NEOLINK
优能科技

Neolink Cyber Technology (Holding) Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8116)

Annual Report **2008**

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

The GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of the GEM mean that it is a market more suited to professional and other sophisticated investors.

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

Hong Kong Exchange and Clearing Limited and The Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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

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CORPORATE PROFILE

DIRECTORS

Executive Directors

Mr. Stephen William Frostick *(Chairman)*
Mr. Lu Chunming *(Chief Executive Officer)*

Independent Non-executive Directors

Mr. Lee Chi Hwa, Joshua
Mr. Tso Hon Sai, Bosco
Mr. Chang Jun

AUTHORISED REPRESENTATIVES

Mr. Stephen William Frostick
Mr. Ang Wing Fung *CPA (Aust), CPA, ACS, ACIS*

AUDIT COMMITTEE MEMBERS

Mr. Lee Chi Hwa, Joshua *(Chairman)*
Mr. Tso Hon Sai, Bosco
Mr. Chang Jun

NOMINATION COMMITTEE MEMBERS

Mr. Chang Jun *(Chairman)*
Mr. Tso Hon Sai, Bosco
Mr. Lee Chi Hwa, Joshua

REMUNERATION COMMITTEE MEMBERS

Mr. Lee Chi Hwa, Joshua *(Chairman)*
Mr. Chang Jun
Mr. Tso Hon Sai, Bosco

COMPLIANCE OFFICER

Mr. Stephen William Frostick

COMPANY SECRETARY

Mr. Ang Wing Fung *CPA (Aust), CPA, ACS, ACIS*

AUDITORS

HLM & Co.
Certified Public Accountants
Room 305,
3rd Floor,
Arion Commercial Centre
2-12 Queen's Road West
Hong Kong

PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation Limited
Bank of Communications Co., Ltd – Hong Kong Branch

LEGAL ADVISORS

On Hong Kong Law:

Tang Tso & Lau Solicitors

On Cayman Islands Law:

Conyers Dill & Pearman, Cayman

REGISTERED OFFICE

Cricket Square
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Grand Cayman, KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS

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68 Connaught Road Central
Hong Kong

SHARE REGISTRARS AND TRANSFER OFFICE

Cayman Islands

Butterfield Bank (Cayman) Limited
Butterfield House
Port Street
P.O. Box 705
George Town
Grand Cayman
Cayman Islands
British West Indies

Hong Kong

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

Stock Code

8116

Website of the Company

www.neolink.com.hk

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, the following audited annual results of the Group is submitted for the year ended 31 December 2008.

The past year 2008 was a period of many changes for our Group; the continuation and expansion of our Joint Ventured Company in the automobile stamping and welding business with Chongqing Changan Jinling Automobile Parts Co., Ltd, the acquisition of a mining business in Jiangxi, and a direct investment in a ferro-silicon and alloys business in Inner Mongolia. This expansion and diversification of our core businesses represents our efforts to stimulate growth and position our Group for long-term prosperity.

Many challenges face our Group in the near future due to global market conditions. This is a time of economic uncertainty in many industrial sectors. We belief that our recent strategic acquisitions have positioned us well to take advantage of opportunities that will be present in the coming months and years.

As the newly appointed chairman of our Group, I would like to take this opportunity to thank our former chairman, Mr. Cai Zuping for his leadership and service to the organization. Many accompolishments were achieved under his guidance and tenure as chairman. In addition, and on behalf of the board of directors, I would like to express my appreciation to all of the members of staff and management for their dedication and contributions to the Group's efforts in 2008. I look forward to working with our team of professionals, business partners, clients and our shareholders as we continue to grow our business in 2009.

Stephen William Frostick
Chairman

BUSINESS REVIEW AND OUTLOOK

Automobile Stamping and Welding Business

The JV Company was duly established in September 2007. Its principal business consists of developing, producing and selling products of stamping and welding parts for automobiles and other auxiliary products, designing, manufacturing and selling of grips and moulds.

During the period, the JV Company has produced approximately 43.1 million ancillary stamping and welding parts for automobiles, and recorded sales of HK$557.2 million (approximately RMB501.5 million). The Group has accounted for the sales on proportion and recorded turnover of HK$273.0 million (approximately RMB245.7 million). Its customers include ChangAn Auto Co Ltd, ChangAn Ford Mazda, ChangAn Suzuki Auto Corp, JiangLing Co Ltd and ChangAn Ford Nanjing Corp etc. The Group is reviewing the business of the JV Company and undergoing a negotiation of the business progress with the joint partner Chongqing Changan Jinling Automobile Parts Company Limited so as to underpin the growth development of the JV Company, as well as to bring drives for the growth of results in the long run.

The JV company considered that the current global economy downturn will have a negative impact on automobile business. The JV company decided to suspend further investment towards the third and fourth phases plants expansion projects. The broad believes that upgrading of current plants and machinery is more appropriate to maintain business in current economy situation. The management will focus on consolidating plant and machinery to achieve the best efficiency of production.

Radio Trunking System Integration

The radio trunking business records HK$14 million turnover, representing an decrease of approximately HK$25 millions and 64% as compared to the turnover in 2007. The decrease in turnover of the business was mainly due to disposal of a subsidiary (Neolink Communications), which mainly was selling hardware products to its customers.

In the year 2008, the group considers that the loss may continue due to the unfavourable market conditions with respect to the industry which Neolink Communications is engaged in and thus the disposal of a subsidiary would allow the Group to dispose of a losing operation and improve its financial performance. The results of the disposal of Neolink Communications recorded a HK$1.4 million gain.

During the year, the Group increased the input in mobile terminal software. We kept on launching products and made use of the good customer resources to increase market share. With our aim to open up market practically in public safety and marine products, we paved a good way for software businesses to develop. It was a good stepping stone for stabilizing and raising the Group’s results in the future years.

The group has actively promoted its own digital trunking communication system based on the software technology FDMA system. This deepened the understanding of new, existing and potential users towards the features of this technical product, as well as prepared for future market development.

Capital Reorganization

During the year, the Company underwent a capital reorganization by reducing its issued paid-up capital from HK$0.1 to HK$0.01; and each authorized but unissued share will be subdivided into 10 New Shares of HK$0.01 each.

The capital reorganization is to facilitate any dividend payment by the Company as and when appropriate in the future. The reduced par value of the new shares will also give the Company greater flexibility in pricing future issue of shares. The Capital Reorganization became effective on 25 August 2008.

ACQUISITION OF A MINING BUSINESS

On September 2008, the group entered into final agreement to acquire a mining business in Jiangxi at the consideration of HK$550 million which was satisfied as to HK$85 million by cash and as to HK$465 million by the issue of the Convertible Bonds by the Company to the Vendors. The mine is located in Lichuan county, Jiangxi Province, PRC with a mining area of approximately 0.5175 km^2. The mineral reserves of the mine consist of Zinc, Lead, Copper, Tungsten and Silver.

The acquisition was approved by shareholders on 10 November 2008. The transaction was completed on 8 January 2009 and the HK$465 million zero coupon convertible bonds due 2014 was duly issued to the Vendors on 8 January 2009. Pursuant the agreement, the conversion price of the Convertible Bonds has been reset to HK$0.04 on 23 January 2009. Holders of the HK$465 million Convertible Bonds is entitled to convert into 11,625 million shares of the Company. The operation result of the mining business will be included in financial report 2009.

The Directors are of the view that the long term prospect of mineral resources prices remain bullish due to the continued demand from developing countries such as the PRC, India and Russia. Thus the outlook for the mining industry in the PRC is promising. The Acquisition represents a good opportunity for the Group to tap into the mining industry and also allow it to diversify its existing business.

INVESTMENT IN PRODUCTION AND SALES FERRO-SILICON AND FERRO ALLOYS BUSINESS

During the year, the group plans to invest in production and sales ferro-silicon and ferro alloys business by entering into Framework Agreement for HK$20 million deposits. The investment was finalized on 17 February 2009 and the group entered into subscription agreement to invest into 10% of the enlarged issued share capital of Norwell Limited, which is holding PRC subsidiaries engaging in the production and sales ferro-silicon and ferro alloys.

The Directors consider that the Subscription will enable the Group to further diversify its businesses into the mineral resources industry of the PRC which have good prospects owing to the long term persistent high economic growth and high demand for mineral resources in the PRC.

Development of the Group

The strategy of the Group is to develop into a diversified enterprise, so as to archive stable growth in revenue. As such, the Group will keep identifying other suitable investment opportunities and projects, and keep bringing returns for the shareholders.

FINANCIAL REVIEW

In year 2008, the consolidated turnover of the Group was approximately HK$287 million, representing an increase of approximately 102% as compared with the last year. The loss attributable to shareholders for the year ended 31 December 2008 amounted to approximately HK$61 million.

Increase in turnover of the Group by HK$145 million was mainly attributed by recording annual turnover in 2008 of automobile parts production and sales business in Chongqing. Whereas, the JV Company in Chongqing was established from 17 September 2007, the JV Company only recorded 3.5 months operating result to the Group and its turnover was HK$273 million and HK$102 million for the year 2008 and 2007 respectively.

For the year 2008, the Group disposed hardware business of radio trunking system integration business and focusing more on software business and the group recorded HK$14 million turnover and decrease in HK$25 million and 64% as compared to last year.

Cost of sales for the year was recorded HK$272 million and it mainly represents production cost of automobile parts production business. Increase in cost of sales by HK$166 million and 157% was due to recording dull year financial result in 2008.

Other income mainly represents interest income, sales of scrap materials and refund of valued-added tax. Increase in other income for sales of scrap materials was recorded in line with annual cost of sales in 2008 as compared with recording other income for 3.5 months in 2007.

Distribution costs decreased by HK$3.2 million to HK$7.1 million, the reason for the decrease was mainly due to decrease in promotion activities and delivery cost for radio trunking system integration business.

In year 2008, administration expenses recorded HK$51.2 million (2007: HK$84 million). In last year, there was record of HK$33 million share based payment granted in 2007 and professional fee was HK$18 million. These expenses has been reduced significantly in 2008. In addition, there was an increase in staff cost by HK$18.6 million in automobile parts production business and research and development costs by HK$6 million due to increase in research activities for radio trunking system business. Therefore, the annual administrative expense decreased by HK$32.7 million as compared with last year.

Finance cost increased by HK$1.9 million to HK$3 million, which was mainly due to increase in borrowing in last quarter of the year in PRC for trading loan facilities.

As a result, the loss attributable to shareholders of HK$60.9 million in 2008 increased by HK$13.3 million as compared to last year.

Liquidity and financial resources

The Group generally financed its operations with its internally generated cash flow and banking facilities, the Group has established a long term relationship with financial institutions in the People's Republic of China ("PRC"). The borrowings of the Group as at 31 December 2008 amounted to approximately HK$36.6 million (2007: HK$6 million) which are repayable within one year and HK$1 million (2007: HK$1.7 million) which is repayable over one year, are interest-bearing at prevailing market rates and are denominated in Renminbi ("RMB"). The banking facilities arranged by the Group reflected our strategy to fund the Group's operations in local trading currency. As a result, bank borrowing remains at low level as compared to previous years, the finance costs of the Group for the year under review were approximately HK$3 million.

As at 31 December 2008, the Group has a low gearing ratio of 0.18 (2007: 0.02), calculated on the basis of the Group's borrowings over shareholders' funds. Total bank and cash balances were approximately HK$52 million (2007: HK$174 million). Taking into consideration the existing financial resources available to the Group, it is anticipated that the Group should have adequate financial resources to meet its ongoing operating and development requirements.

Charge on group assets

As at 31 December 2008, a motor vehicle with carrying amount of HK$3 million and an bank fixed deposit of approximately HK$2 million are pledged to a finance company for a loan amount to approximately HK$1.8 million (2007: HK$3 million) with maturity periods not exceeding 4 years.

Bank borrowings attributable to the Group with amount approximately HK$4.4 million under the banking facilities of approximately HK$8.4 million were secured by the Group's plant and machinery with carrying amount attributable to the Group with amount approximately HK$14.2 million.

As at 31 December 2008, trade receivables attributable to the Group with a carrying value of approximately HK$23.9 million were pledged to secure the bank borrowings attributable to the Group of approximately HK$24.7 million.

Foreign exchange exposure

Since the Group's sales, purchases and loans were substantially denominated in either Renminbi or Hong Kong Dollar, the Directors of the Company consider that the potential foreign exchange exposure of the Group is limited.

Contingent liabilities

As at 31 December 2008, the Board was not aware of any material contingent liabilities.

Staff and remuneration policies

As at 31 December 2008, the Group employed a workforce of approximately 1,120, the majority of whom were employed in the PRC. Staff costs, excluding Directors' emoluments, amounted to approximately HK$21.8 million. The Group's remuneration policy has been in line with the prevailing market practice including discretionary bonus and remunerates its employees based on their performance and contribution. Other benefits include contributions to pension scheme and medical insurance.

Acquisitions and disposals of subsidiaries and affiliated companies

On 20 March 2008, the Group disposed Hardware business of radio trunking system for consideration of HK$16,000,000. The disposal has been completed on 31 March 2008 and the result of disposal was HK$1.4 million gain to the Group.

Save as disclosed herein, the Group had no acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 December 2008.

Capital structure

During the year, the Group proposed to offer HK$465 million zero coupon convertible bonds due 2014 with conversion price of HK$0.04 per Shares. The convertible bond was issued on 8 January 2009. Save as disclosed above, there was no change in the capital structure of the Group as at 31 December 2008.

The Company reorganized its capital to reduce issued paid-up capital from HK$0.1 to HK$0.01; and each authorized but unissued share will be subdivided into 10 New Shares of HK$0.01 each.

The Capital Reorganization became effective on 25 August 2008 with the result that the authorized share capital of the Company became HK$500,000,000 divided into 50,000,000,000 New Shares of HK$0.01 each, of which 1,168,160,100 New Shares were issued and fully paid.

Future plans for material investments or capital assets

During the year, the Group plans to invest in production and sales ferro-silicon and ferro alloys business by entering into Framework Agreement for HK$20 million deposits. The investment was finalized on 17 February 2009, the Group entered into subscription agreement to invest 10% of enlarged issued shares capital of Norwell Limited, which is holding PRC subsidiaries engaging in the production and sales ferro-silicon and ferro alloys.

Save as disclosed herein, the Group did not have any details of future plan for material investments or capital assets as at 31 December 2008.

Significant Investment

Acquisition of a mining business

On 5 September 2008, the Group entered into final agreement to acquire a mining business in Jiangxi at the Consideration of HK$550 million which is satisfied by HK$85 million by cash and as to HK$465 million by the issue of the Convertible Bonds by the Company to the Vendors.

The acquisition has been approved by shareholders on 10 November 2008. The transaction has been completed on 8 January 2009 and the HK$465 million zero coupon convertible bonds due 2014 was duly issued to the Vendors on 8 January 2009.

Save as disclosed herein, the Group did not have any details of future plan for material investment or capital assets as at 31 December 2008.

CORPORATE GOVERNANCE REPORT

INTRODUCTION

The Code on Corporate Governance Practices (the "CG") contained in Appendix 15 of the GEM Listing Rules was introduced on 1 January 2005, which set out the principles of good corporate governance and the Company is required to comply with the code provisions of the CG. The Company is fully admitted that good corporate governance, as part of the Company's culture, can create values to the Group and our shareholders. The Board is committed to continue to enhance the standards of corporate governance within the Group and to ensure that the Group conducts its businesses in an honest and responsible manner. Except for disclosed in this report, the Group has adopted practices which meets the code provisions of the CG.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of the Directors of the Company, all Directors have complied with the required standard of dealings and code of conduct regarding securities transactions by Directors as set out in the code of conduct for the year 2008.

BOARD COMPOSITION

The Board of Directors ("Board") of the Company is entrusted with the overall responsibility for promoting the success of the Company by the direction and supervision of the Company's business and affairs and the ultimate responsibility for the day to day management of the Company which is delegated to the Chairman and Chief Executive and the management.

The Board comprises a total of 5 Directors, with 2 Executive Directors, namely, Mr. Stephen William Frostick *(Chairman),* Mr. Lu Chunming *(Chief Executive Officer)*, and three Independent Non-executive Directors, namely, Mr. Chang Jun, Mr. Tso Hon Sai, Bosco and Mr. Lee Chi Hwa, Joshua. One Independent Non-executive Director has appropriate professional qualifications, accounting and financial management expertise.

The posts of Chairman and Chief Executive Officer are separated to ensure a clear division between the Chairman's responsibility to manage the Board and the Chief Executive Officer's responsibility to manage the Company's business. The separation ensures a balance of power and authority so that power is not concentrated in any one individual. The Board considers that the current management structure ensures consistent leadership and optimal efficiency for operation of the Group. The Board comprises of 5 directors, the balance of power and authority between the Board and management will not be compromised.

Each of the Independent Non-executive Directors has made an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company is of the view that all Independent Non-executive Directors meet the independence guidelines set out in Rule 5.09 of the GEM Listing Rules and are independent in accordance with the terms of the guidelines.

BOARD OPERATION

The Board meets regularly over the Company's affairs and operations. In 2008, the Board held 10 meetings. The attendance record of each member of the Board is set out below:

Executive Directors		**Attendance**
Mr. Cai Zuping *(Chairman)*	(resigned on 2 February 2009)	6/10
Mr. Stephen William Frostick *(Chairman)*		10/10
Mr. Lu Chunming *(Chief Executive Officer)*	(appointed on 2 February 2009)	0/10
Independent Non-executive Directors		
Mr. Chang Jun		10/10
Mr. Tso Hon Sai, Bosco		9/10
Mr. Lee Chi Hwa, Joshua		10/10

NON-EXECUTIVE DIRECTORS

The Non-executive Directors are subject to retirement by rotation in accordance with the articles of association of the Company.

All the existing Non-executive Directors are appointed for an initial term of three years and the term of office shall continue after the expiration of the initial term until at least 1 month's prior written notice is given by either party or the Company to terminate the same. Except that they are reimbursed for reasonable expenses incurred during the performance of their duties to the Company and are eligible to be granted share options under the Share Option Scheme.

REMUNERATION OF DIRECTORS

As mentioned above, a remuneration committee was formed on 30 October 2005 for, inter alia, the following purposes:–

(a) to make recommendations to the Board on policies and structure for remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;

(b) to determine the remuneration packages for Executive Directors and senior management and to make recommendations to the board on the remuneration of Non-executive Directors.

The Remuneration Committee is made up of all of the Company's Independent Non-executive Directors, namely, Mr. Chang Jun, Mr. Tso Hon Sai, Bosco and Mr. Lee Chi Hwa, Joshua and Mr. Lee Chi Hwa, Joshua is the Chairman of the remuneration committee.

Meeting has been held in 2009 to review the remuneration packages of Executive Directors, which are nominal by market standards. The Directors' fees of the Company's Independent Non-executive Directors have not been changed during the year according to market levels and the additional work they are requested to take on, following the formation of the remuneration committee and the nomination committee. The Remuneration Committee held a meeting on 30 March 2009 to consider and approve (a) bonus payments to employees of the Group, (b) salary increases of senior management of the Group and (c) range of salary increase for employees of the Group. Mr. Chang Jun, Mr. Tso Hon Sai, Bosco and Mr. Lee Chi Hwa, Joshua attended this meeting.

The Remuneration Committee will meet and determine the emolument policy and long-term incentive schemes as well as the basis of determining the emolument payable to the Company's Directors in 2009.

NOMINATION OF DIRECTORS

As mentioned above, a Nomination Committee was formed on 31 October 2007 for, inter alia, the following purposes:–

(a) to review the structure, size and composition (including the skills, knowledge and experience) of the Board;

(b) to identify individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorship; and

(c) to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors.

The Nomination Committee is made up of all of the Company's Independent Non-executive Directors, namely, Mr. Chang Jun *(Chairman)*, Mr. Tso Hon Sai, Bosco and Mr. Lee Chi Hwa, Joshua . The Nomination Committee held meeting on 30 March, 2009 to review the structure, size and composition of the Company's Board of Directors. Mr. Chang Jun, Mr. Tso Hon Sai, Bosco and Mr. Lee Chi Hwa, Joshua attended this meeting. The Nomination Committee was satisfied with the existing composition of the Company's Board of Directors and recommended no change in the near term.

The Nomination Committee will meet and determine the nomination procedures and the process and criteria to select and recommend candidates for directorship in 2009.

AUDITORS' REMUNERATION

The remuneration in respect of audit provided by the auditors, HLM & Co., to the Company in the year 2008 amounted to HK$480,000. Non-audit services provided by HLM & Co. amounted to HK$510,000.

AUDIT COMMITTEE

The Company's Audit Committee was formed on 13 July 2000 and is currently composed of all three Independent Non-executive Directors of the Company, namely, Mr. Lee Chi Hwa, Joshua *(Chairman)*, Mr. Tso Hon Sai, Bosco and Mr. Chang Jun. The primary duties of the Audit Committee are (a) to review the Group's annual reports, financial statements, interim reports and quarterly reports, (b) to provide advice and comments thereon to the Board and (c) to review and supervise the financial reporting process and internal control procedures of the Group.

In 2008, the Audit Committee held 4 meetings. The attendance record of each member of the Committee is set out below:

	Attendance
Mr. Chang Jun	4/4
Mr. Tso Hon Sai, Bosco	4/4
Mr. Lee Chi Hwa, Joshua	4/4

The Audit Committee has carefully reviewed the Company's quarterly, half-yearly and annual results and its system of internal control and has made suggestions to improve them. The Committee also carried out and discharged its duties set out in CG Code. In the course of doing so, the Committee has met the company's management, qualified accountant and external auditors in 2009.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors are responsible for the preparation of the financial statements, which give a true and fair view. The Auditors are responsible to form an independent opinion, based on the audit, on the financial statements prepared by the Directors and report the opinion solely to the shareholders of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Stephen William Frostick, aged 60, obtained a Juris Doctorate in Old College School of Law, Nevada, Unites States in 1984, a Master of Public Administration and a Bachelor of Science in Business Administration in University of Nevada, Las Vegas, United States in 1976 and 1974 respectively. Currently the president and chief executive officer of the Compeer Group (Macau), Mr. Frostick has over 30 years of experience in leading capacities in the state government of Nevada, United States, large corporations and international consulting organizations. During his past employment in Kepner Tregoe Inc., Mr. Frostick was involved in the design, development and led the implementation of Team Concept in Chrysler Motors Inc. Mr. Frostick also participated in the negotiations in respect of the labour agreements between the United Auto Workers Union and Chrysler Motors Inc. Leverage on Mr. Frostick's automobile business experience, the Group will be in a better position to solicit the aforesaid automobile related investments opportunities and/or projects.

Mr. Frostick is well experienced in strategic planning, operational management and organisation development and has about 30 years of senior management experience. He joined the Group in 2007. He is currently the independent non-executive director of China Chief Cable TV Group Limited, which is listed on the Stock Exchange of Hong Kong Limited.

Mr. LU Chunming, aged 52, is the vice president of the Company. Mr. Lu is also the general manager of Beijing Neolink Information Technology Company Limited and is responsible for the management of telemedia business of the Group. Mr. Lu graduated from Beijing Teacher's University in the PRC and joined the Group in 1995. Prior to joining the Group, Mr. Lu worked for the Post and Telecommunication Science Research Institute and Authorities Service Bureau of the former MPT. Mr. Lu has more than 20 years of experience in the communications industry.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lee Chi Hwa, Joshua, aged 37, is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Lee has more than 8 years of experience in the fields of auditing, accounting and finance. He joined the Group in 2007. He is currently the independent non-executive director of China Chief Cable TV Group Limited, which is listed on the Stock Exchange of Hong Kong Limited.

Mr. Tso Hon Sai Bosco, aged 45, is currently a partner of Messrs. Tso Au Yim & Yeung, Solicitors and he has been a Hong Kong practising solicitor since 1990. Mr. Tso received his bachelor of laws degree from King's College, London. He joined the Group in 2007. He is currently the independent non-executive director of Rising Development Holdings Limited and Fortuna International Holdings Ltd. Both companies are listed on the Stock Exchange of Hong Kong Limited.

Mr. Chang Jun, aged 41, is currently a partner of Messrs, Allbright Law Office-Shenzhen and he has been a Chartered lawyer of Chinese Ministry of Law since 2000. Mr. Chang received his bachelor of laws degree from Southwest University of Polities & Law, Chongqing and master degree in Economic & Commercial Law in People's University of China, Beijing. Mr. Chang has more than 15 years experience in Chinese legal profession and extensive experience in legal advisory to public and multinational enterprise in PRC. He joined the Group in 2007.

SENIOR MANAGEMENT

Mr. CHEN Huanming, aged 44, is the vice president of the Company. Mr. Chen is also the general manager of Hangzhou Neolink Wireless Communication Technology Company Limited. Mr. Chen is responsible for the management of radio trunking systems integration business of the Group. Mr. Chen holds a bachelor degree in electronic engineering from Zhejiang University in the PRC and joined the Group in 1992. Mr. Chen has over 20 years of experience in the electronics and communications industries.

Mr. MI Lei, aged 45, is the head of the research centre of Hangzhou Neolink Wireless Communication Technology Company Limited and is responsible for the research and development of new products for the Group. Mr. Mi graduated from Zhejiang University in the PRC with a bachelor degree in electronic engineering. Mr. Mi joined the Group in 1996 and has over 20 years of experience in the electronics and communications industries.

Mr. ANG Wing Fung, aged 36, is the Company secretary and financial controller of the Company, holds a Bachelor degree in Accounting and Finance from The University of New South Wales, Australia. He is an associate member of Hong Kong Institute of Certified Public Accountants, a qualified member in CPA Australia and an association member of the Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. He has over 10 years experience in financial management, auditing and accounting in an international accounting firm and a listed company in Hong Kong.

The Directors of the Company ("Directors") submit herewith their annual report together with the audited financial statements for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The Group is principally engaged in production and sales of automobile parts and accessories in PRC, radio trunking systems integration and provision of telemedia-related and other value-added telecommunication-related technical services.

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to operating profit for the year by principal activities is set out in note 7 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2008 and the state of the affairs of the Group at that date are set out in the financial statements on pages 26 to 76.

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

PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Company as at 31 December 2008 are set out in note 18 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group and of the Company are set out in note 16 to the financial statements.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in statement of changes in equity on page 29 and page 70 respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2008, the Company has no reserves available for distribution to shareholders (2007: Nil) in accordance with the Companies Law of the Cayman Islands and the Company's Articles of Association.

BORROWINGS

Particulars of the borrowings of the Group as at 31 December 2008 are set out in note 28 to the financial statements.

DONATION

The Group did not make any charitable donation during the year.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in share capital and share options of the Company during the year, together with reasons therefore, are set out in notes 29 and 31 to the financial statements.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five years is set out on page 77.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases

– the largest supplier	33%
– five largest suppliers combined	46%

Sales

– the largest customer	62%
– five largest customers combined	94%

The fifth largest customer and supplier of the Group are Chongqing Changan Jinling Automobile Parts Liabilities Co., Ltd,, which is beneficially owned by China South Industries Automobile Corporation and Chongqing Changan Automobile Company Limited. Chongqing Changan Jinling Automobile Parts Co., Ltd is in proportion to hold 51% of South JinKang Automobile Parts and Components Company Limited.

DIRECTORS

The Directors of the Company during the year end up to the date of this report were:

Mr. Stephen William Frostick
(Chairman)
Mr. Lu Chunming (appointed on 2 February 2009)
Mr. Cai Zuping (resigned on 2 February 2009)
Mr. Lee Chi Hwa, Joshua*
Mr. Tso Hon Sai, Bosco*
Mr. Chang Jun*

* *Independent Non-executive Director*

One third of the Directors shall retire at the forthcoming annual general meeting in accordance with Article 87 of the Company's Articles of Association and, being eligible, offer themselves for re-election.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2008, the interests of the Directors and the Chief Executive of the Company 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 notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) and required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, were as follows:

Long positions in ordinary shares of the Company

Name of Director	Type of interest	Number of shares	Approximate percentage of issued share capital
Mr. Cai Zuping *(Note 1)*	Corporate	192,742,145	16.49%

Notes:

1. Mr. Cai Zuping, holds his deemed interest in the Company through his shareholding of 45.65% in Infonet Group Co., Ltd. ("Infonet") which holds 16.49% of the total issued share capital of the Company.

Save as disclosed above, as at 31 December 2008, none of the Directors or Chief Executive of the Company or their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or its associates corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which are required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange.

DIRECTORS' SERVICE CONTRACTS

Each of the Executive Directors has entered into a service contract with the Company for an initial term of three years and will continue thereafter until the contract is terminated by either party giving to the other party not less than one calendar months' notice in writing.

As at 31 December 2008, none of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 38 to the financial statements, no contracts of significance in relation to the Company's business to which the Company, its holding company, subsidiaries or fellow subsidiaries was a party and in which any Directors of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the Independent Non-executive Directors, an annual confirmation of his independence pursuant to Rule 5.09 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. The Company considers all of the Independent Non-executive Directors are independent.

EMOLUMENT POLICY

The emolument policy regarding the employees of the Group is set up by the Remuneration Committee and is based on their merit, qualifications and competence.

The emoluments of the Directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to Directors and eligible employees details of the scheme is set out in note 31 to the financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the paragraph headed "Directors' and Chief Executives' interests and short positions in shares, underlying shares and debentures" above and the "Share option scheme" below, at no time during the year have rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors, their spouse or children under 18 years of age to acquire such rights in any other body corporate.

SHARE OPTION

The Company adopted a new share option scheme on 30 July 2007 ("the Scheme"), which became effective for a period of 10 years commencing on 10 August 2007. Under the Scheme, the Directors of the Company may at their discretion grant options to any eligible person to subscribe for the shares of the Company ("Share") at the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing price of the Share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share. The offer of a grant of option shall remain open for acceptance within 21 days from the date of offer. A nominal consideration of HK$1 is payable on acceptance of the grant of the option. The exercise period of the option must not be more than 10 years from the date of grant of the option.

The Company operates the Scheme for the purpose of advancing the interests of the Company and its shareholders by enabling the Company to grant options to attract, retain and reward any eligible persons which include any director of the Group, any employee of a Group, any consultant, adviser, agent, supplier, customer, business partner or shareholder of the Group for their contribution or potential contribution to the Group.

The total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes in force from time to time must not in aggregate exceed 30% of the Shares in issue from time to time.

The total number of Shares which may be issued upon exercise of all options to be granted under the Scheme shall not in aggregate exceed 10% of the total number of Shares in issue as at the date of the passing of the relevant resolution adoption the Scheme.

Pursuant to the Scheme, as at 31 December 2008, the employees and consultants were granted share options to subscribe for shares of the Company, details of which were as follows:

Name of Category of participant	As at 1 January 2008	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	As at 31 December 2008	Date of granted of share options	Exercise period of share options	Exercise price of share options
Employees	38,960,000	–	–	(9,740,000)	–	29,220,000	10 August 2007	10 August 2007 – 9 August 2012	HK$0.38
Consultants	58,440,000	–	(100)	–	–	58,439,900	10 August 2007	10 August 2007 – 9 August 2012	HK$0.38
Total	97,400,000	–	(100)	(9,740,000)	–	87,659,900			

The total number of Shares available for issue under the Scheme as at the date thereof was 87,659,900 representing approximately 7.50% of the issued share capital of the Company.

SUBSTANTIAL SHAREHOLDERS OF THE COMPANY

As at 31 December 2008, so far as is known to the Directors of the Company, the following persons (other than a Director and the Chief Executive of the Company) had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name of the Shareholders	Type of interest	Number of shares	Approximate percentage of issued share capital
Mr. Cai Zuping *(Note 1)*	Corporate	192,742,145	16.49%
Infonet Group Co., Ltd (“Infonet”) *(Note 1)*	Beneficial	192,742,145	16.49%
Harbour Smart Development Limited (“Harbour Smart”)	Beneficial	96,393,277	8.25%
Ou Xiankang	Beneficial	73,904,874	6.32%

Notes:

1. Mr. Cai Zuping, holds his deemed interest in the Company through his shareholding of 45.65% in Infonet which holds 16.49% of the total issued share capital of the Company.

Save as disclosed above, as at 31 December 2008, the Company had not been notified of any other person or company (other than a director or chief executive of the Company) who had registered an interest or short positions in the Shares and underlying Shares of the Company that was required to be recorded under section 336 of the SFO.

MANAGEMENT CONTRACTS

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

PENSION SCHEME ARRANGEMENT

Particulars of the pension scheme arrangements are set out in note 37 to the financial statements.

CONNECTED TRANSACTIONS

Significant related party transactions entered by the Group during the year, which do not constitute connected transactions under GEM Listing Rules, are disclosed in note 38 to the financial statements.

(1) Continuing connected transactions

1. Introduction

On 12 November 2007, Hangzhou Neolink Wireless Communications Technology Limited ("Neolink Software") (formerly known as "Hangzhou Neolink Software Technology Company Limited") entered into the First Supply Agreement with Hangzhou Neolink Telecommunication System Company Limited ("HNTS") in relation to the sale of radio trunking system related software products by Neolink Software to HNTS and Neolink Communications entered into the Second Supply Agreement with HNTS in relation to the sale of the radio trunking system related hardware products by Neolink Communications to HNTS. Each of the First Supply Agreement and the Second Supply Agreement constitutes a non-exempt continuing connected transaction of the Company that is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

The main purpose of this circular is to provide you with (i) further particulars of the First Supply Agreement; the Second Supply Agreement and the Proposed Annual Caps; (ii) the letters from the Independent Board Committee and South China Capital regarding the First Supply Agreement; the Second Supply Agreement and the Proposed Annual Caps and (iii) a notice convening the EGM.

2. *Proposed continuing connected transactions*

First supply agreement

Background

On 12 November 2007, Neolink Software entered into the First Supply Agreement with HNTS in relation to the sale of radio trunking system related software by Neolink Software to HNTS. HNTS is owned as to 40% by Shenzhen Gocom Information Co. Ltd. ("Gocom Information") and 60% by Shenzhen Gocom Internet Co. Ltd. ("Gocom Internet"). Each of Gocom Information and Gocom Internet is owned as to 50% by Ms. Cai Qianping（蔡茜平）, the sister of Mr. Cai who is an executive Director, and as to 50% by Shenzhen Jin Jiang Dao Property Development Company Limited ("Jin Jiang Dao"), a corporation wholly-owned by Hubei Qing Jiang Hydra-electric Development Company Limited ("Hubei Qing Jiang") which is the holding company of Harbour Smart Development Company Limited ("Harbour Smart") and a substantial Shareholder holding approximately 9.69% of deemed equity interest in the Company as at the Latest Practicable Date. Therefore, the First Supply Agreement constitutes a continuing connected transaction for the Company under the GEM Listing Rules.

The transactions contemplated under the First Supply Agreement involve the provision of goods which is carried out on a continuing or recurring basis in the ordinary and usual course of business of the Group, they constitute continuing connected transactions of the Company. There were no similar transactions which have been conducted between the Group and HNTS in the past. To comply with the GEM Listing Rules as currently in effect, Neolink Software and HNTS have entered into the First Supply Agreement in respect of these transactions for a fixed term commencing from 1 November 2007 to 31 December 2009. The total sales of radio trunking system software for the year 2008 amounted to approximately HK$5 million.

Second supply agreement

Background

On 12 November 2007, Neolink Communications entered into the Second Supply Agreement with HNTS in relation to the sale of the radio trunking system related hardware products by Neolink Communications to HNTS. HNTS is owned as to 40% by Gocom Information and 60% by Gocom Internet. Each of Gocom Information and Gocom Internet is owned as to 50% by Ms. Cai Qianping（蔡茜平）, the sister of Mr. Cai who is an executive Director, and as to 50% by Jin Jiang Dao, a corporation wholly-owned by Hubei Qing Jiang which is the holding company of Harbour Smart and a substantial Shareholder holding approximately 9.69% of deemed equity interest in the Company. Therefore, the Second Supply Agreement constitutes a continuing connected transaction for the Company under the GEM Listing Rules.

The transactions contemplated under the Second Supply Agreement involve the provision of goods which is carried out on a continuing or recurring basis in the ordinary and usual course of business of the Group, they constitute continuing connected transactions of the Company. There were no similar transactions which have been conducted by the Group and HNTS in the past. To comply with the GEM Listing Rules as currently in effect, Neolink Communications and HNTS have entered into the Second Supply Agreement in respect of these transactions for a fixed term commencing from 1 November 2007 to 31 December 2009.

The Second Supply Agreement constitutes a continuing connected transaction of the Company that is subject to the reporting, announcement and independent shareholders' approval requirements under the GEM Listing Rules. No sale of radio trunking system related hardware products in 2008. On 20 March 2008, the Group disposed Hardware business of radio trunking system, There is no transactions under the Second Supply Agreement afterward.

(2) Other connected transactions

The following transactions are exempted from the reporting, announcement and Shareholders' approval requirements of Chapter 20 of the GEM Listing Rules:

(a) On 1 January 2003, the Company entered into a service agreement with Qing Jiang (Hong Kong) Holdings Limited ("Qing Jiang HK") and Harbour Smart regarding the provision of office administration services by the Company to Qing Jiang HK and Harbour Smart. No service income earned by the Company for the year ended 2008.

Notes:

(i) Hubei Qing Jiang, a beneficial shareholder of the ultimate holding company of the Company, is a beneficiary shareholder of Qing Jiang HK and Harbour Smart.

COMPETING INTERESTS

The Directors are not aware of, as at 31 December 2008, any business or interest of each Director, management shareholder and the respective associates of each that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2008.

ADVANCE TO AN ENTITY

Advance to the Vendors

In compliance with GEM Listing Rules 17.22, the Group is required to disclose advance to entities exceeding 8% of Group's total asset.

According the Agreement as disclosed in the Circular dated on 24 October 2008, the Purchaser, a wholly owned subsidiary of the Company has agreed to acquire from the Vendors the entire issued share capital of a Target Company, which will indirectly own the entire equity interest in a Mining Company. Deposits amounted to HK$60 million was paid to the vendors, Mr. She Zhangshu, Mr. Hu Chao and Mr. Liang Weihong, independent of and not connected with the Company, as part of consideration pursuant to the Agreement.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association and there is no restriction against such rights under the laws of the Cayman Islands.

AUDITORS

A resolution to reappoint Messrs. HLM & Co. as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the board

Stephen William Frostick
Chairman

Hong Kong, 30 March 2009

恒健會計師行
HLM & Co.
Certified Public Accountants

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TO THE SHAREHOLDERS OF NEOLINK CYBER TECHNOLOGY (HOLDING) LIMITED

(Incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of Neolink Cyber Technology (Holding) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 26 to 76, which comprise the consolidated balance sheet 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 consolidated financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated 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 consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group and 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 have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLM & Co.
Certified Public Accountants

Hong Kong, 30 March 2009

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	NOTES	2008 HK$'000	2007 HK$'000
Turnover	6	**287,071**	141,812
Cost of sales and services		**(272,224)**	(106,412)
Gross profit		**14,847**	35,400
Other revenue	6	**14,915**	13,689
Distribution expenses		**(7,184)**	(10,429)
Administrative expenses		**(51,196)**	(83,981)
Realized loss on disposal of financial assets held for trading		**(1,484)**	–
Unrealized loss on financial assets held for trading		**(29,635)**	–
Loss from operations		**(59,737)**	(45,321)
Gain on disposal of subsidiaries	6	**1,402**	–
Finance costs	8	**(3,137)**	(1,154)
Loss before tax	9	**(61,472)**	(46,475)
Income tax credit (expense)	10	**520**	(1,236)
Net loss for the year	11	**(60,952)**	(47,711)
Loss attributable to			
Shareholders		**(60,948)**	(47,570)
Minority interest		**(4)**	(141)
		(60,952)	(47,711)
Loss per share	13		
– Basic *(HK cents)*		**(5.22) cents**	(5.43) cents
– Diluted *(HK cents)*		**N/A**	N/A

CONSOLIDATED BALANCE SHEET

At 31 December 2008

	NOTES	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment	16	**52,625**	44,404
Lease premium for land	17	**–**	2,721
Deposits paid for investment projects	39	**80,000**	–
		132,625	47,125
Current assets			
Inventories	20	**84,420**	71,143
Lease premium for land	17	**–**	58
Trade receivables	21	**46,045**	33,227
Bills receivables		**3,931**	–
Other receivables, deposits and prepayments		**49,922**	9,430
Amounts due from an ultimate holding company	23	**–**	50
Amounts due from a related companies	24	**25**	25,312
Financial assets held for trading	25	**14,118**	19,999
Tax recoverable		**2,437**	–
Cash and bank balances	26	**52,753**	174,408
		253,651	333,627
Current liabilities			
Trade payables	22	**64,651**	40,338
Bills payable		**9,117**	10,526
Accruals and other payables		**21,732**	10,784
Deposit received		**2,566**	4,406
Amounts due to an ultimate holding company	23	**–**	47
Amounts due to related companies	27	**44,349**	34,806
Tax payable		**–**	1,084
Borrowings	28	**36,636**	5,951
		179,051	107,942
Net current assets		**74,600**	225,685
Total assets less current liabilities		**207,225**	272,810
Non-current liabilities			
Borrowings	28	**1,062**	1,799
Net assets		**206,163**	271,011
Capital and reserves			
Share capital	29	**11,682**	116,816
Reserves		**194,481**	154,195
		206,163	271,011

The financial statements on pages 26 to 76 were approved and authorised for issue by the board of directors on 30 March 2009 and are signed on its behalf by:

Mr. Stephen William Frostick
DIRECTOR

Mr. Lu Chunming
DIRECTOR

BALANCE SHEET

At 31 December 2008

	NOTES	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment	16	**59**	89
Interests in subsidiaries	18	**57,538**	115,886
Deposits paid for investment projects	39	**80,000**	–
		137,597	115,975
Current assets			
Other receivables, deposits and prepayments		**6,117**	490
Amounts due from an ultimate holding company	23	**–**	50
Amounts due from a related company	24	**25**	80
Cash and bank balances		**11,016**	119,665
		17,158	120,285
Current liabilities			
Amounts due to a related company	27	**20**	149
Accruals and other payables		**480**	646
		500	795
Net current assets		**16,658**	119,490
Net assets		**154,255**	235,465
Capital and reserve			
Share capital	29	**11,682**	116,816
Reserves	30	**142,573**	118,649
		154,255	235,465

Mr. Stephen William Frostick
DIRECTOR

Mr. Lu Chunming
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2008

	Share capital HK$'000	Share premium HK$'000	Merger difference (Note (ii)) HK$'000	Revaluation reserve HK$'000	General reserve (Note (i)) HK$'000	Enterprise expansion fund (Note (i)) HK$'000	Exchange reserves HK$'000	Share-based compensation reserve HK$'000	Accumulated losses HK$'000	Minority interest HK$'000	Total HK$'000
At 1 January 2007, as restated	56,400	26,993	(46,815)	1,846	6,846	50	2,454	1,821	(12,759)	(310)	36,526
Share-based compensation reserve transferred	–	–	–	–	–	–	–	(1,821)	–	–	(1,821)
Employee share option benefits	–	–	–	–	–	–	–	33,424	–	–	33,424
Share issued	60,416	185,809	–	–	–	–	–	–	–	–	246,225
Exchange differences	–	–	–	–	–	–	4,368	–	–	–	4,368
Net loss for the year	–	–	–	–	–	–	–	–	(47,570)	(141)	(47,711)
At 31 December 2007	116,816	212,802	(46,815)	1,846	6,846	50	6,822	33,424	(60,329)	(451)	271,011
At 1 January 2008	116,816	212,802	(46,815)	1,846	6,846	50	6,822	33,424	(60,329)	(451)	271,011
Exercise of share option (Note (iii))	–	–	–	–	–	–	–	–	–	–	–
Written back for share-based compensation reserve	–	–	–	–	–	–	–	(3,342)	–	–	(3,342)
Elimination on disposal of subsidiaries	–	–	–	(1,846)	(4,994)	(50)	(1,781)	–	6,890	455	(1,326)
Reduction of capital to set off accumulated losses	(105,134)	–	–	–	–	–	–	–	105,134	–	–
Exchange difference	–	–	–	–	–	–	772	–	–	–	772
Net loss for the year	–	–	–	–	–	–	–	–	(60,948)	(4)	(60,952)
At 31 December 2008	**11,682**	**212,802**	**(46,815)**	**–**	**1,852**	**–**	**5,813**	**30,082**	**(9,253)**	**–**	**206,163**

(i) The general reserve and enterprise expansion fund are set up by subsidiaries established and operated in the People's Republic of China ("PRC") by way of appropriation from the profit after taxation in accordance with the relevant laws and regulations in the PRC. The rate of appropriation of the general reserve and enterprise expansion fund is subject to the decision of the board of directors of the PRC subsidiaries, but the minimum appropriation rate for the general reserve is 10% of the profit after taxation for each year, until when the accumulated balance reaches 50% of the total registered capital of the subsidiary. Pursuant to the relevant laws and regulations of the PRC, if approvals are obtained from the relevant government authorities, the general reserve can be used in setting off accumulated losses or to increase the capital, and the enterprise expansion fund can be used to increase the capital.

(ii) Merger reserve represents the difference between the nominal value of the shares of subsidiaries acquired and the nominal value of the shares issued by the Company as consideration thereof pursuant to the reorganization.

(iii) An amount of HK$10 of share option was exercised.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2008

	NOTE	2008 HK$'000	2007 HK$'000
Operating activities			
Loss for the year		**(60,952)**	(47,711)
Adjustment for:			
Income tax (credit) expenses		**(520)**	1,236
Interest income		**(1,329)**	(2,828)
Interest expenses		**3,137**	1,154
Depreciation		**9,510**	2,618
Amortisation of lease premium for land		**16**	58
Gain on disposal of property, plant and equipment		**(10)**	(383)
Loss (gain) on disposal of financial assets held for trading		**1,485**	(2,542)
Unrealised loss (gain) on financial assets held for trading		**29,635**	(855)
Gain on disposal of subsidiaries		**(1,402)**	–
Impairment for inventories		**6,858**	–
Written back for share-based compensation reserve		**(3,342)**	–
Written off upon termination of share option scheme		**–**	(1,821)
Share-based option expenses		**–**	33,424
Operating cash flow before movements in working capital		**(16,914)**	(17,650)
Increase in inventories		**(31,547)**	(63,086)
Increase in trade receivables, prepayment, deposits and other receivables		**(56,572)**	(1,883)
Decrease (increase) in amounts due from related companies		**22,970**	(18,813)
Decrease (increase) in amounts due from an ultimate holding company		**50**	(50)
Increase in trade payables, bills payables, accruals and other payables and deposits received		**54,295**	49,406
Decrease in amounts due to an ultimate holding company		**–**	(3,675)
Increase in amounts due to related companies		**23,989**	25,773
Cash used in operations		**(3,729)**	(29,978)
Interest paid		**(3,137)**	(1,154)
Tax paid		**(3,001)**	(1,120)
Net cash used in operating activities		**(9,867)**	(32,252)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2008

	NOTE	2008 HK$'000	2007 HK$'000
Investing activities			
Purchases of property, plant and equipment		**(41,056)**	(43,022)
Purchases of financial assets held for trading		**(72,757)**	(44,631)
Cash flow on disposal of subsidiaries	35	**9,049**	–
Increase in deposits paid for acquisition of plant and machinery		**(10,203)**	–
Increase in deposits paid for investment projects		**(80,000)**	–
Sales proceeds from disposal of property, plant and equipment		**139**	1,268
Sales proceeds from disposal of financial assets held for trading		**47,518**	28,029
Interest received		**1,329**	2,828
Net cash used in investing activities		**(145,981)**	(55,528)
Financing activities			
Proceeds from issue of shares		**–**	246,225
New bank loans raised		**42,615**	12,263
Repayments of bank loans		**(6,716)**	(15,000)
Increase in secured loan from a finance company		**–**	3,000
Repayment of secured loan from a finance company		**(688)**	(513)
Net cash generated from financing activities		**35,211**	245,975
Net (decrease) increase in cash and cash equivalents		**(120,637)**	158,195
Effect of foreign exchanges rate changes		**(1,018)**	3,998
Cash and cash equivalents at beginning of year		**174,408**	12,215
Cash and cash equivalents at end of year		**52,753**	174,408
Analysis of cash and cash equivalents			
Pledged bank deposits		**2,012**	6,007
Cash and bank balances		**50,741**	168,401
		52,753	174,408

1. GENERAL

The Company was incorporated in the Cayman Islands on 13 October 1999 as an exempted Company with limited liability under the Companies Law of the Cayman Islands. The Company's shares have been listed on the Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 25 July 2000. The address of its registered office is at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681 GT, George Town, Grand Cayman, British West Indies and its principal place of business of the Company is Unit D, 14/F., Two Chinachem Plaza, 68 Connaught Road Central, Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 18 to the consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new standards, amendments and interpretations (the "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are or have become effective for the financial year beginning on 1 January 2008.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

The Group has not early applied the following new standards, amendments or interpretations that have been issued but are not yet effective.

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

Apart from the above, the HKICPA has also issued Improvements to HKFRSs* which sets out amendments to a number of HKFRSs. Except for the amendments to HKFRS 5, and HK(IFRIC) – Int 9, which are effective for annual periods beginning on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

1 *Effective for accounting periods beginning on or after 1 January 2009*
2 *Effective for accounting periods beginning on or after 1 July 2009*
3 *Effective for accounting periods beginning on or after 1 July 2008*
4 *Effective for accounting periods beginning on or after 1 October 2008*

* *Improvements to HKFRSs contain amendments to HKFRS 1, HKFRS 4, HKFRS 5, HKFRS 6, HKFRS 7, HKFRS 8, HKAS2, HKAS 7, HKAS 8, HKAS 10, HKAS 12, HKAS 14, HKAS 16, HKAS 18, HKAS 19, HKAS 20,HKAS 21, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 33, HKAS 34, HKAS 36, HKAS 37, HKAS 38, HKAS 39, HKAS 40 and HKAS 41, HK(IFRIC) – Int 2.*

The directors of the Company anticipate that the application of these new or revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of leasehold buildings.

The consolidated financial statements have been prepared in accordance with the HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances between group companies are eliminated on consolidation.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which ventures have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The Group recognises its interests in jointly controlled entities using proportionate consolidation. The Group's share of each of the assets, liabilities, income and expenses of the jointly controlled entities are combined with the Group's similar line items, line by line, in the consolidated financial statements.

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising on the acquisition of business.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

When a group entity transacts with a jointly controlled entity of the Group, profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment other than land and buildings are stated at cost less accumulated depreciation and impairment losses.

Leasehold buildings are stated in the consolidated balance sheet at their revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on revaluation of buildings is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to the consolidated income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when it is completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is provided to write off the cost or valuation of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method, at the following rates per annum:

Leasehold buildings	5%
Leasehold improvements	33% to 50%
Moulds	33%
Plant and machinery	3% to 20%
Furniture, fixtures and equipment	20%
Computer equipment	33%
Motor vehicles	10% to 33%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset (calculated as the difference between the sales proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasehold land and buildings under development for future owner-occupied purpose

When the leasehold land and buildings are in the course of development for production or for administrative purposes, the leasehold land component is classified as a prepaid lease payment and amortised on a straight-line basis over the lease term. During the construction period, the amortisation charge provided for the leasehold land is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use.

Lease premium for land

Lease premium for land are up-front payments to acquire long-term interests in lessee-occupied properties. The premium is stated at cost and is amortised over the period of the lease on a straight-line basis to the consolidated income statement.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is calculated using the weighted average method.

Foreign currency

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity are recorded in the respective functional currency at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financial statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which case, the exchange differences are also recognised directly in equity.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency (continued)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity. Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, held-to-maturity investments and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designed as at FVTPL, of which interest income is included in net gains or losses.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets at fair value through profit or loss

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling in the near future; or

- It is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 Financial Instruments: Recognition and Measurement ("HKAS 39") permits the entire combined contract (asset or liability) to be designated as at FVTPL.

At each balance sheet date subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables) are carried at amortised cost using the effective interest method, less any identified impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments. The Group designated unlisted equity securities as available-for-sales financial assets.

At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss (see accounting policy in respect of impairment loss on financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition (see accounting policy in respect of impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it is becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group’s past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, observable changes in national or local economic conditions that correlate with default on receivables.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at FVTPL and other financial liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL has two subcategories, including financial liabilities held for trading and those designated at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

At each balance sheet date subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Other financial liabilities

Other financial liabilities including trade and other payables, bank borrowings and obligations under finance leases are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralized borrowing for the proceeds received.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Research and development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its useful life when the asset is available for use.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Research and development costs (continued)

The amount initially recognised for internally generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible asset is reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Intangible assets with finite useful lives are tested for impairment when there is an indication that an asset may be impaired.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits

(i) Retirement benefits

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme under the Mandatory Provident Fund Schemes Ordinance (the "MPF Scheme"), for all those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

(ii) Employees' share options

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

At the time when the share options are exercised, the amount previously recognised in employee compensation reserve will be transferred to share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in employee compensation reserve will be transferred to retained profits.

Revenue recognition

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when goods are delivered to customers and the title has passed.

Revenue from sales of automobile stamping and welding parts and related accessories are recognised when automobile stamping and welding parts and related accessories are delivered, used and confirmed by the customers.

Revenue from the provision of technical services is recognised when the services are rendered.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Refund of value added tax is recognised on receipt of government approval of the refund.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents represent cash at bank and on hand, time deposits with banks and other financial institutions, and short-term liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value, having been within three months of maturity at acquisition. For the purpose of the consolidated cash flow statement, bank overdrafts and bank loans, if any, which are repayable on demand and form an integral part of an enterprise's cash managements are also included as component of cash and cash equivalents.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet dates, 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.

(A) Depreciation and amortisation

The Group depreciates the property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual values, using the straight line method. The estimated useful lives reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual values reflect the directors' estimated amount that the Group would currently obtain from disposal of the assets, after deducting the estimated costs of disposal, if the assets were already of the age and in the condition expected at the end of its useful life.

(B) Impairment on inventories

The management of the Group reviews an aging analysis at each balance sheet date, and identified obsolete and slow-moving inventory items that are no longer suitable for use in production. The management estimates the net realizable value for such finished goods and work-in-progress based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at each balance sheet date and provides impairment on obsolete items.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

(C) Allowance for bad and doubtful debts

The Group's provision policy for bad and doubtful debts is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include borrowings, trade and other receivables, bank balances, and trade and other payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Foreign currency risk management

A major subsidiary of the Company and a jointly controlled entity have foreign currency income, which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's major foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets 2008 *HK$'000*	**Liabilities 2008 *HK$'000***	Assets 2007 *HK$'000*	Liabilities 2007 *HK$'000*
Renminbi ("RMB")	**196,309**	**123,887**	133,579	46,950

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Sensitivity analysis

The Group is mainly exposed to the effects of fluctuation in RMB. For the foreign currency risk of the Group's financial assets, the exposure is mainly in HKD against RMB.

The following table shows the sensitivity analysis of a 5% increase/decrease in RMB against the Hong Kong dollars, the effect in the loss for the year is as follows:

	Impact of RMB 2008 *HK$'000*	Impact of RMB 2007 *HK$'000*
Increase/decrease in loss for the year	**3,621**	4,331

Credit risk management

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2008 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade debt to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management considers that the Group's credit risk is significantly reduced.

The credit quality of the customers is assessed based on their financial positions, past experience and other factors. The Group has policies in place to ensure that sales of products are made to customers with appropriate credit histories.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the Group's funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, carrying out fund raising activities and matching the maturity profiles of financial assets and liabilities. The maturity profile of the Group's financial liabilities at the balance sheet date is based on contractual undiscounted payments are summarized below:

	2008			
	On demand	**Within 1 year**	**1-5 years**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Trade payables	**64,651**	**–**	**–**	**64,651**
Bills payables	**9,117**	**–**	**–**	**9,117**
Accruals and other payables	**21,732**	**–**	**–**	**21,732**
Deposit received	**2,566**	**–**	**–**	**2,566**
Amounts due to an ultimate holding company	**–**	**–**	**–**	**–**
Amounts due to related companies	**44,349**	**–**	**–**	**44,349**
Tax payables	**–**	**–**	**–**	**–**
Borrowings	**–**	**36,636**	**1,062**	**37,698**
Capital commitment in respect of the acquisition of mine contracted for but not provided in the consolidated financial statement	**–**	**25,000**	**–**	**25,000**
	142,415	**61,636**	**1,062**	**205,113**

	2007			
	On demand	Within 1 year	1-5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	40,338	–	–	40,338
Bills payables	10,526	–	–	10,526
Accruals and other payables	10,784	–	–	10,784
Deposit received	4,406	–	–	4,406
Amounts due to an ultimate holding company	47	–	–	47
Amounts due to related companies	34,806	–	–	34,806
Tax payables	1,084	–	–	1,084
Borrowings	–	5,951	1,799	7,750
	101,991	5,951	1,799	109,741

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk management

The Group is exposed to both cash flow interest rate risk and fair value interest rate risk through the impact of rate changes on interest bearing bank borrowings (see Note 28 for details of these borrowings). Also, the Group's variable interest bearing bank deposits are exposed to interest rate risk which is considered to be minimal.

The Group currently does not use any interest rate swaps to hedge its exposure to interest rate risk. However, the Group will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for of non-derivative instrument at the balance sheet date. For non-bank borrowings, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 100 basis point increase or decrease is used which represents management's assessment of the possible change in interest rates.

If interest rates have been 100 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2008 would increase/decrease by HK$149,396 (2007: HK$1,663,694)

Market price risk management

The Group's investments in equity listed in Hong Kong. Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities compared to that of the relevant stock market index and other industry indicators, as well as the Group's liquidity needs. To manage its price risk arising from the equity securities, the Group maintains a portfolio of diversified investments in terms of industry distribution such as investment holding and mineral industry sectors. Temporarily, the Group management has monitored price risk and will consider hedging of the risk if necessary.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to equity price risk at the reporting date. For sensitivity analysis purpose, the sensitivity rate is increased to 15% in the current year as a result of the volatile financial market.

If listed equity prices had been 15% higher/lower (2007: 5% higher/lower), loss for the year ended 31 December 2008 would increase/decrease by HK$2,117,633 (2007: HK$999,938). This is mainly due to the changes in fair value of financial assets at fair value through profit or loss.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair values

As at 31 December 2008, the carrying amount of cash and cash equivalents, prepayments, deposits and other receivables, accrued liabilities and other payables approximated their fair values due to the short-term maturities of these assets and liabilities. The Group considers that financial assets at fair value through profit or loss are included in the balance sheet at amounts approximating to their fair values.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holders, return capital to equity holders, issue new shares or sell assets to reduce debt.

During 2008, the Group's strategy, which was unchanged from 2007.The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowing divided by total assets.

The Management considers the gearing ratio at the year end was as follows:

	2008	2007
	HK$'000	*HK$'000*
Borrowings *(notes 28)*	**37,698**	7,750
Total assets	**386,276**	380,752
Total debt to total assets ratio	**0.10**	0.02

The increase in the gearing ratio during 2008 resulted primarily from the increase in bank borrowings or decrease in cash and bank balances, which in mainly due to the increase in cash used in investing activities.

6. TURNOVER AND OTHER REVENUE

The Group is principally engaged in sales of automobile stamping and welding parts and related accessories and sales of radio trunking systems integration. Revenue recognised is as follows:

Turnover

	2008 *HK$'000*	2007 *HK$'000*
Sales of automobile stamping and welding parts and related accessories	**273,051**	102,615
Sales of radio trunking systems integration	**14,020**	39,197
	287,071	141,812
Other revenue		
Interest income	**1,329**	2,828
Gain on disposal of financial assets held for trading	**–**	2,542
Unrealized gain on financial assets held for trading	**–**	855
Gain on disposal of properties, plant and equipment	**10**	383
Refund of value added tax	**2,567**	1,343
Written back upon termination of share option scheme	**–**	1,821
Written back for share-based compensation reserve	**3,342**	–
Scrap sales of raw materials	**6,637**	3,071
Others	**1,030**	846
	14,915	13,689
Gain on disposal of subsidiaries *(Note 36)*	**1,402**	–
Total revenue	**303,388**	155,501

7. SEGMENT INFORMATION

The Group's business segment comprises automobile stamping and welding parts and related accessories, radio trunking systems integration and provision of telemedia-related services and other value-added telecommunication services.

No geographical segment information is presented as secondary segment information as substantially all the Group's turnover and contribution to operating results were carried out in the PRC.

	Sales of radio trunking systems integration		Provision of telemedia-related and other value-added telecommunication-related technical services		Sales of automobile stamping and welding parts and related accessories		Others		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
TURNOVER										
Revenue	**14,020**	39,197	**–**	–	**273,051**	102,615	**–**	–	**287,071**	141,812
RESULTS										
Segment results	**(14,089)**	7,473	**(2,539)**	(7,398)	**(13,629)**	461	**(9,762)**	4,737	**(40,019)**	5,273
Other revenue									**14,915**	13,689
Gain on disposal of subsidiaries									**1,402**	–
Unallocated corporate expenses									**(34,633)**	(64,283)
Loss from operations									**(58,335)**	(45,321)
Finance costs									**(3,137)**	(1,154)
Loss before tax									**(61,472)**	(46,475)
Income tax credit (expense)									**520**	(1,236)
Net loss for the year									**(60,952)**	(47,711)
Segment assets	**24,902**	101,627	**8,092**	1,161	**211,787**	122,124	**–**	–	**244,781**	224,912
Unallocated assets									**141,495**	155,840
Total assets									**386,276**	380,752
Segment liabilities	**19,332**	39,150	**249**	21	**158,180**	67,069	**–**	–	**177,761**	106,240
Unallocated liabilities									**2,352**	3,501
Total liabilities									**180,113**	109,741

8. FINANCE COSTS

	2008	2007
	HK$'000	*HK$'000*
Interest on secured bank loan and other borrowings wholly repayable within five years	**3,137**	1,042
Interest on loan from a related company	**–**	112
	3,137	1,154

9. LOSS BEFORE TAX

	2008	2007
	HK$'000	*HK$'000*
Loss before tax has been arrived at after charging (crediting):		
Auditors' remuneration	**589**	934
Depreciation of property, plant and equipment	**9,510**	2,618
Amortisation of lease premium for land	**16**	58
Gain on disposal of property, plant and equipment	**10**	383
Exchange loss	**71**	114
Operating lease payments in respect of rented premises	**1,786**	1,684
Impairment loss of inventories	**6,858**	–
Research and development costs	**3,682**	457
Staff costs, including staff's share-based payment expense and excluding director's remuneration *(Note 14)*	**21,755**	24,078
Share-based payment expense for consultants	**–**	20,028
Written back for share-based compensation reserve	**(3,342)**	–
Written back upon termination of share option scheme	**–**	(1,821)

10. INCOME TAX (CREDIT) EXPENSE

	THE GROUP	
	2008	2007
	HK$'000	*HK$'000*
Hong Kong profits tax *(Note (i))*	**–**	–
Overseas tax:		
Current year tax charge *(Note (ii))*	**–**	1,236
Over-provision in prior years	**(520)**	–
	(520)	1,236

Note:

(i) No provision for Hong Kong profits tax is required as the Group has no assessable profit for the year (2007: HK$Nil)

(ii) Overseas tax represents tax charges on the assessable profits of certain subsidiaries in the PRC calculated at the applicable rates.

(a) The tax (credit) charge for the year can be reconciled to the loss before tax per the consolidated income statement as follows:

	2008	2007
	HK$'000	*HK$'000*
Loss before tax	**(61,472)**	(46,475)
Tax at the applicable tax rate of 16.5% (2007:17.5%)	**(10,143)**	(8,133)
Tax effect of expenses not deductible for tax purpose	**10,983**	10,557
Tax effect of income not taxable for tax purpose	**(1,014)**	(4,183)
Effect of different tax rates of subsidiaries operating in other jurisdiction	**(130)**	334
Income of subsidiaries under tax exemption and reduction	**–**	(869)
Over provision in respect of prior years	**(520)**	–
Tax effect on temporary differences not recognised	**226**	(579)
Utilisation of tax losses previously not recognised	**–**	(96)
Tax effect of unused tax losses not recognised	**78**	4,205
Tax (credit) charge for the year	**(520)**	1,236

10. INCOME TAX EXPENSE (continued)

(b) No provision for deferred tax liabilities has been made in the financial statements as the tax effect of the temporary difference is immaterial to the Group.

Deferred tax assets are not recognised for tax losses carry forward due to uncertainty of realisation of the related tax benefit through the future taxable profits. The Group has unrecognised tax losses of approximately HK$36,116,337 (2007: HK$41,905,000).

11. NET LOSS FOR THE YEAR

The net loss for the year includes a loss of approximately HK$77,868,000 (2007: HK$53,096,000) which has been dealt with in the financial statements of the Company.

12. DIVIDENDS

No dividends have been paid or declared by the Company during the year (2007: HK$Nil).

13. LOSS PER SHARE

Basic loss per share is calculated by dividing the net loss attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

	2008	2007
	HK$'000	*HK$'000*
Loss attributable to shareholders	**(60,948)**	(47,570)

	Number of shares	
	2008	2007
Weighted average number of ordinary shares in issue during the year	**1,168,160,035**	875,549,589

No diluted earnings per share has been presented as there were no dilutive potential shares in issue either year.

14. STAFF COSTS EXCLUDING DIRECTORS' REMUNERATION

	2008	2007
	HK$'000	*HK$'000*
Salaries and wages	**20,215**	8,450
Staff welfare benefits	**788**	2,156
Retirement benefits scheme contributions	**752**	76
Share-based payment expense	**–**	13,396
	21,755	24,078

15. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

(a) Directors' remuneration

The emoluments paid or payable to each of the 5 (2007: 13) directors were as follows:

The Group	Fees	Salaries, allowances, and other remuneration	Employer's contributions to retirement benefit schemes	2008 Total emoluments	2007 Total emoluments
	HK$'000	*HK$'000*	*HK$'000*	***HK$'000***	*HK$'000*
Executive Directors					
Mr. Cai Zuping *(Chairman)*	–	540	–	**540**	596
Mr. Wu Yangang *(Vice Chairman)*	–	–	–	**–**	–
Mr. Sun Guiping	–	–	–	**–**	–
Mr. Stephen William Frostick	–	60	–	**60**	60
Mr. Zhang Zheng	–	–	–	**–**	–
Mr. Gao Guo Long	–	–	–	**–**	30
Non-executive Director					
Mr. Chen Kang	–	–	–	**–**	–
Independent Non-executive Directors					
Mr. Jin Ge	–	–	–	**–**	55
Mr. Tso Hoi Sai, Bosco	–	60	–	**60**	35
Mr. Lee Chi Hwa, Joshua	–	60	–	**60**	35
Mr. Chang Jun	–	60	–	**60**	10
Mr. Pan Boxin	–	–	–	**–**	25
Mr. Sik Siu Kwan	–	–	–	**–**	25
Total	–	780	–	**780**	871

15. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION (continued)

(a) Directors' remuneration (continued)

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

	2008	2007
HK$Nil to HK$1,000,000	**5**	13

During the year, no remuneration was paid by the Group to any of the directors as an inducement to join the Group or as compensation for loss of office.

No director waived or agreed to waive any of their emoluments in respect of two years ended 31 December 2008 and 2007.

(b) Five highest paid individuals

The five individuals whose remuneration were the highest in the Group for the year included one (2007: two) directors whose remuneration are reflected in the analysis presented above. The remuneration paid and payable to the remaining four (2007: three) individuals during the year are as follows:

	2008	2007
	HK$'000	*HK$'000*
Salaries, allowances and other benefits in kind	**1,226**	1,401
Retirement benefit scheme contributions	**39**	28
Share-based payment expenses	**–**	13,396
	1,265	14,825

The number of the highest paid individuals whose remuneration fell within the following band is as follows:

	2008	2007
HK$Nil to HK$1,000,000	**4**	3

During the year, no remuneration (2007: HK$Nil) was paid by the Group to any of the highest paid individuals as an inducement to join the Group or as compensation for loss of office.

16. PROPERTY, PLANT AND EQUIPMENT

	Property under development HK$'000	*Land and buildings under medium leases outside Hong Kong HK$'000	Moulds HK$'000	Leasehold Improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
THE GROUP									
COST OR VALUATION									
At 1 January 2007	826	961	–	885	1,694	3,032	2,686	2,421	12,505
Exchange adjustments	41	48	–	44	84	134	111	121	583
Additions	19,245	–	–	194	16,020	416	597	6,550	43,022
Disposals	–	–	–	(97)	(1,783)	(332)	(724)	(537)	(3,473)
At 31 December 2007 and 1 January 2008	20,112	1,009	–	1,026	16,015	3,250	2,670	8,555	52,637
Exchange adjustments	1,173	58	–	78	839	190	240	543	3,121
Reclassification	–	–	–	–	98	(98)	–	–	–
Transfer	(11,450)	10,194	–	–	1,195	–	61	–	–
Additions	17,292	–	21,350	112	418	275	629	980	41,056
Disposals	–	–	–	–	(67)	(34)	(74)	–	(175)
Disposal of subsidiaries	(23,243)	(1,067)	–	(143)	–	(2,940)	(1,978)	(2,743)	(32,114)
At 31 December 2008	3,884	10,194	21,350	1,073	18,498	643	1,548	7,335	64,525
DEPRECIATION									
At 1 January 2007	–	72	–	571	1,443	2,298	2,260	1,205	7,849
Exchange adjustments	–	4	–	27	72	100	91	60	354
Charge for the year	–	44	–	101	469	281	388	1,335	2,618
Written off upon disposal	–	–	–	(43)	(1,542)	(236)	(630)	(137)	(2,588)
At 31 December 2007 and 1 January 2008	–	120	–	656	442	2,443	2,109	2,463	8,233
Exchange adjustments	–	10	105	76	78	220	216	32	737
Reclassification	–	–	–	–	17	(17)	–	–	–
Charge for the year	–	160	4,605	161	1,722	135	288	2,439	9,510
Written off upon disposal	–	–	–	–	(18)	(7)	(21)	–	(46)
Disposal of subsidiaries	–	(143)	–	(141)	–	(2,388)	(1,756)	(2,106)	(6,534)
At 31 December 2008	**–**	**147**	**4,710**	**752**	**2,241**	**386**	**836**	**2,828**	**11,900**
NET BOOK VALUE									
At 31 December 2008	**3,884**	**10,047**	**16,640**	**321**	**16,257**	**257**	**712**	**4,507**	**52,625**
At 31 December 2007	20,112	889	–	370	15,573	807	561	6,092	44,404

* *Leasehold land is included in property, plant and equipment only when the allocations between the land and buildings elements cannot be made reliably.*

16. PROPERTY, PLANT AND EQUIPMENT (continued)

The analysis of the cost of the above assets at 31 December 2008 is as follows:

	Property under development HK$'000	Land and buildings under medium leases outside Hong Kong HK$'000	Moulds HK$'000	Leasehold Improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At cost	3,884	10,194	21,350	1,073	18,498	643	1,548	7,335	64,525

THE COMPANY	Leasehold improvement HK$'000	Furniture, fixtures and equipment HK$'000	Computer equipment HK$'000	Total HK$'000
COST				
At 1 January 2007	28	199	391	618
Additions	–	–	74	74
At 31 December 2007 and 1 January 2008	28	199	465	692
Additions	–	–	14	14
At 31 December 2008	28	199	479	706
DEPRECIATION				
At 1 January 2007	28	187	353	568
Charge for the year	–	3	32	35
At 31 December 2007 and 1 January 2008	28	190	385	603
Charge for the year	–	4	40	44
At 31 December 2008	**28**	**194**	**425**	**647**
NET BOOK VALUE				
At 31 December 2008	**–**	**5**	**54**	**59**
At 31 December 2007	–	9	80	89

16. PROPERTY, PLANT AND EQUIPMENT (continued)

(a) The carrying amount of the Group's land and buildings under medium leases outside Hong Kong would have been approximately HK$10,194,000 (2007: HK$103,000) had it been stated at cost less accumulated depreciation.

(b) The net book value of motor vehicle of HK$4,507,000 (2007: HK$6,092,000) includes an amount of HK$3,000,000 (2007: HK$4,800,000) which is used to secure the loan from a finance company.

17. LEASE PREMIUM FOR LAND

The Group	*HK$'000*
COST	
At 1 January 2007	2,803
Exchange adjustments	148
At 31 December 2007 and 1 January 2008	2,951
Exchange adjustments	154
Disposal of subsidiaries	(3,105)
At 31 December 2008	**–**
ACCUMULATED AMORTISATION	
At 1 January 2007	107
Exchange adjustments	7
Amortisation for the year	58
At 31 December 2007 and 1 January 2008	172
Exchange adjustments	–
Amortisation for the year	16
Disposal of subsidiaries	(188)
At 31 December 2008	**–**
NET BOOK VALUE	
At 31 December 2008	**–**
At 31 December 2007	2,779

The leasehold land is held under medium-term lease and situated in the PRC.

18. INVESTMENT IN SUBSIDIARIES

	THE COMPANY	
	2008	2007
	HK$'000	*HK$'000*
Unlisted shares, at cost *(Note (a))*	**15,917**	31,783
Amounts due from subsidiaries *(Note (b))*	**141,541**	100,315
Amounts due to subsidiaries *(Note (b))*	**(1,528)**	(7,079)
Impairment losses	**(98,392)**	(9,133)
	57,538	115,886

(a) Details of the Company's subsidiaries at 31 December 2008 are as follow:

Name	Place of incorporation and principal place of operation	Issued and fully paid up capital	The Company's equity interest	Principal activities
Directly held:				
China Gocom Information (BVI) Limited	British Virgin Islands	Ordinary US$50,000	100%	Investment holding
China Gocom (Holdings) Limited	Hong Kong	Ordinary HK$1,000,000	100%	Inactive
Probest Technology Limited	British Virgin Islands	Ordinary US$1	100%	Investment holding
Hong Kong Chang Kang (Holdings) Limited	British Virgin Islands	Ordinary US$100	100%	Investment holding
Golden Motor Worldwide Limited	British Virgin Islands	Ordinary US$1	100%	Trading of securities
Endless Profit International Limited	British Virgin Islands	Ordinary US$1	100%	Inactive
Winning Reward Holdings Limited	British Virgin Islands	Ordinary US$1	100%	Inactive

18. INVESTMENT IN SUBSIDIARIES (continued)

Name	Place of incorporation and principal place of operation	Issued and fully paid up capital	The Company's equity interest	Principal activities
Indirectly held:				
Neolink Wireless Technology Limited	Hong Kong	Ordinary HK$8,947,193	100%	Investment holding
China Gocom Information Limited	Hong Kong	Ordinary HK$10,000	100%	Investment holding
Beijing Cheong Lee Gocom Information Technology Company Limited (Formerly known as Beijing Neolink Information Technology Company Limited)	The PRC	Registered US$500,000	100%	Trading of products relating to telemedia system and provision of relevant and related technical services
Hangzhou Neolink Wireless Communication Technology Company Limited (Formerly known as Hangzhou Neolink Software Technology Company Limited)	The PRC	Registered RMB16,812,820	100%	Development and sales of radio trunking systems related software
ChongQing TianKang Investment Consultants Limited	The PRC	Registered RMB1,000,000	100%	Provision for management and related services

(b) Amounts due from/to subsidiaries are unsecured, interest-free and are not repayable within the next twelve months.

(c) The directors of the Company consider that the carrying amounts due from subsidiaries approximate their fair values.

19. JOINTLY CONTROLLED ENTITY

As at 31 December 2008, the Group had interests in the following significant jointly controlled entity ("JCE"):

Name of entity	Form of business structure	Place of incorporation	Principal place of operation	Issued and fully paid up capital	Proportion of nominal value of issued capital held by the Group	Principal activities
South JinKang Automobile Parts and Components Company Limited	Incorporated	The PRC	The PRC	Registered RMB100,000,000	49%	Manufacturing and sales of automobile stampling and welding parts and related accessories

The summarised financial information in respect of the Group's jointly controlled entity which are accounted for using proportionate consolidation with the line-by-line reporting format is set out below:

	2008	2007
	HK$'000	*HK$'000*
Non-current assets	**48,268**	18,233
Current assets	**159,592**	103,891
Current liabilities	**158,139**	67,069
Income	**279,995**	105,744
Expenses	**289,492**	102,267

20. INVENTORIES

	2008	2007
	HK$'000	*HK$'000*
Raw materials	**11,821**	26,323
Work in progress	**13,215**	5,290
Finished goods	**67,792**	40,821
	92,828	72,434
Impairment loss	**(8,408)**	(1,291)
	84,420	71,143

20. INVENTORIES (continued)

Inventories of the Group were carried at net realizable value of HK$14,136,000 (2007: HK$Nil) at the balance sheet date.

Movement in the impairment for inventories:

	2008	2007
	HK$'000	*HK$'000*
Balance at beginning of the year	**1,291**	–
Exchange adjustments	**259**	–
Increase in provision during the year	**6,858**	1,291
Balance at end of the year	**8,408**	1,291

21. TRADE RECEIVABLES

The ageing analysis of trade receivables is as follows:

	2008	2007
	HK$'000	*HK$'000*
0 to 30 days	**18,128**	24,764
31 to 60 days	**16,136**	2,184
61 to 90 days	**1,630**	53
91 to 120 days	**–**	140
Over 120 days	**10,151**	6,086
	46,045	33,227

The Group assesses the credit status and imposes credit limits for the customers in accordance with the Group's credit policy. The credit limits are closely monitored and subject to periodic reviews.

The Group has a policy of allowing its trade customers with credit period normally ranging from 45 days to 60 days or according to the terms of the sales contracts. However, for certain customers with long-established relationship and good past repayment histories, a longer credit period over 60 days may be granted.

The directors consider that the carrying amount of trade receivables approximates their fair value.

As at 31 December 2008, trade receivables over 120 days amounted to HK$10,151,000 were past due but not impaired as the balances were related to debtors with sound repayment history and no recent history of default.

Trade receivables with a carrying value of approximately HK$23.9 million were pledged to secure the bank borrowings in JCE *(see note 19)*, the Group.

22. TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	2008	2007
	HK$'000	*HK$'000*
0 to 30 days	**12,510**	33,264
31 to 60 days	**9,658**	5,279
61 to 90 days	**41,932**	496
91 to 120 days	**1**	248
Over 120 days	**550**	1,051
	64,651	40,338

The directors consider that the carrying amount of trade payables approximates their fair value.

23. AMOUNTS DUE FROM/TO AN ULTIMATE HOLDING COMPANY

The amounts due to an ultimate holding company are unsecured, interest-free and have no fixed terms of repayment.

24. AMOUNTS DUE FROM RELATED COMPANIES

Particulars of the amounts due from related companies are as follows:

	THE GROUP	THE COMPANY
	HK$'000	*HK$'000*
Balance at 31 December 2008	**25**	25
Balance at 31 December 2007	**25,312**	80
Maximum amount owed to the Group during the year	**25,312**	80

The amounts due from related companies are unsecured, interest-free and has no fixed terms of repayment.

25. FINANCIAL ASSETS HELD FOR TRADING

	2008	2007
	HK$'000	*HK$'000*
Equity securities listed in Hong Kong, at market value	**14,118**	19,999

26. CASH AND BANK BALANCES

The Group

	2008	2007
	HK$'000	*HK$'000*
Cash and bank balances	**47,701**	166,873
Deposits at other financial institution	**3,040**	1,528
Pledged fixed deposits *(Note 28)*	**2,012**	2,007
Pledged bank deposits	**–**	4,000
	52,753	174,408

Bank balances and deposits at other financial institution carry interest at market rates which range from 0.1% to 4% (2007: 3.5% to 4%) per annum. The pledged fixed deposits carry fixed interest rate 1.1% (2007: 1.1%) per annum.

Pledged fixed deposits of HK$2,012,000 (2007: HK$2,007,000) represents deposits pledged to a finance company to secure the borrowings. The pledged fixed deposits will be released upon the settlement of relevant borrowings.

27. AMOUNTS DUE TO RELATED COMPANIES

The amounts due to related companies are unsecured, interest-free and have no fixed terms of repayment.

28. BORROWINGS

	2008 HK$'000	2007 HK$'000
Secured bank loans *(Note 1)*	**35,899**	5,263
Secured loan from a finance company *(Note 2)*	**1,799**	2,487
	37,698	7,750
Carrying amount repayable:		
On demand or within one year	**36,636**	5,951
More than one year, but not exceeding two years	**787**	724
More than two years, but not more than five years	**275**	1,075
	37,698	7,750
Less: Amounts due within one year shown under current liabilities	**36,636**	5,951
	1,062	1,799

Notes:

(1) The bank loans are interest-bearing at 7.47% to 8.59% per annum (2007: 6.44% to 7.73% per annum) and are secured by trade receivables of 長安福特馬自達有限公司 of HK$23.9 million, plant and machinery at carrying amount of HK$14.2 million and guaranteed by a third party of the group.

(2) The loan carries interest at a fixed rate of 2.85% p.a. (2007: 2.85% p.a.) is repayable by instalments. It is secured by the Group's motor vehicle with net book value of HK$3,000,000 (2007: HK$4,800,000) and a fixed deposit of HK$2,012,000 (2007: HK$2,007,000).

29. SHARE CAPITAL

	Number of shares of HK$0.1 each	Number of shares of HK$0.01 each	Nominal Value
			HK$
Authorised:			
At 1 January 2007	1,000,000,000	–	100,000,000
Increase in authorized share capital	1,000,000,000	–	100,000,000
At 31 December 2007 and 1 January 2008	2,000,000,000	–	200,000,000
Increase in authorized share capital *(note (a))*	3,000,000,000	–	300,000,000
Reduction of capital to set off accumulated losses *(note (b))*	(5,000,000,000)	50,000,000,000	–
At 31 December 2008	**–**	**50,000,000,000**	**500,000,000**
Issued and fully paid:			
At 1 January 2007	564,000,000	–	56,400,000
Placement of new shares	604,160,000	–	60,416,000
At 31 December 2007 and 1 January 2008	1,168,160,000	–	116,816,000
Exercise of share option	100	–	10
Reduction of capital to set off accumulated losses *(note (b))*	(1,168,160,100)	1,168,160,100	(105,134,409)
At 31 December 2008	–	**1,168,160,100**	11,681,601

(a) Pursuant to the ordinary resolution passed in the Annual General Meeting of the Company held on 15 April 2008, the authorized share capital was increased from HK$200 million to HK$500 million by the creation of an additional 3,000,000,000 ordinary shares of HK$0.1 each.

(b) On 25 August 2008, the par value of each issued shares of HK$0.10 will be reduced to HK$0.01 by canceling paid-up capital to the extent of HK$0.09 on each issued shares and each authorized but unissued share will be subdivided into 10 new shares of HK$0.01 each. The authorized share capital of the Company was HK$500,000,000 divided into 5,000,000,000 shares of HK$0.10 each, of which 1,168,160,100 shares were in issue and fully paid. After 25 August 2008, the authorized share capital of company will be HK$500,000,000 divided into 50,000,000,000 new shares of HK$0.01 each, of which 1,168,160,100 new shares will have been issued and fully paid.

30. RESERVES

The Company	**Share premium** *Note (i)* *HK$'000*	**Share-based compensation reserve** *HK$'000*	**Accumulated losses** *HK$'000*	**Total** *HK$'000*
At 1 January 2007	26,993	1,821	(74,481)	(45,667)
Share-based compensation reserve transferred	–	(1,821)	–	(1,821)
Employee share option benefits	–	33,424	–	33,424
Shares issued	185,809	–	–	185,809
Net loss for the year	–	–	(53,096)	(53,096)
At 31 December 2007	212,802	33,424	(127,577)	118,649
At 1 January 2008	212,802	33,424	(127,577)	118,649
Exercise of share option	–	–	–	–
Written back for share-based compensation reserve	–	(3,342)	–	(3,342)
Reduction of capital to set off accumulated losses	–	–	105,134	105,134
Net loss for the year	–	–	(77,868)	(77,868)
At December 2008	**212,802**	**30,082**	**(100,311)**	**142,573**

(i) Under the Companies Law of the Cayman Islands, the share premium is available for distribution to shareholders subject to a solvency test on the Company and the provisions of the Articles of Association of the Company.

31. SHARE OPTIONS

The Company adopted a new share option scheme ("the Scheme") on 30 July 2007, which became effective for a period of 10 years commencing on 10 August 2007 and will expire on 9 August 2017. Under the Scheme, the Directors of the Company may at their discretion grant options to any eligible person to subscribe for the shares of the Company ("Share") at the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing price of the Share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share. The offer of a grant of option shall remain open for acceptance within 21 days from the date of offer. A nominal consideration of HK$1 is payable on acceptance of the grant of the option. The exercise period of the option must not be more than 10 years from the date of grant of the option.

31. SHARE OPTIONS (continued)

The Company operates the Scheme for the purpose of advancing the interests of the Company and its shareholders by enabling the Company to grant options to attract, retain and reward any eligible persons which include any director of the Group, any employee of a Group, any consultant, adviser, agent, supplier, customer, business partner and shareholder of the Group for their contribution or potential contribution to the Group.

The total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes in force from time to time must not in aggregate exceed 30% of the Share in issue from time to time.

The total number of Shares which may be issued upon exercise of all options to be granted under the Scheme shall not in aggregate exceed 10% of the total number of Shares in issue as at the date of the passing of the relevant resolution adoption the Scheme.

Movements of share options during the year are as follows:

Name of Category of participant	As at 1 January 2008	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	As at 31 December 2008	Date of granted of share options	Exercise period of share options	Exercise price of share options
Employees	38,960,000	–	–	(9,740,000)	–	29,220,000	10 August 2007	10 August 2007- 9 August 2012	HK$0.38
Consultants	58,440,000	–	(100)	–	–	58,439,900	10 August 2007	10 August 2007- 9 August 2012	HK$0.38
Total	97,400,000	–	(100)	(9,740,000)	–	87,659,900			

32. PLEDGE OF ASSETS

The following assets with value attributable to the Group were pledged to secure the borrowing *(see note 28)* and banking facilities *(see note 33)* granted to the Group:

(i) Trade receivables with a carrying value of approximately HK$23.9 million (2007: HK$Nil) were pledged to secure the bank borrowings in jointly controlled entity *(see note 19)*.

(ii) Plant and machinery with a carrying value of approximately HK$14.2 million (2007: HK$Nil) were pledged to secure the bank borrowings in jointly controlled entity *(see note 19)*.

(iii) Fixed deposits of approximately HK$2,012,000 (2007: HK$2,007,000) was pledged to a finance company.

(iv) The net book value of motor vehicle of HK$4,507,000 (2007: HK$6,092,000) included an amount of HK$3,000,000 (2007: HK$4,800,000) which issued to secure the loan from other entity.

33. BANKING FACILITIES

At 31 December 2008, the Group's banking facilities of approximately RMB6,000,000 (2007: Nil) are guaranteed by a third party of the Group.

At the balance sheet date, the Group has other banking facility in jointly controlled entity *(see note 19)* amounting to RMB50,000,000 (2007: Nil) was secured by its trade receivables in jointly controlled entity *(see note 19)* of RMB42 million (2007: Nil) and RMB15,000,000 was secured by plant and machinery of RMB25.5 million. These two facilities were utilized in the joint venture to the extent of RMB52 million (2007: Nil) as at the balance sheet date.

34. LEASE COMMITMENTS

At 31 December 2008, the minimum lease payments under non-cancellable operating leases for the land and buildings are payable as follows:

	2008	2007
	HK$'000	*HK$'000*
Operating lease commitments in respect of land and buildings which fall due as follows:		
Within one year	**1,651**	1,294
In more than one year but not exceeding five years	**2,635**	3,009
	4,286	4,303

35. CAPITAL COMMITMENTS

	2008	2007
	HK$'000	*HK$'000*
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**–**	14,393
Capital expenditure in respect of the acquisition of Mine contracted for but not provided in the consolidated financial statements	**490,000**	–

Furthermore, the Group's share of the capital commitments of its jointly controlled entity are as follows:

Contracted for but not provided	**23,807**	843
Authorised but not contracted for	**–**	106,448

36. DISPOSAL OF SUBSIDIARIES

During the year, the Group disposed its subsidiaries, including Neolink Communications Technology (BVI) Limited, Neolink Communications Technology Limited, Neolink Electronic Technology (Beijing) Company Limited, Neolink Huadian Electronic Technology (Shenzhen) Company Limited, Neolink Communications Technology (Hangzhou) Limited, Neolink Broadway Intelligent Transportation Information Technology (Shanghai) Limited to an independent purchaser with an aggregation consideration of HK$16,000,000. The net assets of subsidiaries at the date of disposal were as follows:

	2008	2007
	HK$'000	*HK$'000*
Net assets disposed of:		
Property, plant and equipment	**25,580**	–
Land lease premium	**2,917**	–
Inventories	**11,413**	–
Trade and other receivables	**9,531**	–
Amounts due from related companies	**2,040**	–
Cash and bank balances	**6,951**	–
Trade and other payables	**(20,636)**	–
Amounts due to an ultimate holding company	**(47)**	–
Amounts due to fellow subsidiaries	**(1,825)**	–
Amounts due to related companies	**(14,445)**	–
Borrowings	**(5,555)**	–
	15,924	–
Release of exchange reserves	**(1,781)**	–
	14,143	–
Minority interest	**455**	–
Gain on disposal of subsidiaries	**1,402**	–
	16,000	–
Satisfied by:		
Cash	**16,000**	–
Net cash flow arising on disposal during the year		
Cash consideration	**16,000**	–
Cash and bank balances disposed of	**(6,951)**	–
	9,049	–

37. RETIREMENT BENEFIT COSTS

The Group operates a Mandatory Provident Fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for 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 (i.e. 5% of staff's relevant income with upper monthly limit of HK$1,000). 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 employees when contributed into the MPF Scheme.

In addition to the participation in the MPF Scheme, the Group is required to contribute to a defined contribution retirement scheme for its employees in the PRC based on the applicable basis and rates with the relevant government regulations. (i.e. 8% – 23% of the basic salary).

The only obligation of the Group in respect of the retirement benefit schemes is to make the required contributions under the respective schemes.

The total cost charged to the consolidated income statement of approximately HK$1,539,000 (2007: HK$447,000) represents contributions payable to the retirement benefit schemes in Hong Kong and the PRC by the Group for the year ended 31 December 2008 at rates specified in the rules of the relevant schemes at 31 December 2008, contributions due in respect of the current reporting year had not been paid over the relevant schemes was HK$Nil (2007: HK$Nil).

38. RELATED PARTY TRANSACTIONS

(a) In the normal course of business the Group entered into the following significant transactions with related parties during the year:

	Note	2008 HK$'000	2007 HK$'000
Sales of equipment, monitor systems and provision of technical services to			
– Hangzhou Neolink Communication System Company Limited ("Hangzhou Communication")	(i)	–	14,712
– Beijing Carbase Technology Co. Ltd. ("Beijing Carbase")	(ii)	–	750
Purchase of raw material from Hangzhou Communication	(i)	–	1,797
Sales of automobile stamping and welding parts and related accessories to Chongqing Changan Jinling Automobile Parts Co., Ltd. ("Chongqing Changan Jinling")	(iii)	5,698	66,922
Purchase of raw material from Chongqing Changan Jinling	(iii)	3,876	77,864
Loan interest paid to Shenzhen Communication	(iv)	–	112
Office administrative services income received from			
– Qing Jiang HK	(v)	–	10
– Harbour Smart	(v)	–	10
Office administrative service expenses paid to			
– Qing Jiang HK		–	60

(b) During the year the Group borrowed loan of approximately HK$Nil (2007: HK$3,706,000) from Shenzhen Communication *(Note (iv))*.

(c) During the year, the Group borrowed loan of approximately HK$Nil (2007: HK$53,000) from Hangzhou Communication *(Note (ii))*. The loan is unsecured, interest-free and has no fixed term of repayment.

Note:

(i) Hangzhou Communication is indirectly owned by a relative of Mr. Cai Zuping, a director of the Company.

(ii) Mr. Zhang Zheng was the Chief Executive officer and resigned during the year. Beijing CarBase is wholly-owned by Mr. Zhang Zheng.

(iii) Chongqing Changan Jinling holds 51% of South JinKang Automobile Parts and Components Company Limited.

(iv) Shenzhen Communication is directly owned by a relative of Mr. Cai Zupnig, a director of the Company and Shenzhen Jin Jiang Dao Property Development Company, a wholly-owned company of Hubei Qing Jiang *(Note vi)*.

(v) Hubei Qing Jiang, a beneficiary shareholder of the ultimate holding company of the Company, is a beneficiary shareholder of Qing Jiang HK and Harbour Smart.

Compensation of key management personnel

The remuneration of directors and other members of key management during the year can be referenced to note 15(a) and 15(b) to the financial statements. The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

39. POST BALANCE SHEET EVENTS

(a) During the year, the Group entered into final agreement to acquire a mining business in Jiangxi. The Consideration of mine acquisition was HK$550 million with reference to preliminary indicative market value of the Mine as advised by BMI Appraisals Limited, which is satisfied by HK$85 million by cash and as to HK$465 million by the issue of the Convertible Bonds by the Company to the Vendors. As at 31 December 2008, the Group has paid consideration of HK$60 million by cash. As the transaction has been completed on 8 January 2009, a further cash consideration of HK$25 million is paid and the HK$465 million zero coupon convertible bonds due 2014 was duly issued to the Vendors on 8 January 2009.

(b) During the year, the Group plans to invest in production and sales ferro-silicon and ferro alloys business by entering into Framework Agreement. As at 31 December 2008, an amount of HK$20 million was paid as deposits. The investment was finalized on 17 February 2009, the group entered into subscription agreement to invest 10% of enlarged issued shares capital of Norwell Limited, which is holding PRC subsidiary engaging in business of production and sales ferro-silicon and ferro alloys business.

(c) Details of assets acquired are as follow:

	Mine *HK$'000*	Ferro *HK$'000*	Total *HK$'000*
– Cash paid	(60,000)	(20,000)	(80,000)
– Purchase consideration outstanding			
– cash payable	(25,000)	–	(25,000)
– fair value of zero convertible bonds	(465,000)	–	(465,000)
– Fair value of assets acquired	550,000	20,000	570,000
Fair value of assets acquired			
– Property, plant and equipment	647	–	647
– Mine right	544,072	–	544,072
– Other receivables, deposits and prepayments	7,340	–	7,340
– Cash and bank balances	7,587	–	7,587
– Accruals and other payables	(9,646)	–	(9,646)
– Available-for-sales investment	–	20,000	20,000
Fair value of net assets	550,000	20,000	570,000
Total purchase consideration	(550,000)	(20,000)	(570,000)
Purchase consideration outstanding			
– cash payable	25,000	–	25,000
– fair value of zero convertible bonds	465,000	–	465,000
Cash outflow on acquisition of subsidiaries and other business operations	(85,000)	(20,000)	(105,000)

Note (i): The fair value of zero coupon convertible bonds were revalued at insurance of the bonds by an independent valuers, BMI Appraisal Limited.

The directors consider that the carrying amount of zero coupon convertible bonds approximates their fair value.

40. COMPARATIVE FIGURES

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

FINANCIAL SUMMARY

For the year ended 31 December

	2008 HK$'000	2007 HK$'000	2006 HK$'000	(Restated) 2005 HK$'000	(Restated) 2004 HK$'000
Results					
Turnover	**287,071**	141,812	37,542	27,971	29,306
(Loss) profit from operations	**(59,737)**	(45,321)	5,611	1,475	(7,311)
Gain on deemed disposal of interest in a subsidiary	**–**	–	–	12,861	–
Gain on disposal of subsidiaries	**1,402**	–	1,121	–	–
Finance costs	**(3,137)**	(1,154)	(600)	(405)	(312)
(Loss) profit before tax	**(61,472)**	(46,475)	6,132	13,931	(7,623)
Income tax credit (expense)	**520**	(1,236)	(1,320)	(430)	(46)
(Loss) profit for the year from continuing operations	**(60,952)**	(47,711)	4,812	13,501	(7,669)
(Loss) profit before tax from discontinued operations	**–**	(47,711)	(17,451)	(6,933)	4,695
Income tax credit	**–**	–	–	102	–
(Loss) profit for the year from discontinued operations	**–**	–	(17,451)	(6,831)	4,695
	–	(47,711)	(12,639)	6,670	(2,974)
(Loss) profit attributable to shareholders	**(60,948)**	(47,570)	(4,815)	10,151	(3,065)
(Loss) profit attributable to minority interests	**(4)**	(141)	(7,824)	(3,481)	91
Net (loss) profit for the year	**(60,952)**	(47,711)	(12,639)	6,670	(2,974)
Assets and liabilities					
Total assets	**386,276**	380,752	74,897	65,813	53,683
Total liabilities	**(180,113)**	(109,741)	(38,371)	(18,820)	(26,494)
Minority interests	**–**	451	310	(8,316)	(95)
Shareholders' funds	**206,163**	271,462	36,836	38,677	27,094