such as: Scripting, Creating Thumbnails/Shot Storyboard, Producing Dialog, Designing Characters, Detailing the Storyboard, Digital Timing, Rendering, and Animation with Background. Hence, the animation production will require significant time and effort, as well as different talents, to get the job done.

In a report published recently, the top ten of the most expensive animated movies around the world have production cost range from US$75 Million (Number 10 – Shark Tale of Dreamworks) to US$170 Million (Number 1 – The Polar Express of Buena Vista).

While the world average or the production cost is around RMB 80,000 per minute, the local average production cost of a Chinese-made animation is RMB 15,000 per minute. Based on the quotation from local animation companies in the PRC provided by the management of the Company in August 2009 and also the statistic provided by the Minister of Culture in 2009, the production costs of animation are close to RMB 10,000 per minute. As mentioned above, as the animation production process is resource-bounded, any production with cost below RMB 10,000 per minute is not attainable without jeopardizing the quality.

Hence, we assume that the production cost is RMB 10,000 per minute in our cost approach of this valuation exercise.

3. According to the management of the Company, the Copyrights of animation are registered for an initial period of 10 years each time, and may be able to extend for another 10 years after renewals. Hence, the maturity life of Copyright can last very long depending on factors such as the popularity of the animation. We assume that it is 50/50 chance that the Copyrights will be renewed or not be renewed, and hence:

   Expected life = 50%(10) + 50%(20) = 15 years

   We assume that the Copyrights have the maturity life of 15 years. As the first series of the film library started about 6 years ago, we will then discount the total production cost by 40%:

   Total Production Cost = Total Minutes * Cost/Minute * (1 – Discount)
   = 5443 * 10,000 * (1 – 40%)
   = RMB 32,658,000

10. VALUATION COMMENTS

As part of our analysis, we have reviewed the financial and business information with such information, project documentation and other pertinent data concerning the asset as has been made available to us. Such information has been provided by the Company. We have assumed the accuracy of, and have relied on, such information to a considerable extent in arriving at our opinion of value.

We confirm that we have made relevant searches and enquiries and obtained such further information as is considered necessary for the purposes of this valuation exercise.

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. Further, while the assumptions and consideration of such matters are regarded by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company, and Ascent Partners.

11. RISK FACTORS

Economic, political and social considerations

Due to the uncertainties in economic situation, there is no guarantee that the expected financial performance will materialize. Any changes in global political, economic and social conditions, laws, regulations and policies may have significant impacts on the projections of the future income of the Company. None of these changes can be foreseen with certainty.

Job market

Qualified individuals in animation industry are in high demand in China, and there are insufficient experienced personnel to fill the demand. If job market is combative, company may not be able to successfully attract or retain the experienced personnel. This factor may have significant impacts on the operation of the company.

Technological changes

Any change in the technological developments and advancements, as well as the maturity life cycle of the current Copyright assets, may have significant impacts of the future income of the Company.

Inflation

The concurrent loosening of monetary policies by the central banks in many developed and developing countries poses a significant risk of inflation, which will erode the profitability of the Company.

12. OPINION OF VALUE

Based on our investigation and analysis outlined in this report, we are of the opinion that as at the 31 May 2010, the fair value of Copyrights is RMB32,658,000 (RENMINBI THIRTY TWO MILLION SIX HUNDRED FIFTY EIGHT THOUSAND ONLY).

For and on behalf of
Ascent Partners Transaction Service Limited

William SW Yuen
Director
CFA, FRM

The following is the text of the unaudited pro forma statement of assets and liabilities of the Group, prepared for the purpose of incorporation in this circular, received from ANDA.

ANDA
CPA Limited
安達會計師事務所有限公司

The Board of Directors
China Trends Holdings Limited
26/F., No. 9 Des Voeux Road West
Sheung Wan
Hong Kong

Dear Sirs,

We report on the unaudited pro forma statement of assets and liabilities (the "Statement") of China Trends Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the proposed acquisition of the sale copyrights might have affected the assets and liabilities of the Group presented, for inclusion in Appendix III to the circular of the Company dated 7 September 2010 (the "Circular"). The basis of preparation of the Statement is set out on page 110 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 Statement in accordance with paragraph 67(6)(b)(ii) of Chapter 19 and 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 "GEM 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 (the "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 Statement 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 Statement beyond that owed to those 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 the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Statement with the directors of the Company. The 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 Statement has been properly compiled by the directors of the 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 purpose of the Statement as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Listing Rules.

The Statement is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 31 December 2009 or at any future date.

OPINION

In our opinion:

(a) the Statement 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 Statement as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Listing Rules.

Yours faithfully,
ANDA CPA Limited
Certified Public Accountants

Sze Lin Tang
Practising Certificate Number P03614

Hong Kong, 7 September 2010

1. BASIS OF PREPARATION OF THE UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE GROUP

The accompanying unaudited pro forma statement of assets and liabilities of the Group (the "Statement") has been prepared to illustrate the effect of the Acquisition, assuming the transaction had been completed as at 31 December 2009, might have affected the financial position of the Group.

The Statement is prepared based on the audited consolidated statement of financial position of the Group as at 31 December 2009 as extracted from the annual report of the Group for the year ended 31 December 2009 after making certain proforma adjustments resulting from the Acquisition.

The Statement is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the Statement, it may not give a true picture of the actual financial position of the Group that would have been attained had the Acquisition actually occurred on 31 December 2009. Furthermore, the Statement does not purport to predict the Group's future financial position.

The Statement should be read in conjunction with the financial information of the Group as set out in Appendix I to the circular and general information included elsewhere in the circular.

2. UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE GROUP

	Audited balances as at 31 December 2009	**Unaudited pro forma adjustments**		**Unaudited pro forma adjusted balances**
	HK$'000	*HK$'000*	*Note*	*HK$'000*
Non-current assets				
Property, plant and equipment	1,588			1,588
Intangible assets	482,794	25,000	*1*	507,794
Total non-current assets	484,382			509,382
Current assets				
Inventories	1,178			1,178
Prepayments, deposits and other receivables	27,894	(25,000)	*1*	2,894
Bank and cash balances	6,764			6,764
	35,836			10,836
Assets of a disposal group classified as held for sale	7,889			7,889
Total current assets	43,725			18,725
Current liabilities				
Other payables and accruals	2,727			2,727
Tax payable	46			46
Due to a director	18,520			18,520
	21,293			21,293
Liabilities directly associated with the assets classified as held for sale	7,889			7,889
Total current liabilities	29,182			29,182
Net current assets/(liabilities)	14,543			(10,457)
Total assets less current liabilities	498,925			498,925
NET ASSETS	498,925			498,925

1. This adjustment represents the proposed acquisition of the sale copyrights at a consideration of HK$25,000,000 which will be set off by the deposit already paid by the Group.

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 the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL, SHARE OPTIONS AND CONVERTIBLE BONDS

(a) Share capital

Authorised capital:		*HK$*
30,000,000,000	ordinary shares of HK$0.01 each	300,000,000
Issued and fully paid or credited as fully paid:		
6,635,001,932	ordinary shares of HK$0.01 each as at the Latest Practicable Date	66,350,019

(b) Share Options

As at the Latest Practicable Date, there were the outstanding options granted by the Company to subscribe for an aggregate of 82,352,941 Shares at the adjusted exercise price of HK$0.0935 per Share pursuant to the Share Option Scheme as a result of the Rights Issue.

(c) Convertible Bonds

As at the Latest Practicable Date, the Convertible Bonds in the principal amount of HK$505,596,736 of which 13,664,776,647 Shares may be issued pursuant thereto at the adjusted conversion price of HK$0.037 per Share (subject to adjustment) as a result of the Rights Issue. Details of the Convertible Bonds are set out in the circular of the Company dated 26 May 2009.

As at the Latest Practicable Date, save for the Share Options and the Convertible Bonds, there were no other convertible securities or exchangeable of the Company outstanding.

3. DISCLOSURE OF INTERESTS

(a) Director's and chief executive's interests in the Company

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executives and their associates in the shares, underlying Shares or debentures of the Company or any of 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:

(i) Interest in Shares

Name	Nature of interest	Number of Shares held	Approximately percentage of interests
Xiang Xin *(note 2)*	Interest of controlled corporation	1,650,914,973 (L)	24.88%
Wong Chak Keung	Beneficial owner	14,120,000 (L)	0.21%

(ii) Interest in the underlying Shares of the Company – Share Options

Name	Date of grant	Exercise period	Nature of interest	Exercise price per Share *(HK$)*	Number of underlying Shares for Share Options	Approximately percentage of interests
Xiang Xin	9 April 2008	9 April 2008 to 8 April 2013	Beneficial owner	0.0935	14,973,262 (L)	0.23%
Wong Chak Keung	9 April 2008	9 April 2008 to 8 April 2013	Beneficial owner	0.0935	14,973,262 (L)	0.23%
Zhang Zhan Liang	9 April 2008	9 April 2008 to 8 April 2013	Beneficial owner	0.0935	7,486,631 (L)	0.11%

(iii) Interest in the underlying Shares of the Company – Convertible Bonds

Name	Nature of interest	Number of underlying Shares for Convertible Bonds	Approximately percentage of interests
Xiang Xin *(note 2)*	Interest of controlled corporation	3,827,193,135 (L)	57.68%
Wong Chak Keung	Beneficial owner	97,257,027 (L)	1.47%

Notes:

1. The letter "L" denotes the Shareholders' long position in the Shares.

2. The shares and the underlying shares of the Company are held by Honour Sky International Limited and Mr. Xiang is the sole director of the company and Mr. Xiang's family member(s) (excluding Mr. Xiang) is/are the ultimate beneficiaries of such company.

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 or short positions 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.

(b) Substantial shareholders and other persons' interests in Shares and underlying Shares

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of SFO, and so far as is known to the Directors or chief executive of the Company, the following persons (other than a Director or a chief executive of the Company) had, or was deemed or taken to have, an interest 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 or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital, including options in respect of such capital, carrying voting rights to vote in all circumstances at general meeting of any member of the Group:

(i) Interest in issued Shares

Name	Nature of interest	Number of Shares held	Approximately percentage of interests
Honour Sky International Limited	Beneficial owner	1,650,914,973 (L)	24.88%
Chinese Star (PTC) Ltd. *(note 5)*	Interest of controlled corporation	1,650,914,973 (L)	24.88%
Kung Ching *(note 5)*	Interest of controlled corporation	1,650,914,973 (L)	24.88%
HSBC International Trustee Limited *(note 6)*	Trustee	1,650,914,973 (L)	24.88%
Morgan Strategic Limited	Beneficial owner	1,236,032,432 (L)	18.63%
Top Ten International s. a r. l. *(note 2)*	Interest of controlled corporation	1,236,032,432 (L)	18.63%
Chen Darren *(note 2)*	Interest of controlled corporation	1,236,032,432 (L)	18.63%
Tao Xue Juan *(note 3)*	Interest of controlled corporation	1,236,032,432 (L)	18.63%

(ii) Interest in the underlying Shares of the Company – Convertible Bonds

Name	Nature of interest	Number of underlying Shares for the Convertible Bonds	Approximately percentage of interests *(note 19)*
China Technology Education Trust Association *(note 4)*	Beneficial owner	8,311,405,405 (L)	125.27%
Honour Sky International Limited	Beneficial owner	3,827,193,135 (L)	57.68%
Chinese Star (PTC) Ltd. *(note 5)*	Interest of controlled Corporation	3,827,193,135 (L)	57.68%
Kung Ching *(note 5)*	Interest of controlled Corporation	3,827,193,135 (L)	57.68%
HSBC International Trustee Limited *(note 6)*	Trustee	3,827,193,135 (L)	57.68%
Ocean Space Development Limited	Beneficial owner	975,057,621 (L)	14.70%
Zhang Shao Cai *(note 7)*	Interest of controlled Corporation	975,057,621 (L)	14.70%

Notes:

1. The letter "L" denotes the Shareholders' long position in the Shares.

2. Morgan Strategic Limited is a private company 40% owned by Top Ten International s.a r.l. ("Top Ten") and Top Ten is a private company wholly and beneficially owned by Mr. Chen Darren. Accordingly, Top Ten and Mr. Chen Darren are interested in the Shares of the Company held by Morgan Strategic Limited.

3. Morgan Strategic Limited is a private company owned 60% by Ms. Tao Xue Jun. Accordingly, Ms. Tao Xue Jun is interested in the Shares of the Company held by Morgan Strategic Limited.

4. The underlying shares of the Company are held by China Technology Education Trust Association (the "Association"), a society registered under the provisions of section 5A(1) of the Societies Ordinance in 2005, which is a charitable society providing charity and financial aid to education and employment in Hong Kong and Mainland China. Mr. Xiang is a council member of the Association.

5. Honour Sky International Limited is a private company wholly and beneficially owned by Chinese Star (PTC) Ltd. Accordingly, Chinese Start (PTC) Ltd. is interested in the shares and the underlying shares of the Company held by Honour Sky. Ms. Kung Ching, the spouse of Mr. Xiang Xin, is also the director of Chinese Star (PTC) Ltd. and is taken to be interested in the underlying shares of the Company held by Honour Sky International Limited.

6. The shares and the underlying shares of the Company are held by Chinese Star (PTC) Ltd., a company incorporated in the British Virgin Islands (indirectly through various wholly owned subsidiaries) in its capacity as trustee of The New Era Unit Trust, almost the entire issued units of which (i.e. 8,751,602 units out of 8,751, 603 units) are held by HSBC International Trustee Limited, in its capacity as trustee of The New Era Development No. 1 Trust. Mr. Xiang's family members (but not including Mr. Xiang) are the discretionary beneficiaries of The New Era Development No. 1 Trust.

7. Ocean Space Development Limited, a company incorporated in the British Virgin Islands, is a private company wholly and beneficially owned by Mr. Zhang Shao Cai. Accordingly, Mr. Zhang Shao Cai is interested in the shares and the underlying shares of the Company held by Ocean Space Development Limited.

8. The approximately percentage of interests in the Company is calculated on the basis of 6,635,001,932 Shares in issue as at the Latest Practicable Date.

Save as disclosed above and so far as is known to the Directors or chief executive of the Company, there is no person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the Shares and 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, or, was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital, including options in respect of such capital, carrying rights to vote in all circumstances at general meeting of any other member of the Group.

4. DIRECTORS' SERVICE CONTRACTS

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

5. EXPERTS

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

Name	Qualifications
ANDA	Certified Public Accountants
Ascent Partners	Independent Valuer

Each of ANDA and Ascent Partners 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.

Each of ANDA and Ascent Partners 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.

6. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was involved in any litigation or arbitration of material importance and no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

7. 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) the 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;

(ii) the 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, 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 New Era Group (China) Limited;

(iii) the 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;

(iv) the 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;

(v) the 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;

(vi) the Acquisition Agreement;

(vii) the 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;

(viii) the conditional sale and purchase agreement (the "**Sale and Purchase Agreement**") dated 15 June 2009 entered into between Yu Shu Kuen and the Company in relation to the sale and purchase of the entire issued share capital of and the loan due from Ace Solution Technology Limited at a consideration of HK$1;

(ix) the deed of assignment and novation (the "**First Deed**") dated 30 September 2009 entered into among the Company, Yu Shu Kuen and Adventure Corporate Services Limited in relation to the assignment of all the rights and novation of all the obligations of Yu Shu Kuen to Adventure Corporate Services Limited under the Sale and Purchase Agreement;

(x) the deed of assignment and novation dated 1 December 2009 entered into among the Company, Yu Shu Kuen and Adventure Corporate Services Limited in relation to the assignment of all the rights and novation of all the obligations of Adventure Corporate Services Limited to Yu Shu Kuen under the Sale and Purchase Agreement (as supplemented by the First Deed);

(xi) the underwriting agreement dated 28 April 2010 entered into between the Company, VC Brokerage Limited and Get Nice Securities Limited in respect of the issue by way of rights for four rights Share for every Share held on 14 June 2010 at the subscription price of HK$0.04 per right Share;

(xii) the non-legally binding cooperative framework agreement dated 7 May 2010 entered into between the Company and 深圳市諾普電子商務有限公司 (transliterated as Shenzhen Nopo Electronic Commerce Co., Ltd.) setting out the preliminary understanding in relation to the possible acquisition of reward redemption platform with capacity of 10 million subscribers and related assets and the consideration for the possible acquisition shall not be more than HK$50 million and will be subject to the appraisal performed by the qualified valuer and further negotiations between the Company and 深圳市諾普電子商務有限公司 (transliterated as Shenzhen Nopo Electronic Commerce Co., Ltd.);

(xiii) the non-legally binding cooperative framework agreement dated 14 May 2010 entered into between the Company and Yu Tone Industrial Investment Limited setting out the preliminary understanding in relation to the possible acquisition of Yu Tone by the Company and the consideration for the possible acquisition will be subject to the appraisal on the assets of Yu Tone performed by a qualified valuer and further negotiations between the Company and the shareholder(s) of Yu Tone Industrial Investment Limited;

(xiv) the non-legally binding cooperative framework agreement dated 28 May 2010 entered into between the Company and Joy China Group Limited setting out the preliminary understanding in relation to the possible acquisition of advertisement broadcasting platform with capacity of not less than 10 million subscribers and the consideration for the possible acquisition shall not be less than HK$160 million and will be subject to the appraisal performed by the qualified valuer and further negotiations between the Company and Joy China Group Limited;

(xv) the non-legally binding cooperative framework agreement dated 3 June 2010 entered into between the Company and 博大偉業(北京)教育文化發展有限公司 (transliterated as Grand Business (Beijing) Educational and Cultural Development Company Limited) setting out the preliminary understanding in the provision of energy-saving computers and related solutions by mean of energy management contract from the Group to 博大偉業(北京)教育文化發展有限公司 to implement its multi-media education platform;

(xvi) the non-legally binding cooperative framework agreement dated 7 June 2010 entered into between 博思(中國)信息系统有限公司 (transliterated as Boss (China) Information Systems Limited, a PRC subsidiary of the Company, 多達創新(中國)科技發展有限公司 (transliterated as Dooda Innovation (China) Technology Development Limited) and 惠州TCL光源科技有限公司 (transliterated as Huizhou TCL Lighting Appliance Technology Limited, a subsidiary of TCL Corporation (the shares of which are listed on The Shenzhen Stock Exchange with stock code 000100) setting out the preliminary understanding in relation to establish strategic cooperation for research and development, production, sales and distribution by mean of energy management contract on energy-saving LED products;

(xvii) the non-legally binding cooperative framework agreement dated 8 June 2010 entered into between the Company and Industrial and Commercial Bank of China Limited Shenzhen Xinghe Branch setting out the preliminary understanding of which will provide the Company the project financing for energy management contract business;

(xviii) the non-legally binding cooperative framework agreement dated 17 June 2010 entered into between the Company, New Times Global Investment Limited and 寧波陽光海灣發展有限公司 (transliterated as Ningbo Sunbay Development Co., Ltd) setting out the preliminary understanding in relation to the development of the Sunbay Marina (Low Carbon Tourism) Project;

(xix) the non-legally binding cooperative framework agreement dated 22 June 2010 entered into between the Company and 北京惠利康高新技術有限責任公司 (transliterated as Beijing Hui Likang Hi-Tech Company Limited setting out the preliminary understanding in the provision of energy-saving computers and related solutions by mean of energy management contract from the Group to 北京惠利康高新技術有限責任公司 to implement its children wisdom group; and

(xx) the non-legally binding cooperative framework agreement dated 29 June 2010 entered into between the Company, China Innovation Investment Limited and 中國東方數控公司 (transliterated as China Oriental Numerical Control Company Limited) setting out the preliminary understanding in relation to the cooperation for operation and marketing by mean of energy management contract on solar electric vehicle with the application of numerical control system.

8. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective associates had any interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or the Group.

9. 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 2009, being the date to which the latest published audited financial statements of the Group was made up.

10. 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 ANDA, Ascent Partners 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 2009, 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 Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

(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 Cominercial 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 of the Company. 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 Xin ("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, Mr. Kwok Chi Hung and Ms. Lu Yuhe (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 40, 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 (transliterated as JenRich Law Office in Beijing). Mr. Zhang has 10 years of experience in litigations and advising on legal matters relating to corporate finance and real estates. Mr. Zhang holds a bachelor's degree in law and a master degree from China University of Political Science and Law. Mr. Zhang joined the Group on 23 January 2008.

Ms. Lu Yuhe ("Ms. Lu"), aged 33, 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 Group on 10 July 2009.

Mr. Kwok Chi Hung ("Mr. Kwok"), aged 49, 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 was 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 joined the Group on 24 August 2009.

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

11. 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 29 September 2010 and at the EGM:

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

(b) the annual reports of the Company for each of the two years ended 31 December 2008 and 2009;

(c) the report from Ascent Partners on the valuation of the Sale Copyrights as set out in Appendix II to this circular;

(d) the accountants' report from ANDA on the unaudited pro forma statement of assets and liabilities of the Group as set out in Appendix III to this circular;

(e) the written consents referred to in the paragraph headed "Experts" in this appendix;

(f) the material contracts referred to in the paragraph headed "Material contracts" in this appendix; and

(g) the Company Law, Cap 22 (Law 3 of 1961, as consolidated and revised of the Cayman Islands.

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 China Trends Holdings Limited (the "**Company**") will be held at 11:00 a.m. on Wednesday, 29 September 2010 at 25/F, No. 9 Des Voeux Road West, Sheung Wan, Hong Kong for the following purpose of considering and, if thought fit, passing with or without amendments, the following resolution:

ORDINARY RESOLUTION

"**THAT**

(a) the conditional Acquisition Agreement (the "**Acquisition 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 30 September 2009 and entered into between the Company and the Vendor in relation to the sale and purchase of the Sale Copyrights at a consideration of HK$25,000,000 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/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Acquisition Agreement and the transactions contemplated thereunder."

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

Hong Kong, 7 September 2010

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 bye-laws 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 Registrar Limited, 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.