QUASAR
Communication Technology
Holdings Limited

Annual Report **2007**

Creativity without Limit

Stock code : 8171

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. GEM listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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

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

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Ms. Yu Xiao Min
(appointed on 4 December 2007 and resigned on 21 March 2008)
Mr. Xiang Xin, *Chairman & Chief Executive Officer*
(appointed on 25 February 2008)
Mr. Li Tan Yeung, Richard
(appointed on 7 December 2007)
Mr. Wong Chak Keung
(appointed on 25 February 2008)
Mr. Cho Hui Jae
(appointed on 6 March 2007)
Mr. Chan Ka Wo
(resigned on 31 January 2008)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Sze Lin Tang
(appointed on 4 December 2007)
Mr. Leung Wing Kin
(appointed on 7 December 2007)
Mr. Zhang Zhan Liang
(appointed on 23 January 2008)
Mr. Li Meng Long
(resigned on 23 January 2008)

COMPLIANCE OFFICER

Mr. Xiang Xin

COMPANY SECRETARY

Mr. Shum Hoi Luen

AUTHORISED REPRESENTATIVES

Mr. Wong Chak Keung
Mr. Shum Hoi Luen

QUALIFIED ACCOUNTANT

Mr. Shum Hoi Luen

AUDIT COMMITTEE

Mr. Sze Lin Tang (appointed on 4 December 2007)
Mr. Leung Wing Kin (appointed on 7 December 2007)
Mr. Zhang Zhan Liang (appointed on 23 January 2008)
Mr. Li Meng Long (resigned on 23 January 2008)

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 3701, Tower 1
Millennium City 1
388 Kwun Tong Road
Hong Kong

PRINCIPAL BANKERS

Bank of China
DBS Bank
HSBC
Korea Exchange Bank
Standard Chartered Bank

PRINCIPAL SHARE REGISTER AND TRANSFER OFFICE

Bank of Bermuda (Cayman) Limited
36C Bermuda House, 3rd Floor
P.O. Box 513 GT, Dr. Roy's Drive
George Town, Grand Cayman
Cayman Islands, British West Indies

HONG KONG BRANCH SHARE REGISTER AND TRANSFER OFFICE

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

AUDITORS

Cachet Certified Public Accountants Limited

LEGAL ADVISERS

As to Cayman Islands Law
Conyers Dill & Pearman

As to Hong Kong Law
Michael Li & Co

STOCK CODE

8171

WEBSITE OF THE COMPANY

www.quasarcomm.com

CHAIRMAN'S STATEMENT

On behalf of the Board (the "Board") of directors (the "Directors") of QUASAR Communication Technology Holdings Limited (the "Company"), I am pleased to present to you the audited results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2007.

FINANCIAL REVIEW

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

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

OPERATIONAL REVIEW

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

CHAIRMAN'S STATEMENT

The Company entered into two subscription agreements in respect of the issue of warrants with two new subscribers on 28 May 2007 and 21 November 2007, respectively. The Company also entered into another subscription agreement in respect of the issue of new shares with one new subscriber on 21 November 2007. Approximately HK$19,460,000 was raised in aggregate which was used as general working capital for the acceleration of the growth of the Group so as to minimise any unnecessary finance costs incurred.

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

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

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

PROSPECT

We expect 2008 to be a more promising and challenging year for the Group. Leverage on our prudent and experienced management and our strong and determined workforce, we will strive to maintain and further expand our market share while at the same time explore new businesses, such as the media and advertisement publication, civil and military dual-use optoeletronic and consumer electronic products as mentioned above, so as to bring along greater return to our shareholders.

The growth and success of the Group can only be accomplished with the efforts and excellent performance of all staff, together with the support of our business partners and bankers. I would like to take this opportunity to express my most sincere gratitude towards their contributions. We will devote our best efforts to deliver the best results in upcoming years.

Xiang Xin
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL RESOURCES AND GEARING

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

CAPITAL STRUCTURE AND FLUCTUATION IN EXCHANGE

Saved as disclosed in the consolidated statement of changes in equity and the note 28 to financial statements, there is no movement in the capital structure during the year.

During the year under review, sales and purchases of the Group were mainly transacted in United States dollars and Hong Kong dollars. As at 31 December 2007, substantial portion of the assets and liabilities of the Group were current in nature, and the amounts were principally denominated in United States dollars and Hong Kong dollars, foreign exchange risk was considered to be minimal.

EMPLOYEES

As at 31 December 2007, there was a total of 15 (2006: 22) full-time staff employed by the Group. The staff costs, for the year including directors' remuneration were approximately HK$4,495,000 (2006: HK$5,287,000).

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS

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

CHARGE, CONTINGENT LIABILITIES AND COMMITMENTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

MANAGEMENT DISCUSSION AND ANALYSIS

BOARD PRACTICES AND PROCEDURES

The Company was in compliance with the Board Practices and Procedures as set out in Rule 5.34 of the GEM Listing Rules throughout the year.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

None of the directors or management shareholders of the Company (as defined in the GEM Listing Rules) has an interest in a business which competes or may compete with the business of the Group.

MANAGEMENT PROFILE

EXECUTIVE DIRECTORS

Mr. Chan Ka Wo ("Mr. Chan"), aged 47, was the Chairman of the Board. He was responsible for the overall management of the Board. Mr. Chan holds a master degree in electronic engineering and a bachelor degree in electrical and electronic engineering from James Cook University in Australia. Mr. Chan has over 19 years of experience in the field of telecommunications. Mr. Chan participated in many telecommunication infrastructure projects in Hong Kong and the People's Republic of China (the "PRC") and through his participation in these infrastructure projects, Mr. Chan gained knowledge on the development of the infrastructure for the telecommunication industry. Mr. Chan resigned on 31 January 2008 and his position was taken up by Ms. Yu Xiao Min on 31 January 2008.

Ms. Yu Xiao Min ("Ms. Yu"), aged 39, was the Chief Executive Officer of the Group and the Chairman of the Board. On 25 February 2008 and 21 March 2008, Ms. Yu resigned as the position of the Chief Executive Officer of the Group and Chairman of the Board, respectively, and her positions were both taken up by Mr. Xiang Xin. Ms. Yu was responsible for the overall management of the Board. Ms. Yu holds a master's degree in business from Open University in Hong Kong and a bachelor's degree in economics management from Zhongshan University in the PRC. Ms. Yu has over 15 years of management experience in manufacturing and project management in the PRC, Hong Kong and Canada. Ms. Yu joined the Group on 4 December 2007.

Mr. Xiang Xin ("Mr. Xiang"), aged 44, is currently the Chief Executive Officer of the Group and the Chairman of the Board (on a temporary basis) effective from 25 February 2008 and 21 March 2008, respectively. Mr. Xiang has worked in a number of large organizations in the PRC and has been engaged in technology project management and corporate strategy research for a long time. Mr. Xiang also possesses many years of experience in project investment and telecommunications network businesses. Mr. Xiang holds a bachelor's degree in science and a master's degree in engineering from Nanjing University of Science & Technology. Mr. Xiang is currently an executive director and the chief executive officer of China Innovation Investment Limited ("China Innovation"). Mr. Xiang joined the Group on 25 February 2008.

Mr. Wong Chak Keung ("Mr. Wong"), aged 41, holds a bachelor's degree in business from The University of Southern Queensland in Australia. He is also a member of the Hong Kong Institute of Certified Public Accountants and CPA Australia respectively. Mr. Wong has been in the accounting profession for over 15 years. Mr. Wong worked in various positions in an international accounting firm, corporate finance, educational business and manufacturing sector in Hong Kong. Mr. Wong is currently an executive director and a company secretary of China Innovation. Mr. Wong joined the Group on 25 February 2008.

Mr. Li Tan Yeung, Richard ("Mr. Li"), aged 37, is a specialist in data broadcasting technology and business. He has over 10 years of experience in technology and media development, marketing and management in the United Kingdom, Europe, the PRC, Taiwan, the Republic of the Philippines and Hong Kong. Mr. Li graduated from The Chinese University of Hong Kong with a honour degree in electronic engineering. Mr. Li joined the Group on 7 December 2007.

Mr. Cho Hui Jae ("Mr. Cho"), aged 69, holds a bachelor degree in electrical engineering from Yonsei University in Korea. Mr. Cho has over 40 years of experience in the field of electronics and telecommunications in Korea and Hong Kong.

MANAGEMENT PROFILE

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Sze Lin Tang ("Mr. Sze"), aged 37, is currently a partner of ANDA Certified Public Accountants and a member of the Hong Kong Institute of Certified Public Accountants. He has 14 years of experience in corporate finance, accounting, auditing and taxation sectors. Mr. Sze joined the Group on 4 December 2007.

Mr. Leung Wing Kin ("Mr. Leung"), aged 50, has over 20 years of management experience in the leisure and tourism business. He is also the vice chief of the 中國扶貧開發協會甘泉工程監督委員會 (Audit Committee of Project Ganquan of the Chinese Association of Poverty Alleviation and Development*) managed by The State Council Leading Group Office of Poverty Alleviation and Development. Mr. Leung joined the Group on 7 December 2007.

Mr. Zhang Zhan Liang ("Mr. Zhang"), aged 37, a qualified lawyer in the People's Republic of China and is currently the chief officer and partner of 北京市仁豐律師事務所 (JenRich Law Office in Beijing*). Mr. Zhang has 9 years of experience in litigations and advising on legal matters relating to corporate finance and real estates. Mr. Zhang holds a bachelor's degree in law and a master degree from China University of Political Science and Law. Mr. Zhang joined the Group on 23 January 2008.

Mr. Li Meng Long ("Mr. Li"), aged 44. Mr. Li is currently a partner of a law firm in the PRC. He has been served as a practicing solicitor in the PRC for over 9 years. Mr. Li graduated from 哈爾濱理工大學 of the PRC with bachelor of engineer degree in 1985 and 中國人民大學 of the PRC with bachelor of law degree in 1989. Mr. Li resigned on 23 January 2008.

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Mr. Shum Hoi Luen ("Mr. Shum"), aged 32, is the company secretary and senior accounting manager of the Group. He holds a bachelor degree in accountancy from The Hong Kong Polytechnic University. Mr. Shum is a member of The Hong Kong Institute of Certified Public Accountants. He has over 10 years of experience in accounting and auditing field.

* *For identification purpose only*

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 15 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2007 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 22 to 77.

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

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 78. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 13 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital during the year are set out in note 26 to the financial statements.

There was no movement in the Company's share options during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws of the Company or the laws of Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 28(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2007, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Law Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to HK$79,673,000. This includes the Company's share premium account, in the amount of HK$68,379,000 which may be distributed provided that immediately following the date, on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. The share premium account may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 100% of the total sales for the year and sales to the largest customer included therein accounted for to 33.75%. Purchases from the Group's five largest suppliers accounted for 45.53% of the total purchases for the year and purchases to the largest supplier included therein 16.32%.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Mr. Cho Hui Jae	(appointed on 6 March 2007)
Ms. Yu Xiao Min	(appointed on 4 December 2007 and resigned on 21 March 2008)
Mr. Li Tan Yeung, Richard	(appointed on 7 December 2007)
Mr. Ra Chang Ju	(resigned on 12 December 2007)
Mr. Ong Se Mon	(resigned on 12 December 2007)
Mr. Chan Ka Wo	(resigned on 31 January 2008)

REPORT OF THE DIRECTORS

Independent non-executive directors:

Mr. Sze Lin Tang	(appointed on 4 December 2007)
Mr. Leung Wing Kin	(appointed on 7 December 2007)
Mr. Lo Hang Fong	(resigned on 4 December 2007)
Mr. Choy Mun Kei	(resigned on 12 December 2007)
Mr. Li Meng Long	(resigned on 23 January 2008)

Subsequent to the balance sheet date on 23 January 2008 and 25 February 2008, Mr. Zhang Zhan Liang; and Mr. Xiang Xin and Mr. Wong Chak Keung were appointed as an independent non-executive director and executive directors of the Company, respectively.

In accordance with Clause 87 of the Company's Articles of Association, Mr. Xiang Xin, Mr. Wong Chak Keung, Mr. Li Tan Yeung, Richard, Mr. Sze Lin Tang, Mr. Leung Wing Kin and Mr. Zhang Zhan Liang will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmations of independence from the independent non-executive directors as at the date of this report. As such, the Company considers them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 8 and 9 of the annual report.

DIRECTORS' SERVICE CONTRACTS

None of the executive directors of the Company has each entered into a service contract with the Company. All the above-mentioned service contracts are continuous until terminated by either party giving to the other not less than six months' notice in writing, or otherwise in accordance with its terms.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at general meetings and monitored by the remuneration committee on a continuous basis. Other emoluments are determined by the Company's remuneration committee with reference to directors' duties, responsibilities and performance and the results of the Group.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

MANAGEMENT CONTRACTS

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

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2007, the interests and short positions of the directors and chief executive in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Rule 5.46 of the GEM Listing Rules, were as follows:

Long positions in ordinary shares of the Company:

Name of director	*Note*	Shares/ equity derivatives	Numbers of shares/equity derivatives held	Capacity and nature of interest	Percentage of the Company's issued share capital
Mr. Chan Ka Wo	*1*	Ordinary shares	14,000,000	Through controlled corporation	2.39%
Ms. Yu Xiao Min		Warrants	45,000,000	Directly beneficially owned	N/A

Note:

1. These shares are registered in the name of Choice Media Investments Limited ("Choice Media"). Mr. Chan Ka Wo legally and beneficially owns the entire issued share capital of Choice Media. Accordingly, Mr. Chan Ka Wo is deemed to be interested in all the share registered in the name of Choice Media.

Save as disclosed above, as at 31 December 2007, none of the directors or chief executive had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Rule 5.46 of the GEM Listing Rules.

REPORT OF THE DIRECTORS

CONTRACT OF SIGNIFICANCE

No contract of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2007, the following interests and short positions of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name of shareholder	*Note*	Capacity and nature of interest	Number of shares held	Percentage of the Company's issued share capital
Shin Dong Hoon		Beneficial owner	81,200,000	13.85%
Pretty Profit Enterprises Ltd		Beneficial owner	60,000,000	10.23%
Shenyin Wanguo Strategic Investments (H.K.) Limited	*1*	Beneficial owner	20,000,000	3.41%
Shenyin Wanguo Trading (H.K.) Limited	*1*	Beneficial owner	21,628,000	3.69%
Shenyin Wanguo (H.K.) Limited	*1*	Corporate interests	41,628,000	7.10%
Kwon Ikjoo		Beneficial owner	39,000,000	6.65%

Note:

1. The entire issued share capital of Shenyin Wanguo Strategic Investments (H.K.) Limited and Shenyin Wanguo Trading (H.K.) Limited are legally and beneficially owned by Shenyin Wanguo (H.K.) Limited. Accordingly, Shenyin Wanguo (H.K.) Limited to be interested in all the shares registered in the name of Shenyin Wanguo Strategic Investments (H.K.) Limited and Shenyin Wanguo Trading (H.K.) Limited.

Save as disclosed above, as at 31 December 2007, no person, other than the directors and chief executive of the Company, whose interests are set out in the section "Directors' and chief executive's interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

None of the directors, initial management shareholders or their respective associates of the Company has an interest in a business which competes or may compete with the business of the Group.

AUDIT COMMITTEE

The Group's audited results for the year ended 31 December 2007 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

AUDITORS

The financial statements for the years ended 31 December 2005 and 2006 had been audited by Cachet Certified Public Accountants Limited and CCIF CPA Limited.

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

ON BEHALF OF THE BOARD

Xiang Xin
Chairman

Hong Kong
27 March 2008

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

Committed to the establishment and implementation of good corporate governance standards helps the Group to achieve its corporate objectives and fulfill the expectations of shareholders and stakeholders effectively. Therefore, the board (the "Board") of directors of the Company fully applied the principles and complied with the requirements of the Code on Corporate Governance Practices (the "CG Code") of the Rules Governing the Listing of Securities (the "GEM Listing Rules") on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), except for certain minor deviations in respect of the service term and rotation of directors and segregation of duties of the Chairman and Chief Executive Officer. The current practices will be reviewed and updated regularly to follow the latest practices in corporate governance.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the rules set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code for dealing in securities of the Company by the directors. All directors confirmed that they complied with the required standards as set out in the Rules 5.48 to 5.67 of the GEM Listing Rules throughout the year.

BOARD OF DIRECTORS

The Board of the Company as at the date of the annual report comprises:

Executive directors :	Ms. Yu Xiao Min	(Appointed on 4 December 2007 and resigned on 21 March 2008)
	Mr. Li Tan Yeung, Richard	(Appointed on 7 December 2007)
	Mr. Xiang Xin	(Appointed on 25 February 2008)
	Mr. Wong Chak Keung	(Appointed on 25 February 2008)
	Mr. Cho Hui Jae	(Appointed on 6 March 2007)
Independent non-executive directors :	Mr. Sze Lin Tang	(Appointed on 4 December 2007)
	Mr. Leung Wing Kin	(Appointed on 7 December 2007)
	Mr. Zhang Zhan Liang	(Appointed on 23 January 2008)

The Board is responsible for the leadership and control of the Company. It also oversees the Group's businesses, strategic decisions and directions, and performances. The management was delegated the authority and responsibility by the Board for the general management of the Group. In addition, the Board has also delegated various responsibilities to other committees. Further details of other committees are set out in this report.

CORPORATE GOVERNANCE REPORT

The Board has four scheduled regular meetings a year at quarterly interval and meets as and when required. During the year ended 31 December 2007, the Board held 15 meetings. The attendance of each director at the board meetings during the year are as follows:

Directors		Number of attendance
Ms. Yu Xiao Min	(Appointed on 4 December 2007 and resigned on 21 March 2008)	1/4
Mr. Li Tan Yeung, Richard	(Appointed on 7 December 2007)	3/3
Mr. Xiang Xin	(Appointed on 25 February 2008)	N/A
Mr. Wong Chak Keung	(Appointed on 25 February 2008)	N/A
Mr. Cho Hui Jae	(Appointed on 6 March 2007)	0/10
Mr. Ra Chang Ju	(Resigned on 12 December 2007)	13/14
Mr. Ong Se Mon	(Resigned on 12 December 2007)	12/14
Mr. Chan Ka Wo	(Resigned on 31 January 2008)	11/15
Mr. Sze Lin Tang	(Appointed on 4 December 2007)	1/4
Mr. Leung Wing Kin	(Appointed on 7 December 2007)	1/3
Mr. Zhang Zhan Liang	(Appointed on 23 January 2008)	N/A
Mr. Lo Hang Fong	(Resigned on 4 December 2007)	9/11
Mr. Choy Mun Kei	(Resigned on 12 December 2007)	10/14
Mr. Li Meng Long	(Resigned on 23 January 2008)	0/15

Board minutes are kept by the company secretary of the Company. Draft and final versions of the Board minutes are sent to the directors for their comments and records, in both cases within a reasonable time after the meeting.

The directors enable, upon the reasonable request, to seek independent professional advice under appropriate circumstances, at the Company's expenses, in order to discharge their responsibilities and duties under appropriate independent professional advice.

Appropriate insurance cover has been arranged in respect of legal action against its directors and senior management.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Currently, Mr. Xiang Xin is the Chairman of the Board, on a temporary basis, and the Chief Executive Officer of the Group.

Such practice deviates from the provision A.2.1 of CG Code which requires that the roles of the Chairman of the Board and the Chief Executive Office of the Group should be separate and should not be performed by the same individual. The Board has discussed and confirmed that such non-compliance is on a temporary basis only.

The Chairman's and the Chief Executive Officer's responsibility is to manage the Board and the Group's day-to-day business, respectively.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The three independent non-executive directors of the Company are persons of high calibre, with academic and professional qualifications in the field of accounting and law. With their solid experience, they can provide strong support to perform their duties delegated by the Board effectively.

All independent non-executive directors are considered to be independent by the Board as the Board received the annual confirmation of independence from each of them as required by the GEM Listing Rules.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company established a remuneration committee (the "Remuneration Committee") in December 2005. Currently, all of the members of the Remuneration Committee are the independent non-executive directors of the Company, namely Mr. Sze Lin Tang, Mr. Leung Wing Kin and Mr. Zhang Zhan Liang. During the year, one meeting was held for the review and recommendation to the Board in respect of the salaries and bonuses of the directors and the senior management.

The Remuneration Committee annually sets out its recommendation on the remuneration package of the executive directors and the senior management.

Details of the directors' emoluments of the Company is set out in the note 8 to the financial statements.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Company has no fixed terms of appointment for independent non-executive directors. However, they are appointed subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provision of the Bye-laws. Such practice deviates from the provision A.4.1 of the CG Code which requires that non-executive directors be appointed for a specific term. The Board has discussed and concluded that the current practice of appointing independent non-executive directors without specific terms but otherwise subject to rotation and re-election by shareholders was fair and reasonable, and does not intend to change the current practice at the moment.

CORPORATE GOVERNANCE REPORT

EXTERNAL AUDITORS

For the year ended 31 December 2007, Cachet Certified Public Accountants Limited, the existing external auditors provided the following services to the Group:

	2007
	HK$'000
Annual audit services	350
Taxation advisory services	70
Other advisory services	120

AUDIT COMMITTEE

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

		Number of attendance
Mr. Sze Lin Tang	(Appointed on 4 December 2007)	N/A
Mr. Leung Wing Kin	(Appointed on 7 December 2007)	N/A
Mr. Zhang Zhan Liang	(Appointed on 23 January 2008)	N/A
Mr. Lo Hang Fong	(Resigned on 4 December 2007)	4/4
Mr. Choy Mun Kei	(Resigned on 12 December 2007)	4/4
Mr. Li Meng Long	(Resigned on 23 January 2008)	0/4

Full minutes of audit committee meetings are kept by a duly appointed secretary of the meeting. Draft and final versions of minutes of the audit committee meetings are sent to all members of the committee for their comments and records, in both cases within a reasonable time after the meeting.

The audit committee reviews the quarterly results, interim and annual reports before submission to the Board. The audit committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the GEM Listing Rules and the legal requirements in the review of the Company's quarterly, interim and annual reports.

INDEPENDENT AUDITORS' REPORT

CACHET
Cachet Certified Public Accountants Limited
德揚會計師事務所有限公司
13F Neich Tower, 128 Gloucester Road
Wanchai, Hong Kong

To the shareholders
QUASAR Communication Technology Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of QUASAR Communication Technology Holdings Limited set out on pages 22 to 77, which comprise the consolidated and Company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

INDEPENDENT AUDITORS' REPORT

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the 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 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 financial statements give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2007 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.

Cachet Certified Public Accountants Limited
Certified Public Accountants

Chan Chi Yuen
Practising Certificate Number P02671

Hong Kong
27 March 2008

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2007

	Notes	**2007** **HK$'000**	2006 HK$'000
REVENUE	5	**380,523**	250,523
Cost of sales	6	**(359,220)**	(230,725)
Gross profit		**21,303**	19,798
Other income and gains	5	**547**	1,885
Depreciation of property, plant and equipment	13	**(95)**	(103)
Staff costs	6	**(4,495)**	(5,287)
Other expenses		**(6,038)**	(4,268)
Finance costs	7	**(1,503)**	(2,397)
Other impairment losses	6	**(17,604)**	(2,602)
(LOSS)/PROFIT BEFORE TAX	6	**(7,885)**	7,026
Tax	10	**(314)**	(802)
(LOSS)/PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	11	**(8,199)**	6,224
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Basic	12	**(1.55) cents**	1.35 cents
Diluted	12	**N/A**	N/A

CONSOLIDATED BALANCE SHEET

31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**406**	159
Other intangible assets	14	**–**	–
Available-for-sale investments	16	**–**	1,342
Deferred tax assets	17	**306**	246
Total non-current assets		**712**	1,747
CURRENT ASSETS			
Inventories	18	**–**	5,325
Contract works in progress	19	**3,382**	18,899
Trade receivables	20	**63,287**	53,275
Prepayments, deposits and other receivables	21	**35,095**	16,539
Non-current assets held for sale	22	**–**	3,822
Cash and bank balances		**24,742**	23,571
Total current assets		**126,506**	121,431
CURRENT LIABILITIES			
Trade payables	23	**–**	1,934
Bill payables		**–**	4,544
Trust receipt loans	24	**12,040**	12,911
Other payables and accruals		**4,752**	5,165
Tax payable		**5,046**	4,668
Due to a related company	25	**167**	–
Total current liabilities		**22,005**	29,222
NET CURRENT ASSETS		**104,501**	92,209
TOTAL ASSETS LESS CURRENT LIABILITIES		**105,213**	93,956
NON-CURRENT LIABILITIES			
Deferred tax liabilities	17	**–**	4
Net assets		**105,213**	93,952
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	26	**5,865**	5,265
Reserves		**99,348**	88,687
Total equity		**105,213**	93,952

Xiang Xin
Director

Wong Chak Keung
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2007

	Equity attributable to equity holders of the Company					
	Issued capital	**Share premium**	**Warrant reserve**	**Capital reserve**	**Retained profits**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (*note a*)	*HK$'000*	*HK$'000*
At 1 January 2006	4,063	41,573	–	11,157	19,727	76,520
Issue of shares *(note 26)*	1,202	10,006	–	–	–	11,208
Profit for the year	–	–	–	–	6,224	6,224
At 31 December 2006 and at 1 January 2007	5,265	51,579	–	11,157	25,951	93,952
Issue of shares *(note 26)*	600	16,800	–	–	–	17,400
Issue of warrants *(note 26(a)(iii) and (iv))*	–	–	2,060	–	–	2,060
Loss for the year	–	–	–	–	(8,199)	(8,199)
At 31 December 2007	5,865	68,379	2,060	11,157	17,752	105,213

Note:

a. Capital reserve represents the difference between the nominal value of the share capital issued by the Company as consideration and the underlying net assets of the subsidiaries acquired pursuant to the group reorganisation.

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2007

	2007	2006
	HK$'000	*HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit before tax	**(7,885)**	7,026
Adjustments for:		
Impairment of available-for-sale investments	**1,342**	2,300
Impairment of trade receivables	**304**	302
Impairment of contract works in progress	**12,136**	–
Impairment of prepaid licence fees	**3,822**	–
Finance costs	**1,503**	2,397
Interest income	**(404)**	(291)
Loss on disposal of property, plant and equipment	**49**	–
Depreciation of property, plant and equipment	**95**	103
Amortisation of prepaid licence fees	**–**	546
	10,962	12,383
Decrease in inventories	**5,325**	4,550
Decrease in contract works in progress	**3,381**	1,696
Increase in trade receivables	**(10,316)**	(7,090)
Increase in prepayments, deposits and other receivables	**(18,556)**	(4,797)
Decrease in trade and bill payables	**(6,478)**	(16,971)
(Decrease)/Increase in other payables and accruals	**(413)**	4,186
Increase in amount due to a related company	**167**	–
Cash used in operations	**(15,928)**	(6,043)
Interest received	**404**	291
Interest paid	**(1,503)**	(2,397)
Profits tax paid	**–**	(119)
Net cash outflow from operating activities	**(17,027)**	(8,268)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	**(391)**	(28)
Net cash outflow from investing activities	**(391)**	(28)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	**17,400**	11,208
Proceeds from issue of warrants	**2,060**	–
Repayment of trust receipt loans, net	**(871)**	(41,943)
Net cash inflow/(outflow) from financing activities	**18,589**	(30,735)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**1,171**	(39,031)
Cash and cash equivalents at beginning of year	**23,571**	62,602
CASH AND CASH EQUIVALENTS AT END OF YEAR	**24,742**	23,571
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**21,683**	8,252
Non-pledged time deposits with original maturity of less than three months when acquired	**3,059**	15,319
	24,742	23,571

BALANCE SHEET

31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Other intangible assets	14	**–**	–
Interests in subsidiaries	15	**42,586**	69,024
Total non-current assets		**42,586**	69,024
CURRENT ASSETS			
Prepayments, deposits and other receivables	21	**30,150**	150
Cash and bank balances		**15,036**	11
Total current assets		**45,186**	161
CURRENT LIABILITIES			
Other payables and accruals		**174**	157
Total current liabilities		**174**	157
NET CURRENT ASSETS		**45,012**	4
Net assets		**87,598**	69,028
EQUITY			
Issued capital	26	**5,865**	5,265
Reserves	28(b)	**81,733**	63,763
Total equity		**87,598**	69,028

Xiang Xin	**Wong Chak Keung**
Director	*Director*

NOTES TO FINANCIAL STATEMENTS

31 December 2007

1. CORPORATE INFORMATION

QUASAR Communication Technology Holdings Limited was a limited liability company incorporated in the Cayman Islands. The registered office of the Company was located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company. The Group's principal activities have not changed during the year and was involved in sales and marketing of mobile phone appliance and the relevant parts solution in Mainland China.

2.1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial instruments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2007. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 7	Financial Instruments: Disclosures
HKAS 1 Amendment	Capital Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

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

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

(a) HKFRS 7 Financial Instruments: Disclosures

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results of operations of the Group, comparative information has been included/revised where appropriate.

(b) Amendment to HKAS 1 Presentation of Financial Statements – Capital disclosures

This amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital.

(c) HK(IFRIC)-Int 8 Scope of HKFRS 2

This interpretation requires HKFRS 2 to be applied to any arrangement in which the Group cannot identify specifically some or all of the goods or services received, for which equity instruments are granted or liabilities are incurred by the Group for a consideration, and which appears to be less than the fair value of the equity instruments granted or liabilities incurred. As the Company has only issued equity instruments to Group's employees for identified services provided in accordance with the Group's share option scheme, the interpretation has had no effect on these financial statements.

(d) HK(IFRIC)-Int 9 Reassessment of Embedded Derivatives

This interpretation requires that the date to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative is the date that the Group first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group has no embedded derivative requiring separation from the host contract, the interpretation has had no effect on these financial statements.

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

(e) HK(IFRIC)-Int 10 Interim Financial Reporting and Impairment

The Group has adopted this interpretation as of 1 January 2007, which requires that an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument classified as available-for-sale or a financial asset carried at cost is not subsequently reversed. As the Group had no impairment losses previously reversed in respect of such assets, the interpretation has had no impact on the financial position or results of operations of the Group.

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

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

HKFRS 8	Operating Segments [1]
HKAS 23 (Revised)	Borrowing Costs [1]
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions [2]
HK(IFRIC)-Int 12	Service Concession Arrangements [4]
HK(IFRIC)-Int 13	Customer Loyalty Programmes [3]
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction [4]

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

2 Effective for annual periods beginning on or after 1 March 2007

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

4 Effective for annual periods beginning on or after 1 January 2008

HKFRS 8, which will replace HKAS 14 Segment Reporting, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group expects to adopt HKFRS 8 from 1 January 2009.

HKAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard is unlikely to have any financial impact on the Group.

NOTES TO FINANCIAL STATEMENTS

31 December 2007

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

HK(IFRIC)-Int 11 requires arrangements whereby an employee is granted rights to the Group's equity instruments, to be accounted for as an equity-settled scheme, even if the Group acquires the instruments from another party, or the shareholders provide the equity instruments needed. HK(IFRIC)-Int 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group.

HK(IFRIC)-Int 12 requires an operator under public-to-private service concession arrangements to recognise the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset, based on the terms of the contractual arrangements. HK(IFRIC)-Int 12 also addresses how an operator shall apply existing HKFRSs to account for the obligations and the rights arising from service concession arrangements by which a government or a public sector entity grants a contract for the construction of infrastructure used to provide public services and/or for the supply of public services.

HK(IFRIC)-Int 13 requires that loyalty award credits granted to customers as part of a sales transaction are accounted for as a separate component of the sales transaction. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished.

HK(IFRIC)-Int 14 addresses how to assess the limit under HKAS 19 Employee Benefits, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, in particular, when a minimum funding requirement exists.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 8 may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets and non-current assets held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset and certain financial assets is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties *(Continued)*

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

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

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

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Furniture and fixtures	20%
Office and computer equipment	25%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation *(Continued)*

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Non-current assets held for sale

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

Non-current assets (other than deferred tax assets and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell.

Other intangible assets

The useful lives of other intangible assets are assessed to be either finite or indefinite. Other intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for other intangible asset with a finite useful life are reviewed at least at each balance sheet date.

Trademarks

Trademarks are stated at cost and are amortised on the straight-line basis over their estimated useful lives

Leases

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Gains or losses on investments held for trading or these financial assets are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policy set out for "Revenue recognition".

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Held-to-maturity investments

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities that are designated as available for sale or are not classified in any of the other three categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the income statement as "Other income and gains" in accordance with the policies set out for "Revenue recognition" below. Losses arising from the impairment of such investments are recognised in the income statement as "Impairment losses on available-for-sale financial assets" and are transferred from the available-for-sale investment revaluation reserve.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimate is significant for that investment, or (b) the probabilities or the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Fair value

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets

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

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor, and significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectable.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. A provision for impairment is made for available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below its cost or when other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgement. In addition, the Group evaluates other factors, such as the share price volatility. Impairment losses on equity instruments classified as available-for-sale are not reversed through the income statement.

Impairment losses on equity instruments classified as available for sale are not reversed through the income statement.

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired;

- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

NOTES TO FINANCIAL STATEMENTS

31 December 2007

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Financial liabilities including trade and other payables, bill payables and trust receipt loans are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "finance cost" in the income statement.

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

Financial liabilities at fair value through profit or loss

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial liabilities

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

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

Financial guarantee contracts

Financial guarantee contracts in the scope of HKAS 39 are accounted for a financial liabilities. A financial guarantee contract is recognised initially at its fair value less transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract, except when such contract is recognised at fair value through profit or loss. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount 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".

Inventories

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

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provisions

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

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

Income tax

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

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

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

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

Revenue recognition

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

(b) from cost plus contract, by reference to stage of completion of the cost plus contracts, including post delivery service support, at the balance sheet date. The stage of completion is measured by reference to costs incurred to date as a percentage to the estimated total costs for the contract.

The Group enters into cellular phone solution contracts with customers whereby a number of elements are bundled together in one contract - i.e. design and development of product, supply of components and parts, provision of engineering support, post delivery support services and related consultancy works. The contract price cannot be allocated to individual elements and the Group invoices its customers at a margin over certain defined costs. The Group refers to these contracts as "cost plus contracts".

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

Employee benefits

Paid leave carries forward

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

Retirement benefits scheme

The Group operates defined contribution retirement benefits schemes under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate. 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 schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. With respect of the Mandatory Provident Fund retirement benefits scheme, the Group's employer contributions vest fully with the employees when contributed into the scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when an employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the scheme.

The mandatory provident fund scheme cost charged to the income statement represents contributions payable by the Group to the schemes.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

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

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in note 17 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2007

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Assessment of impairment of non-current assets

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

Fair value of unlisted equity investments

The unlisted equity investments have been assessed for impairment based on the financial information available for those investments. This assessment requires the Group to make estimates about expected future performance of the investments and hence they are subject to uncertainty. The unlisted equity investments have been fully impaired at 31 December 2007. Further details are included in note 16 to the financial statements.

Useful lives of property, plant and equipment

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

Provision for impairment of receivables

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

Estimated fair value of financial assets

The estimation of fair value of financial assets required the Group to estimate the future market value expected to be recovered from the disposal of the financial assets and a suitable discount rate in order to calculate the present value.

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

Segment information is presented by way of the Group's primary segment reporting basis, by business segment. In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. No further geographical segment information is presented as over 90% of the Group's revenue is derived from customers based in Mainland China, and over 90% of the Group's assets are located in Mainland China.

NOTES TO FINANCIAL STATEMENTS

31 December 2007

4. SEGMENT INFORMATION *(Continued)*

Segment information is presented by way of the Group's primary segment reporting basis. No further business segment information is presented as over 90% of the Group's revenue and assets relate to the business of sales and marketing of mobile phone appliance and the relevant parts solution in Mainland China market.

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

5. REVENUE, OTHER INCOME AND GAINS

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

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

	2007	2006
	HK$'000	*HK$'000*
Revenue		
Sales of goods	**380,523**	250,523
Other income and gains		
Bank interest income	**404**	291
Exchange gains, net	**82**	83
Others	**61**	1,511
	547	1,885
Total revenue, other income and gains	**381,070**	252,408

NOTES TO FINANCIAL STATEMENTS

31 December 2007

6. (LOSS)/PROFIT BEFORE TAX

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

	2007	2006
	HK$'000	*HK$'000*
Cost of sales	**359,220**	230,725
Amortisation of prepaid licence fees*	**–**	546
Minimum lease payments under operating leases in respect of land and buildings	**373**	545
Auditors' remuneration	**350**	320
Employee benefits expense (including directors' remuneration *(note 8)*):		
Wages and salaries	**4,318**	4,987
Others	**85**	196
Pension scheme – defined contributions	**92**	104
	4,495	5,287
Impairment of available-for-sale investments	**1,342**	2,300
Impairment of trade receivables *(note 20)*	**304**	302
Impairment of contract works in progress	**12,136**	–
Impairment of non-current assets held for sale	**3,822**	–
	17,604	2,602

* *The amortisation of prepaid licence fees for last year are included in "Cost of sales" on the face of the consolidated income statement.*

7. FINANCE COSTS

	2007	2006
	HK$'000	*HK$'000*
Interest:		
– bank borrowings wholly repayable within five years	600	2,065
– factoring	903	332
	1,503	2,397

8. DIRECTORS' REMUNERATION

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

	2007 HK$'000	2006 HK$'000
Fees	**283**	298
Other emoluments:		
Salaries, allowances and benefits in kind	**1,743**	1,915
Pension scheme contributions	**31**	32
	1,774	1,947
	2,057	2,245

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follow:

	2007 HK$'000	2006 HK$'000
Mr. Sze Lin Tang*	**–**	–
Mr. Leung Wing Kin**	**–**	–
Mr. Lo Hang Fong***	**111**	120
Mr. Li Meng Long*****	**58**	58
Mr. Choy Mun Kei****	**114**	120
	283	298

There were no other emoluments payable to the independent non-executive directors during the year (2006: Nil).

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

* *Appointed on 4 December 2007.*
** *Appointed on 7 December 2007.*
*** *Resigned on 4 December 2007.*
**** *Resigned on 12 December 2007.*
***** *Resigned on 23 January 2008.*

8. DIRECTORS' REMUNERATION *(Continued)*

(b) Executive directors

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2007				
Executive directors:				
Mr. Cho Hui Jae*	**–**	**–**	**–**	**–**
Ms. Yu Xiao Min**	**–**	**–**	**–**	**–**
Mr. Li Tan Yeung, Richard***	**–**	**–**	**–**	**–**
Mr. Chan Ka Wo*****	**–**	**600**	**12**	**612**
Mr. Ra Chang Ju****	**–**	**500**	**7**	**507**
Mr. Ong Se Mon****	**–**	**643**	**12**	**655**
	–	**1,743**	**31**	**1,774**
2006				
Executive directors:				
Mr. Cho Hui Jae*	–	–	–	–
Ms. Yu Xiao Min**	–	–	–	–
Mr. Li Tan Yeung, Richard***	–	–	–	–
Mr. Chan Ka Wo*****	–	550	11	561
Mr. Ra Chang Ju****	–	750	10	760
Mr. Ong Se Mon****	–	615	11	626
	–	1,915	32	1,947

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

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

* *Appointed on 6 March 2007.*

** *Appointed on 4 December 2007 and resigned on 21 March 2008.*

*** *Appointed on 7 December 2007.*

**** *Resigned on 12 December 2007.*

***** *Resigned on 31 January 2008.*

NOTES TO FINANCIAL STATEMENTS

31 December 2007

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2006: three) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2006: two) non-director, highest paid employees for the year are as follows:

	2007	2006
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**1,200**	1,274
Pension scheme contributions	**24**	24
	1,224	1,298

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

	Number of employees	
	2007	2006
Nil to HK$1,000,000	**2**	2

10. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2007	2006
	HK$'000	*HK$'000*
Current tax – Hong Kong		
Charge for the year	**378**	822
Deferred tax *(note 17)*	**(64)**	(20)
	314	802

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

	2007		2006	
	HK$'000	**%**	*HK$'000*	%
(Loss)/Profit before tax	**(7,885)**		7,026	
Tax at the statutory tax rate	**(1,380)**	**17.5**	1,230	17.5
Income not subject to tax	**(184)**	**2.3**	(760)	(10.8)
Expenses not deductible for tax	**1,964**	**(24.9)**	737	10.4
Tax losses utilised	**(195)**	**2.5**	(501)	(7.1)
Tax losses not recognised	**165**	**(2.1)**	147	2.1
Others	**(56)**	**0.7**	(51)	(0.7)
Tax charge at effective rate	**314**	**(4.0)**	802	11.4

11. (LOSS)/PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated (loss)/profit attributable to equity holders of the Company for the year ended 31 December 2007 includes a loss of HK$890,000 (2006: HK$783,000) which has been dealt with in the financial statements of the Company *(note 28(b))*.

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

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

A diluted (loss)/earnings per share amount for the years ended 31 December 2007 and 2006 has not been disclosed as no diluting events existed during the years.

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

	2007	2006
	HK$'000	*HK$'000*
(Loss)/Profit		
(Loss)/Profit attributable to equity holders of the Company, used in the basic (loss)/earnings per share calculation:	**(8,199)**	6,224

	Number of shares	
	2007	2006
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic (loss)/earnings per share calculation	**529,739,171**	461,934,240

NOTES TO FINANCIAL STATEMENTS

31 December 2007

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Furniture and fixtures *HK$'000*	Office and computer equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
31 December 2007				
At 31 December 2006 and at 1 January 2007:				
Cost	290	278	414	982
Accumulated depreciation	(192)	(217)	(414)	(823)
Net carrying amount	98	61	–	159
At 1 January 2007, net of accumulated depreciation	98	61	–	159
Additions	309	82	–	391
Disposal	(49)	–	–	(49)
Depreciation provided during the year	(58)	(37)	–	(95)
At 31 December 2007, net of accumulated depreciation	300	106	–	406
At 31 December 2007:				
Cost	370	360	414	1,144
Accumulated depreciation	(70)	(254)	(414)	(738)
Net carrying amount	300	106	–	406

NOTES TO FINANCIAL STATEMENTS

31 December 2007

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

Group

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

NOTES TO FINANCIAL STATEMENTS

31 December 2007

14. OTHER INTANGIBLE ASSETS

Group and Company

	HK$'000
31 December 2007	
Cost	17
Accumulated amortisation	(17)
Net carrying amount	–
31 December 2006	
Cost	17
Accumulated amortisation	(17)
Net carrying amount	–

The other intangible assets represented the trade mark of QUASAR.

NOTES TO FINANCIAL STATEMENTS

31 December 2007

15. INTERESTS IN SUBSIDIARIES

	Company	
	2007	2006
	HK$'000	*HK$'000*
Unlisted share, at cost	**14,882**	14,882
Due from subsidiaries	**47,517**	54,142
Due to a subsidiary	**(19,813)**	–
	42,586	69,024

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

The carrying amounts of these amounts due from/(to) subsidiaries approximate to their fair values.

Particulars of the subsidiaries are as follows:

Name of subsidiary	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Ace Solution Technology Limited	British Virgin Islands	10,200 ordinary shares of US$1 each	100	–	Investment holding
Gold Glory Development Limited	British Virgin Islands	2,000 ordinary shares of US$1 each	–	100	Sales and marketing of mobile phone appliance solution and investment holding
Hanbit I & T (HK) Co., Limited	Hong Kong	800,000 ordinary shares of HK$1 each	–	100	Sales and marketing of mobile phone appliance solution and relevant components
Qualfield Ltd.	British Virgin Islands	100 ordinary shares of US$1 each	–	100	Provision of agency services and investment holding

NOTES TO FINANCIAL STATEMENTS

31 December 2007

15. INTERESTS IN SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Quasar Communication Technology Limited	Hong Kong	10,000 ordinary shares of HK$1 each	–	100	Sales and marketing of mobile phone appliance solution
Synerex Inc.	British Virgin Islands	10,200 ordinary shares of US$1 each	–	100	Investment holding
Zetta Global Limited	Hong Kong	100 ordinary shares of HK$1 each	–	100	Provision of management services to group companies
Zetta Media Holdings Limited	British Virgin Islands	100 ordinary shares of US$1 each	–	100	Investment holding

16. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2007	2006
	HK$'000	*HK$'000*
Unlisted shares, at cost	**9,142**	9,142
Impairment loss	**(9,142)**	(7,800)
	–	1,342

17. DEFERRED TAX ASSETS/(LIABILITIES)

The movements in deferred tax liabilities and assets during the year are as follows:

	Group		
	Accelerated depreciation *HK$'000*	**Tax losses** *HK$'000*	**Net** *HK$'000*
At 1 January 2006	(24)	246	222
Deferred tax credited to income statement during the year *(note 10)*	20	–	20
At 31 December 2006 and at 1 January 2007	(4)	246	242
Deferred tax credited to income statement during the year *(note 10)*	20	44	64
At 31 December 2007	16	290	306

At 31 December 2007, the Group has unused tax losses of approximately HK$6,835,000 (2006: HK$7,005,000) available indefinitely for offset against future profits. A deferred tax has been recognised in respect of tax losses of HK$1,657,000 (2006: HK$2,772,000) of such losses. No deferred tax asset has been recognized in respect of the remaining tax losses of HK$5,178,000 (2006: HK$4,233,000) due to the unpredictability of future profit streams.

NOTES TO FINANCIAL STATEMENTS

31 December 2007

18. INVENTORIES

	Group	
	2007	2006
	HK$'000	*HK$'000*
Finished goods	**–**	5,325

19. CONTRACT WORKS IN PROGRESS

	Group	
	2007	2006
	HK$'000	*HK$'000*
Contract costs for development of mobile phone appliance solution	**18,899**	29,770
Less : Amount charged to consolidated income statement	**(3,381)**	(10,871)
Impairment	**(12,136)**	–
	3,382	18,899

20. TRADE RECEIVABLES

	Group	
	2007	2006
	HK$'000	*HK$'000*
Trade receivables	**64,498**	54,182
Impairment	**(1,211)**	(907)
	63,287	53,275

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally for a period of one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control team to minimise credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest bearing.

20. TRADE RECEIVABLES *(Continued)*

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

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

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

	Group	
	2007	2006
	HK$'000	*HK$'000*
At 1 January	**907**	605
Impairment loss recognised during the year *(note 6)*	**304**	302
At 31 December	**1,211**	907

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2007

20. TRADE RECEIVABLES *(Continued)*

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

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

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Prepayments	**150**	–	**150**	150
Deposits for a proposed acquisition*	**30,000**	–	**30,000**	–
Other receivables	**856**	12,450	**–**	–
Tax reserve certificate	**4,089**	4,089	**–**	
	35,095	16,539	**30,150**	150

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

* Amount represented deposit placed by the Company to an independent third party for an exclusive negotiation of a proposed acquisition as detailed in note 31(a) to the financial statements.

22. NON-CURRENT ASSETS HELD FOR SALE

Balance represented prepaid FTA licence fee which was amortisable over its useful economic life. The FTA licence, which was the full-type approval certificate for testing and accreditation of mobile phone appliances under a set of required testing standards, was classified in "Non-current assets" in prior years. As the FTA licence would no longer be utilised by the Group in its operation and would be transferred to KTIC M&A Inc. ("KTIC") as part of the consideration for the proposed acquisition of the 15.61% equity interest in KBT Mobile Co., Limited ("KBT") pursuant to a sale and purchase agreement dated 29 December 2006, the prepaid FTA licence fee was reclassified as "Non-current assets held for sale" at 31 December 2006.

22. NON-CURRENT ASSETS HELD FOR SALE *(Continued)*

On 30 March 2007, a supplemental sale and purchase agreement was entered into between the Company and KTIC, pursuant to which, the proposed acquisition of the equity interest in KBT was increased from 15.61% to 31.41%.

One 3 July 2007, the Company entered into a termination agreement with KTIC, pursuant to which, as the conditions of the sale and purchase agreement dated 29 December 2006 and the supplemental sale and purchase agreement dated 30 March 2007 had not been fulfilled on or before the long-stop date which had been extended from 27 February 2007 to 30 June 2007, the proposed acquisition of the equity interest in KBT and transfer of the FTA licence to KTIC were ceased and determined.

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

23. TRADE PAYABLES

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

	Group	
	2007	2006
	HK$'000	*HK$'000*
Within 1 month	**–**	–
1 to 2 months	**–**	–
2 to 3 months	**–**	–
Over 3 months	**–**	1,934
	–	1,934

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

24. TRUST RECEIPT LOANS

The trust receipt loans are unsecured, interest bearing at HIBOR/LIBOR + 2.75% per annum and are repayable within 90 days from their respective drawdown date.

25. DUE TO A RELATED COMPANY

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

NOTES TO FINANCIAL STATEMENTS

31 December 2007

26. SHARE CAPITAL

(a) Shares

	Company	
	2007	2006
	HK$'000	*HK$'000*
Authorised:		
1,000,000,000 (2006: 1,000,000,000) ordinary shares of HK$0.01 each	**10,000**	10,000
Issued and fully paid:		
586,451,500 (2006: 526,451,500) ordinary shares of HK$0.01 each	**5,865**	5,265

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

	Number of shares in issue	**Issued share capital**	**Share premium account**	**Total**
		HK$'000	*HK$'000*	*HK$'000*
At 1 January 2006	406,251,500	4,063	41,573	45,636
Issue of shares:				
On 24 May 2006 *(note i)*	81,200,000	812	6,496	7,308
On 1 November 2006 *(note ii)*	39,000,000	390	3,510	3,900
	120,200,000	1,202	10,006	11,208
At 31 December 2006 and 1 January 2007	526,451,500	5,265	51,579	56,844
Issue of shares:				
On 12 December 2007 *(note iv)*	60,000,000	600	16,800	17,400
At 31 December 2007	586,451,500	5,865	68,379	74,244

26. SHARE CAPITAL *(Continued)*

(a) Shares *(Continued)*

Notes:

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

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

(iii) On 28 May 2007, the Company entered into a warrant placing agreement with an independent third party ("Subscriber C") in relation to a private placing of 58,000,000 warrants at an issue price of HK$0.02 per warrant, which entitle the Subscriber C to subscribe for up to 58,000,000 new shares of the Company of HK$0.01 each at an exercise price of HK$0.50 per new share for a period of 53 weeks commencing from the date of issue of the warrants. Total consideration received from the issue of warrants amounted to HK$1,160,000 has been credited to "Warrant reserve" and been fully applied as the Group's working capital.

(iv) On 21 November 2007, the Company entered into a share subscription agreement and a warrant subscription agreement with an independent third party ("Subscriber D") in relation to the subscription of 60,000,000 new shares of the Company of HK$0.01 each at a subscription price of HK$0.29 per new share; and (ii) 45,000,000 warrants at an issue price of HK$0.02 per warrant, which entitle Subscriber D to subscribe for up to 45,000,000 new shares of the Company of HK$0.01 each at an exercise price of HK$0.28 per new share for a period of 2 years commencing from the date of issue of the warrants. The share subscription and the warrant subscription were completed on 12 December 2007 with a gross proceeds of HK$17,400,000 and HK$900,000, respectively, which have been fully applied as the Group's working capital. The new shares were ranked pari passu with the existing shares in issue in all aspects. Total consideration received from the issue of warrants amounted to HK$900,000 has been credited to "Warrant reserve".

(b) Share options

Details of the Company's share option scheme are included in note 27 to the financial statements.

27. SHARE OPTION SCHEME

Pursuant to a written resolution of all shareholders of the Company passed on 16 July 2002, the Company adopted a share option scheme (the "Scheme") for the purpose of providing incentive to directors and eligible employees and, unless otherwise cancelled or amended, will expire on 30 July 2012. Under the Scheme, the directors of the Company may grant options to eligible employees, including executive directors of the Company, and any of its subsidiaries, to subscribe for shares in the Company.

The total number of share in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue, or if such 10% limit is refreshed, the maximum aggregate number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme must not exceed 30% of the total number of share of the Company in issue from time to time. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company then issue, without prior approval from the Company's shareholders. Each grant of options to any director, chief executive or substantial shareholder must be approved by independent non-executive directors. Where any grant of options to a substantial shareholder or any of their respective associates would result in the shares of the Company issued and to be issued upon exercise of options already granted and to be granted in excess of HK$5,000,000 in the 12 month period up to the date of grant, then grant must be approved in advance by the Company's shareholders.

HK$1 shall be paid to the Company upon acceptance of the grant. Options may be exercised in accordance with the terms of the Scheme at any time during a period to be determined and notified by the directors of the Company, which period may not expire earlier than 3 years and later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. The exercise price is determined by the directors of the Company, and will not be less than the higher of closing price of the Company's shares on the date of grant, and the average closing price of the shares for the five business days immediately preceding the date of grant.

No option had been granted or agreed to be granted by the Company under the Scheme during the year and as at the balance sheet dates.

28. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 24 of the financial statements.

28. RESERVES *(Continued)*

(b) Company

	Special reserve HK$'000 (note)	Share premium HK$'000	Warrant reserve HK$'000 (note 26 (a) (iii) and (iv))	Accumulated losses HK$'000	Total HK$'000
At 1 January 2006	14,879	41,573	–	(1,912)	54,540
Issue of shares	–	10,006	–	–	10,006
Loss for the year	–	–	–	(783)	(783)
At 31 December 2006 and at 1 January 2007	**14,879**	**51,579**	**–**	**(2,695)**	**63,763**
Issue of shares	**–**	**16,800**	**–**	**–**	**16,800**
Issue of warrants	**–**	**–**	**2,060**	**–**	**2,060**
Loss for the year	**–**	**–**	**–**	**(890)**	**(890)**
At 31 December 2007	**14,879**	**68,379**	**2,060**	**(3,585)**	**81,733**

Notes:

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

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

ii. Under section 34 of the Companies Law (2001 Second Revision) of the Cayman Islands, the special reserve and share premium is available for distribution to shareholders subject to the provisions of the Articles of Association of the Company and no distribution may be paid to shareholders out of the special reserve and share premium unless, immediately following the date on which the distribution or dividend is proposed to be paid, the Company shall be able to pay its debts as they fall due in the ordinary course of business.

28. RESERVES *(Continued)*

(b) Company *(Continued)*

Notes: *(Continued)*

In the opinion of the directors, the Company's reserves available for distribution to shareholders are as follows:

	2007 HK$'000	2006 HK$'000
Special reserve	**14,879**	14,879
Share premium	**68,379**	51,579
Accumulated losses	**(3,585)**	(2,695)
	79,673	63,763

29. CONTINGENT LIABILITIES

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

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

	Company	
	2007 HK$'000	2006 HK$'000
Corporate guarantee given in respect of banking facilities extended to certain subsidiaries	**50,000**	40,000
Amount of facilities utilised by the subsidiaries	**12,040**	35,145

30. OPERATING LEASE COMMITMENTS

The Group leases certain of its office properties under operating leases. Leases for properties are negotiated for terms ranging from 2 to 5 years

At 31 December 2007, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Within one year	**410**	310
In the second to fifth years, inclusive	**675**	89
	1,085	399

31. POST BALANCE SHEET EVENT

(a) Pursuant to a non-legally binding memorandum of understanding dated 18 December 2007 (the "MOU 1") entered into between the Company and Ocean Space Development Limited (the "Vendor"), an independent third party, the Company was in negotiation with the Vendor for the potential acquisition (the "Proposed Acquisition") of the entire issued share capital of a company which will in turn own the controlling stakes in a PRC company which is engaging in lift door advertisement publications and convenience store door advertisement publications in certain major cities of the PRC. Pursuant to the MOU 1, the to be determined purchase consideration of the Proposed Acquisition is intended to be satisfied by the Company (i) in cash, or (ii) by allotment and issue of new shares of the Company at an issue price of HK$0.35 per share, or (iii) issue of convertible bonds carrying rights to convert into new shares of the Company at a conversion price of HK$0.35 per share, or (iv) issue of promissory notes of the Company, or (v) a combination of any of the above. In return for the granting of the exclusive right for 90 days commencing from the date of signing of the MOU 1 to negotiate the terms of the Proposed Acquisition by the Vendor, the Company was required to place a refundable deposit in the sum of HK$40 million to the Vendor, of which HK$30 million has been paid during the year.

Subsequent to the balance sheet date on 18 March 2008, the Company entered into a supplemental memorandum of understanding with the Vendor, pursuant to which, the exclusive negotiation period has been extended to 30 June 2008.

31. POST BALANCE SHEET EVENT *(Continued)*

(b) Subsequent to the balance sheet date on 28 January 2008, the Company entered into a non-legally binding memorandum of understanding (the "MOU 2") with China Innovation Investment Limited ("China Innovation") (previously known as Sino Technology Investments Company Limited), a then independent third party and a company listed on the Main Board of the Stock Exchange of Hong Kong Limited, in respect of the strategic co-operation in the civil and military dual-use optoelectronic industry. Pursuant to the MOU 2, China Innovation will base on its first-right of refusal to invest in the LED optoelectronic project of 中國兵器工業集團公司 (China North Industries Group Corporation "CNGC") to provide support to the Company on the manufacturing, assembling and development of LED optoelectronic products and related civil and military dual-use products. The Company will provide strategic solutions and distribution channels to the CNGC's optoelectronic enterprises, which are principally engaged in manufacturing of LED optoelectronic products and are also subject to potential investment by China Innovation.

On 18 March 2008, the Company entered into a cooperation letter of intent (the "LI") with China Innovation and 南京北方信息產業集團有限公司 (Nanjing North Information Industry Group Co., Ltd. "NNII"), a wholly owned subsidiary of CNGC. Pursuant to the LI, the Company, China Innovation and NNII will jointly participate in the share restructuring of 南京北方慧華光電有限公司 (Nanjing North Weihaw Optics Electronics Co., Ltd. "NNWO") which is currently controlled by NNII. Upon completion of the restructuring, NNWO will continue to regard civil and military dual-use optoelectronic products as its principal scope of business. NNWO shall carry out the share restructuring based on its net assets and the total number of shares of NNWO after share restructuring shall be 120,000,000 at Renminbi 1.0 per share. The new shareholding structure of NNWO upon completion of the share restructuring shall be as follows: (i) Renminbi 54,000,000 shall be contributed in aggregate by the former shareholders and staff company of NNWO, representing 45% of the capital; (ii) Renminbi 36,000,000 shall be contributed by China Innovation, representing 30% of the capital; and (iii) technology and distribution channels with an equivalent value of Renminbi 30,000,000 (subject to appraisal results) shall be contributed by the Company, representing 25% of the capital.

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

32. FINANCIAL INSTRUMENTS BY CATEGORY

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

31 December 2007

Financial assets

Group

	Financial assets at fair value through profit and loss - designated as such upon initial recognition	- held for trading	Held to maturity investments	Loans and receivables	Available for-sale financial assets	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables *(note 20)*	–	–	–	63,287	–	63,287
Financial assets included in prepayments, deposits and other receivables *(note 21)*	–	–	–	31,006	–	31,006
Cash and bank balances	–	–	–	24,742	–	24,742
	–	–	–	119,035	–	119,035

NOTES TO FINANCIAL STATEMENTS

31 December 2007

32. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

Financial liabilities

	Financial liabilities at fair value through profit and loss - designated as such upon initial recognition	- held for trading	Financial liabilities at amortised cost	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trust receipts loans *(note 24)*	–	–	12,040	12,040
Financial liabilities included in				
Other payables and accruals	–	–	4,752	4,752
Due to a related company *(note 25)*	–	–	167	167
	–	–	16,959	16,959

31 December 2006

Financial assets

Group

	Financial assets at fair value through profit and loss - designated as such upon initial recognition	- held for trading	Held to maturity investments	Loans and receivables	Available for-sale financial assets	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Available-for-sale investments *(note 16)*	–	–	–	–	1,342	1,342
Trade receivables *(note 20)*	–	–	–	53,275	–	53,275
Financial assets included in prepayments, deposits and other receivables *(note 21)*	–	–	–	12,450	–	12,450
Non-current assets held for sale *(note 22)*	–	3,822	–	–	–	3,822
Cash and bank balances	–	–	–	23,571	–	23,571
	–	3,822	–	89,296	1,342	94,460

NOTES TO FINANCIAL STATEMENTS

31 December 2007

32. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

Financial liabilities

	Financial liabilities at fair value through profit and loss - designated as such upon initial recognition	- held for trading	Financial liabilities at amortised cost	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables *(note 23)*	–	–	1,934	1,934
Bill payables	–	–	4,544	4,544
Trust receipts loans *(note 24)*	–	–	12,911	12,911
Financial liabilities included in other payables and accruals	–	–	5,165	5,165
	–	–	24,554	24,554

31 December 2007

Financial assets

Company

	Financial assets at fair value through profit and loss - designated as such upon initial recognition	- held for trading	Held to maturity investments	Loans and receivables	Available for-sale financial assets	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets included in prepayments, deposits and other receivables *(note 21)*	–	–	–	30,150	–	30,150
Due from subsidiaries *(note 15)*	–	–	–	47,517	–	47,517
Cash and bank balances	–	–	–	15,036	–	15,036
	–	–	–	92,703	–	92,703

NOTES TO FINANCIAL STATEMENTS

31 December 2007

32. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

Financial liabilities

	Financial liabilities at fair value through profit and loss - designated as such upon initial recognition	- held for trading	Financial liabilities at amortised cost	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial liabilities included in				
Other payables and accruals	–	–	174	174
Due to a subsidiary *(note 15)*	–	–	19,813	19,813
	–	–	19,987	19,987

31 December 2006

Financial assets

Company

	Financial assets at fair value through profit and loss - designated as such upon initial recognition	- held for trading	Held to maturity investments	Loans and receivables	Available for-sale financial assets	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets included in prepayments, deposits and other receivables *(note 21)*	–	–	–	150	–	150
Due from subsidiaries *(note 15)*	–	–	–	54,142	–	54,142
Cash and bank balances	–	–	–	11	–	11
	–	–	–	54,303	–	54,303

NOTES TO FINANCIAL STATEMENTS

31 December 2007

32. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

Financial liabilities

	Financial liabilities at fair value through profit and loss - designated as such upon initial recognition	- held for trading	Financial liabilities at amortised cost	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial liabilities included in				
Other payables and accruals	–	–	157	157

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

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

Interest rate risk

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

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

	Increase/ (decrease) in basis points %	Increase/ (decrease) in profit before tax HK$'000	Increase/ (decrease) in equity HK$'000
2007			
Hong Kong dollar	**1%**	**(30)**	**(30)**
	(1%)	**30**	**30**
2006			
Hong Kong dollar	1%	(32)	(32)
	(1%)	32	32

Foreign currency risk

The Group has transactional currency exposures as the sales and purchases of the Group were mainly transacted in United States Dollars ("USD") and Hong Kong dollar ("HKD"). Approximately 97.8% (2006: 99.6%) of the Group's sales are denominated in currencies other than the functional currency of the operating units marking the sales, and almost 99.2% (2006: 97.3%) of costs are denominated in currencies other than the units' functional currency.

The Group does not have significant foreign currency risk arising from future commercial transactions and recognised financial assets and liabilities since almost all of them are denominated in and USD and HKD, of which the exchange rate of USD was quite stable during the years ended 31 December 2006 and 2007.

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

Credit risk

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

The credit risk of the Group's other financial assets, which comprise cash and bank balances and available-for-sale financial assets, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Group is also exposed to credit risk through the granting of financial guarantees.

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

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 20 to the financial statements.

Liquidity risk

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

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and trust receipt loans. All of the Group's trust receipt loans would mature in less than one year as at 31 December 2007 and 31 December 2006.

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the level of equity indices and the value of individual securities. As at the balance sheet date, the Group has not significant equity price risk.

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

Capital management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders of issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2007 and 2006.

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

	Group	
	2007	2006
	HK$'000	*HK$'000*
Trade payables *(note 23)*	**–**	1,934
Bills payable	**–**	4,544
Other payables and accruals	**4,752**	5,165
Due to a related company *(note 25)*	**167**	–
Trust receipts loan *(note 24)*	**12,040**	12,911
Less: Cash and bank balances	**(24,742)**	(23,571)
Net debt	**(7,783)**	983
Equity attributable to equity holders	**105,213**	93,952
Total capital	**105,213**	93,952
Capital and net debt	**97,430**	94,935
Gearing ratio	**N/A**	1.0%

34. COMPARATIVE AMOUNTS

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

35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 March 2008.

Five Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below.

	Year ended 31 December				
	2007	2006	2005	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE					
Continuing operations					
– External sales	**380,523**	250,523	273,760	488,352	1,155,286
– Intercompany sales	**–**	–	–	–	27,534
	380,523	250,523	273,760	488,352	1,182,820
Discontinued operation					
– External sales	**–**	–	31,283	161,404	404
– Intercompany sales	**–**	–	451	212,419	347,310
	–	–	31,734	373,823	347,714
	380,523	250,523	305,494	862,175	1,530,534
Elimination of intercompany sales	**–**	–	(451)	(212,419)	(374,844)
	380,523	250,523	305,043	649,756	1,155,690
Cost of sales	**(359,220)**	(230,725)	(280,175)	(621,704)	(1,107,218)
Gross profit	**21,303**	19,798	24,868	28,052	48,47
Gross profit attributable to discontinued operation	**–**	–	(5,997)	(18,515)	(22,809)
Gross profit attributable to continuing operations	**21,303**	19,798	18,871	9,537	25,663
Other income and gains	**547**	1,885	4,481	58	142
Research and development costs	**–**	–	(168)	–	–
Depreciation of property, plant and equipment	**(95)**	(103)	(203)	(93)	(208)
Staff costs	**(4,495)**	(5,287)	(5,008)	(7,651)	–
Other expenses	**(6,038)**	(4,268)	(6,991)	(3,927)	(8,330)
Impairment loss on investment in securities	**–**	–	–	(2,500)	(10,994)
Other impairment losses	**(17,604)**	(2,602)	(3,000)	–	–
Finance costs	**(1,503)**	(2,397)	(906)	(591)	(81)
PROFIT/(LOSS) BEFORE TAX	**(7,885)**	7,026	7,076	(5,167)	6,192
Tax	**(314)**	(802)	(638)	(812)	(740)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**(8,199)**	6,224	6,438	(5,979)	5,452
PROFIT/(LOSS) FROM DISCONTINUED OPERATION	**–**	–	(711)	(2,862)	3,078
	(8,199)	6,224	5,727	(8,841)	8,530
ASSETS AND LIABILITIES					
TOTAL ASSETS	**127,218**	123,178	159,791	172,728	195,294
TOTAL LIABILITIES	**(22,005)**	(29,226)	(83,271)	(101,527)	(115,567)
	105,213	93,952	76,520	71,201	79,727