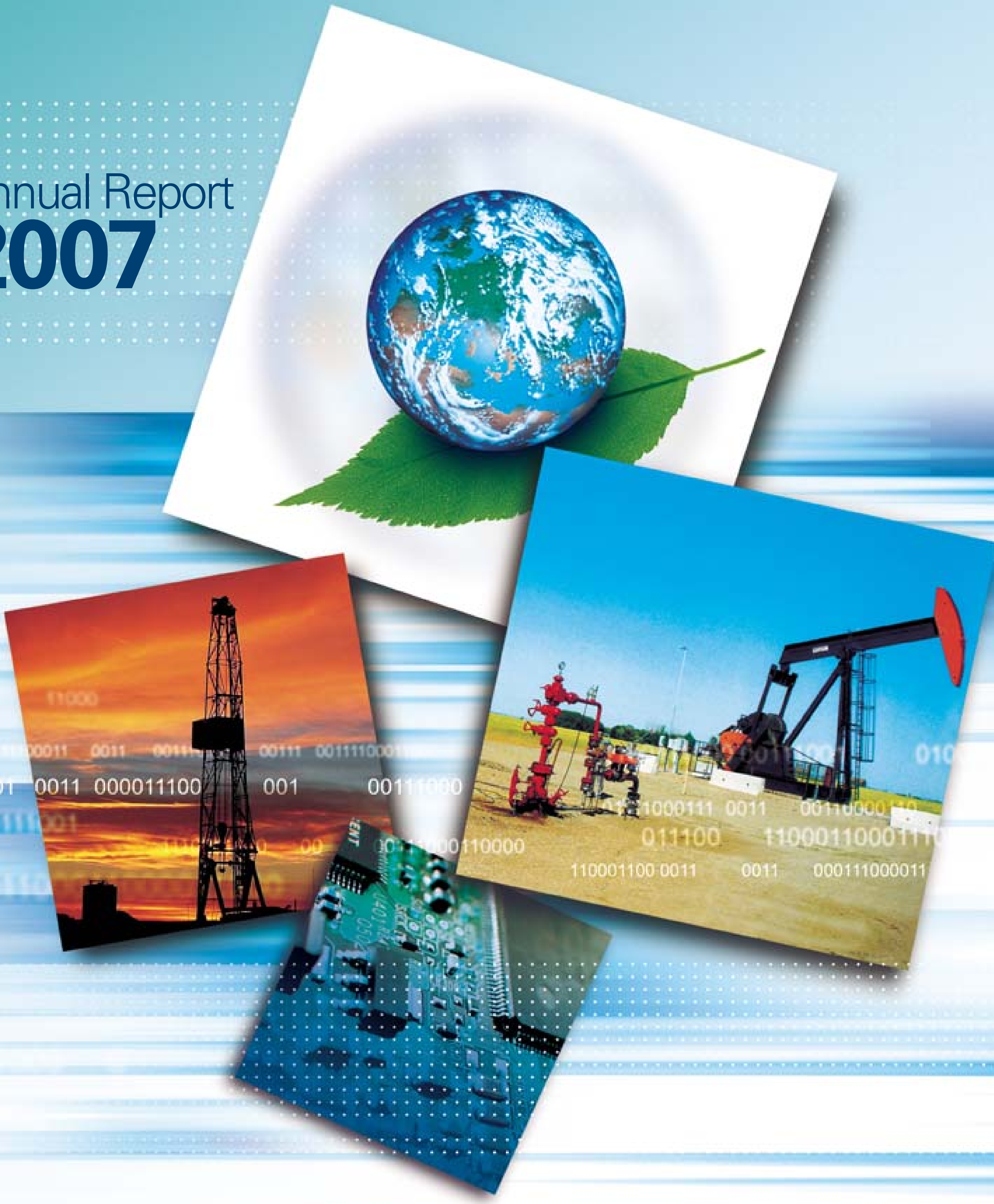
Enviro Energy

Enviro Energy International Holdings Limited
環能國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8182)

Annual Report 2007



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 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. 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 annual 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 annual report.

This annual report, for which the directors of Enviro Energy International Holdings Limited (the "Directors") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange for the purpose of giving information with regard to Enviro Energy International 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 annual 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 annual report misleading; and (3) all opinions expressed in this annual report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. CHAN Wing Him Kenny *(Chairman)*
(appointed on 29 November 2006)
Mr. CHAN Man Ching
(appointed on 29 November 2006)

Independent Non-executive Directors

Mr. POON Lai Yin Michael
(appointed on 20 December 2006)
Mr. LO Chi Kit
(appointed on 20 December 2006)
Mr. TAM Hang Chuen
(appointed on 20 December 2006)

COMPANY SECRETARY

Mr. CHAN Man Ching CPA, CPA (Aust.)
(appointed on 2 March 2007)

QUALIFIED ACCOUNTANT

Mr. CHAN Man Ching CPA, CPA (Aust.)
(appointed on 1 January 2007)

COMPLIANCE OFFICER

Mr. CHAN Man Ching CPA, CPA (Aust.)
(appointed on 20 December 2006)

AUTHORISED REPRESENTATIVES

Mr. CHAN Wing Him Kenny
Mr. CHAN Man Ching

AUDIT COMMITTEE MEMBERS

Mr. POON Lai Yin Michael *(Chairman)*
(appointed on 20 December 2006)
Mr. LO Chi Kit
(appointed on 20 December 2006)
Mr. TAM Hang Chuen
(appointed on 20 December 2006)

REMUNERATION COMMITTEE MEMBERS

Mr. POON Lai Yin Michael *(Chairman)*
(appointed on 20 December 2006)
Mr. LO Chi Kit
(appointed on 20 December 2006)
Mr. TAM Hang Chuen
(appointed on 20 December 2006)

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit A, 7th Floor
Guangdong Investment Tower
148 Connaught Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
Grand Cayman KY1-1107
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
26/F Tesbury Centre
28 Queen's Road East
Hong Kong

INDEPENDENT AUDITOR

Lak & Associates C.P.A. Limited
Certified Public Accountants
3rd Floor, Chinachem Tower
34-37 Connaught Road Central
Hong Kong

LEGAL ADVISORS

Dibb Lupton Alsop
40th Floor, Bank of China Tower
1 Garden Road Central
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Bank of China (Hong Kong) Limited

COMPANY WEBSITE

www.enviro-energy.com.hk

GEM STOCK CODE

8182

Chairman's Statement

In view of the current business environment and less than favorable financial results owing to a variety of factors, the management of Enviro Energy International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") has considered alternative measure and business direction to increase shareholders' value.

Our financial performance has been unquestionably affected by the economic conditions in IT sector and the results for the reporting year were fair. This was also attributed to the fact that the Group is currently still undergoing its development stage in regards to building a strong and dynamic brand name in the market, where reasonable amount of costs, effort and resources are required at this stage to fuel the Group's growth and certainly for increased future profitability.

Based on the expertise and experience of the new management of the Company and after exploration and negotiation, the Group has started to expand its business scope from information technology solutions and services, software development for e-commerce and human resources management and information technology services and consultations to more climate change related technology especially in geological sequestration of CO_2. More discussions will be initiated with the PRC and international parties on future joint venture projects related to CO_2 sequestration.

Subsequent to the balance sheet date on 14 September 2007, the Company entered into a conditional sale and purchase agreement (the "Agreement") with Global Richland Investment Limited ("Global Richland") to acquire the entire issued share capital of Allied Resources Limited ("Allied Resources"), a company incorporated in Hong Kong, which wholly owns Jilin Hangli Enterprise Limited ("Jilin Hangli"), a company established under the laws of the People's Republic of the PRC (the "PRC") (the "Proposed Acquisition"). Jilin Hangli holds 50% of the equity interest of Qian An Oilfield Development Company Limited ("Qian An"), an equity joint venture company established under the laws of the PRC. The other 50% of the equity interest of Qian An is beneficially owned by PetroChina Company Limited ("PetroChina"), whose "H" shares and American depository shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the New York Stock Exchange, Inc. respectively.

Qian An is principally engaged in the exploitation of petroleum resources activities and production of petroleum. Its major assets include oilfields encompassing a total area of approximately 15 square kilometers which have over 60 producing and suspended wells and related facilities in the Jilin Qian An area of the PRC with a current combined production of approximately 450 barrels of light oil per day. Most part of light oil can be turned into high-valued products e.g. gasoline, kerosene after distillation (i.e. refinery).

The management of the Company has the knowledge to undertake energy-related projects. Both Mr. HO Tak Yuen Peter, a senior executive vice president of the Company, and myself, being one of the executive directors, the chairman of the Company and the ultimate beneficial owner of Colpo Mercantile Inc., the controlling shareholder of the Company, have extensive experience in the energy field for over 20 years.

In view of the high growth potential and promising prospect of the enviro-energy industry, the board of directors of the Company (the "Board") considers that the future of the energy-related pursuit of the Company will benefit from the expected continuous growth in the enviro-energy and resources market. The Proposed Acquisition will broaden the income base of the Company. Upon completion of the Proposed Acquisition, Qian An is expected to become a jointly controlled entity of the Group and its results would be proportionately consolidated into the financial statements of the Group. The Board believed that the Proposed Acquisition will generate substantial profit and cash flow to the Company. The existing business of the Group shall be maintained in the foreseeable future subsequent to the completion of the Proposed Acquisition.

Chairman's Statement

Our future objective is to focus on exploiting our existing CO_2 sequestration technology to build and secure long-term cash flow for the Company. The Company's mid-term objective is to identify new opportunities where production can be achieved quickly and efficiently to create cash flow to fund our operations and allow us to pursue our enviro-energy opportunities.

The management of the Company strongly believes the new climate change related technology will provide ample opportunities for the Company in the PRC and other regions dealing with this CO_2 capture and sequestration process and is looking forward to reporting any positive and prosperous progress to the shareholders of the Company (the "Shareholders") on a regular and timely basis.

I would like to take this opportunity to express my appreciation for the continuous support of our Shareholders, partners and hard work and dedication of all our staff over the past year.

CHAN Wing Him Kenny
Chairman

Hong Kong, 12 October 2007

Management Discussion and Analysis

BUSINESS REVIEW

During the year under review, the Group continued its information technology solutions and services, software development for e-commerce and human resources management, as well as information technology services and consultations; while in the meantime, the Group had explored into more resources related projects.

During the year, the Group's objective was to create Shareholders' value by finding and enhancing petroleum and coalbed methane reserves around the world principally through the application of the CO_2 sequestration technology.

On 10 April 2007, the Company entered into an exclusivity agreement (the "Exclusivity Agreement") with Global Richland Investment Limited ("Global Richland"), an independent third party, pursuant to which Global Richland had agreed to, among others, grant an exclusivity period of six months, to the Company for conducting due diligence on Allied Resources Limited ("Allied Resources"), a company incorporated in Hong Kong with limited liability, with a view to acquiring the entire issued share capital of Allied Resources (the "Proposed Acquisition"). A refundable deposit of HK$3.6 million, which will form part of the consideration, was paid to Global Richland on 10 April 2007.

Allied Resources, a wholly-owned subsidiary of Global Richland, entered into an equity transfer agreement dated 19 January 2007 to acquire the entire equity interest of 吉林恆利實業有限責任公司 (Jilin Hangli Enterprise Limited) ("Jilin Hangli"), a company established under the laws of the PRC. Jilin Hangli beneficially owns 50% of the equity interest of 乾安石油開發有限責任公司 (Qian An Oilfield Development Company Limited) ("Qian An"), an equity joint venture company established under PRC laws. The other 50% of the equity interest of Qian An is beneficially owned by PetroChina Company Limited. Qian An is principally engaged in exploitation of petroleum resources activities and production of petroleum.

On 19 July 2007, the Company entered into a supplemental deed to the Exclusivity Agreement with Global Richland (the "Supplemental Deed"), pursuant to which Global Richland had agreed to, among others, further extend the exclusivity period up to 31 December 2007 (the "Extended Exclusivity Period"). An additional refundable deposit of HK$90 million, which will form part of the consideration of the Proposed Acquisition was paid to Global Richland in July 2007.

CHANGE OF COMPANY NAME

Pursuant to a special resolution passed by the Shareholders in the extraordinary general meeting held on 23 March 2007, the Company had changed its name from "Sys Solutions Holdings Limited" and "軟迅科技控股有限公司" to "Enviro Energy International Holdings Limited" and "環能國際控股有限公司" to reflect the change in the business focus of the Group. The Certificate of Incorporation on Change of Name issued by the Registrar of Companies in each of the Cayman Islands and Hong Kong has certified that the Company's name was changed and registered with effect from 3 April 2007 and 25 May 2007 respectively.

FINANCIAL REVIEW

For the year ended 31 July 2007, the Group recorded a revenue of HK$3,373,893, representing a decrease of 52% as compared with HK$6,988,225 of last year. The gross profit margin for the year was 15%, while it was about 5% in the pervious year. During the year, the Company focused on more profitable network infrastructure maintenance and reinforcement services, which contributed a higher gross profit margin.

Management Discussion and Analysis

FINANCIAL REVIEW *(Continued)*

The loss from operating activities for the year ended 31 July 2007 increased by 490% from HK$7,786,129 to HK$45,973,559 as a result of increase in overall administrative and operating expenses by 538% from HK$8,247,844 to HK$52,633,888 this year. The main reason for this increase in loss was because the Group has applied HKFRS 2 "Share-based Payment" in the current year, which requires an expense to be recognized where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The Share-based Payment amount to HK$37,228,098 (2006: Nil) was recognized in the book of the Company for the year ended 31 July 2007.

The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors' and employees' share options of the Company determined at the date of grant of the share options over the vesting period.

FUND RAISING

With a view to enlarging the Company's shareholder base and strengthening the financial position of the Company, the Company issued a total of 24,000,000, 49,995,000 and 179,091,000 new shares of HK$0.01, HK$0.005 and HK$0.005 each at the issue price of HK$0.40, HK$0.80 and HK$2.55 per share, for cash, on 26 February, 28 May and 16 July 2007 respectively. Part of the total net proceeds of approximately HK$498 million from the placings have been, and the balance is intended to be, used for financing the development and management of enviro-energy projects and other potential investment opportunities.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

For the year under review, the Group financed its operations primarily with internally generated cash flows and fund raised by the above-mentioned share placings.

As at 31 July 2007, the Group had net assets of HK$483,146,100 (2006: net liabilities of HK$4,164,328) of which HK$395,115,097 (2006: HK$485,791) were bank and cash balances.

As at 31 July 2007, the Group did not have any composite bank facilities (2006: Nil).

SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS

As at 31 July 2007, the Group had not authorised or contracted for any capital expenditure commitments and no future plans for material investments or capital assets.

In view of the high growth potential and promising prospect of the enviro-energy industry, the Board considers that the future of the energy-related pursuit of the Company will benefit from the expected continuous growth in the enviro-energy and resources market.

The Board believed that the Acquisition will generate substantial profit and cash flow to the Company. Detail of the aforesaid Acquisition are set out in the Chairman's Statement of this annual report.

ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Save as disclosed above, the Group had no material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 July 2007.

Management Discussion and Analysis

COMMENTS ON SEGMENTAL INFORMATION

The directors of the Company (the "directors") consider that the Group's primary segment reporting basis is by business segment. The Group's operating businesses are structured and managed separately, according to the nature of their operations and products and services they provide.

The directors consider that no analysis for geographical segment is presented as over 90% of the Group's revenue, assets and liabilities were derived from services rendered or located in Hong Kong during the current and the prior year.

EMPLOYEE INFORMATION

As at 31 July 2007, the Group had 18 full time employees (2006: 28), around 88% of whom were located in Hong Kong. The total staff costs, including directors' emoluments, amounted to HK$45,089,340 (2006: HK$5,305,372) of which a share-based payment of HK$37,228,098 (2006: Nil) was included for the year under review.

The Group remunerates its employees mainly based on industry practices and individual performance and experience. On top of the regular remuneration, discretionary bonus, and share options may be granted to selected staff by reference to the Group's performance as well as the individual's performance. Other benefits, such as medical and retirement benefits and training programs, are also provided.

CHARGE ON GROUP ASSETS

As at 31 July 2007, the Group did not have any charge on group assets or any significant contingent liabilities (31 July 2006: Nil).

GEARING RATIO

The gearing ratio of the Group calculated as a ratio of total liabilities to net assets (2006: net liabilities) was 0.01 as at 31 July 2007 as compared to 1.73 as at 31 July 2006.

FOREIGN EXCHANGE EXPOSURE

The Group mainly earns revenue and incurs costs in Hong Kong dollars, Renminbi and United States dollars. Risk on exposure to fluctuation in exchange rates should be minimal as there is no material fluctuation in the exchange rate between Hong Kong dollars, Renminbi and United States dollars.

CONTINGENT LIABILITIES

As at 31 July 2007, the Group did not have any significant contingent liabilities (2006: Nil).

PROSPECTS

The management of the Company is pleased to report to our Shareholders that during the last quarter, a series of successful financing events had been achieved with funding of more than approximately HK$498 million being raised. The successful financing enable the Company to fund potential projects both in the PRC and overseas related to CO_2 reduction and energy production in this region. It also demonstrated to the financial community that investment into projects of the Company can be rewarding and challenging. As the investment community and general public realize the potential market of this new industry, which anticipates to explode in the next few years, more financial support from private and public sectors are anticipated which will help to grow this industry in an exponential fashion. As a pioneer in this new sector, the Company will significantly benefit from this new market.

Management Discussion and Analysis

PROSPECTS *(Continued)*

The demand for CO_2 reduction in the PRC and worldwide has created a new industry in which the Company is a pioneer, and is expanding its market share. The focus on the PRC provides the Company with tremendous opportunities to expand into the PRC's oil, coal, natural gas and coalbed methane industries which require top notch technology and funding to achieve its national goal in energy supply. The management of the Company is pleased to have continuous support from the PRC's major operation partners such as PetroChina, China United Coalbed Methane Corp ("CUCBM") and its overseas affiliate such as Alberta Research Council to work closely together on projects that will shape the environment and energy industry in the PRC.

CO_2 emission reduction has now become the focal point of many countries especially in developing countries. The PRC, as a major developing country with tremendous economic growth, has also become one of the largest CO_2 emitters. CO_2 geological sequestration is one of the innovative solutions in reducing CO_2 emission into atmosphere by burying CO_2 in deep underground formation. The PRC has both good sources (CO_2) and sink (underground storage space) that, if used properly, can store at least 25% of CO_2 emitted annually. The process is complicated and requires tremendous amount of capital and government support to achieve its goal. The Company and its affiliated groups have set its goal to be the first foreign company in the PRC to initiate this technology and fund the infrastructure required to implement a nation-wide CO_2 geological sequestration system.

The Company anticipates that these potential projects will bring high return to our Shareholders in the upcoming future and that the Company will also be portrayed as a "Green" industry leader. With a systematic approach in implementing these projects, the goal of the Company's management is to develop and shape the Company into the largest foreign CO_2 geological sequestration operator in the PRC within five years.

Subsequent to the balance sheet date, the Company entered into a 2nd supplemental deed to the Exclusivity Agreement and Supplemental Deed with Global Richland on 16 August 2007 (the "2nd Supplemental Deed") and a conditional sale and purchase agreement with Global Richland on 14 September 2007 (the "Agreement") in relation to the Proposed Acquisition. The Company continues to pursue immediate cash flow project such as acquiring Jilin Qian An oilfield through the Proposed Acquisition. The Proposed Acquisition will be the first of its kind for Hong Kong listed company to participate into the PRC's oil upstream industry. Despite the regulatory approval process in Hong Kong and in the PRC, the Proposed Acquisition is anticipated to be completed in the near future. Qian An oilfields provide the Company with exceptional high potential in oilfield development and exploration. With proper reservoir management and more extensive exploration work including seismic acquisition, infill drilling, deep zone test, water injection patter reversal and other measures, we anticipate the two oilfields will have significant upside potential to the existing production and will provide steady good cash flow to the Company. The recent surge in oil price per barrel will also benefit the Company's cash flow position in the next few quarters.

The Group will continue to pursue other oil and gas acquisition potentials both in the PRC and overseas. We anticipate more major development related to oil and gas acquisition will be achieved and such acquisition will continue to provide the Company with a stable cash flow and positive return in investment. In addition, the Group is also seeking mid to long-term potentials on clean energy projects such as natural gas and coalbed methane development. These gas properties will take time to develop from pilot stage to commercialisation stage. However, these types of plays also provide long-term reserve and steady production to the Company.

In conclusion, the Group has gradually morphed into a real enviro-energy company with focus on short-term cash flow and long-term solid return in capital investment and dominance in CO_2 geological sequestration technology.

We believe that increasing public awareness of environmental related issues and the growing desire of many countries to limit environmentally-damaging behavior and to promote the growth of alternative energy sources, the Group has poised to implement projects that reduce carbon emissions (key climate change issue) explanation on the applied technology, while to enhance energy reserves.

The management of the Company believes that by conducting the Company's business in a well-governed and socially responsible manner, its long-term interests and those of its Shareholders will be maximised.

Corporate Governance Report

The directors and the Company are committed to the maintenance of good corporate governance practices and procedures. The corporate governance principles of the Company emphasise a quality board of directors, sound internal controls, and transparency and accountability to all shareholders. The Company applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the Code on Corporate Governance Practices (the "Code on CG Practices") as set out in Appendix 15 to the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") with a view to enhancing the management efficiency of the Company as well as preserving the interests of the Shareholders as a whole throughout the year ended 31 July 2007.

BOARD COMPOSITIONS AND BOARD OF DIRECTORS

The Board is collectively responsible for overseeing the management of the business and affairs of the Group with the objective of enhancing shareholders' value. The Board consists of a total of five Directors; comprising two executive directors and three independent non-executive directors ("INEDs") with one INED possessing appropriate professional qualifications, or accounting or related financial management expertise as required by the GEM Listing Rules. All directors (including INEDs) are subject to retirement by rotation once every three years in accordance with the articles of association of the Company (the "Articles of Association") and the Code on CG Practices.

The chairman of the Board (the "Chairman"), being Mr. CHAN Wing Him Kenny, is responsible for the overall management and strategic planning of the Group.

The secretary of the Company (the "company secretary") is responsible to the Board for ensuring that Board procedures are followed and for ensuring that the Board is briefed on all legislative, regulatory and corporate governance developments and that the Board has regard to them when making decisions. The company secretary, together with the Board, are also directly responsible for the Group's compliance with the continuing obligations of the GEM Listing Rules, the Hong Kong Codes on Takeovers and Mergers and Share Repurchases, the Companies Ordinance, Chapter 32 of the Laws of Hong Kong (the "Companies Ordinance"), the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO") and other applicable laws, rules and regulations.

DIRECTORS' SECURITIES TRANSACTIONS

The Company had adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the year ended 31 July 2007. Having made specific enquiry with all Directors, the Directors have complied with the code of conduct and the required standard of dealings concerning securities transactions by the Directors throughout the year ended 31 July 2007.

Corporate Governance Report

BOARD OF DIRECTORS

The composition of the Board ensures a balance of skills and experience appropriate for the requirements of the business of the Company. The Board as at the date of this annual report comprises:

Executive Directors:
Mr. CHAN Wing Him Kenny *(Chairman)*
Mr. CHAN Man Ching

Independent Non-executive Directors:
Mr. POON Lai Yin Michael
Mr. LO Chi Kit
Mr. TAM Hang Chuen

The Board is responsible to the Shareholders for overseeing the Group's overall business, strategic decisions and directions, annual budget, and other major corporate matters. The management team was delegated the authority and responsibility by the Board for the daily operations and administration of the Group.

The Board held sixteen (16) meetings during the year ended 31 July 2007. The attendance record of each director is as follows:

	Number of Board meetings attended/eligible to attend
Executive Directors:	
Mr. CHAN Wing Him Kenny	16/16
Mr. CHAN Man Ching	16/16
Independent Non-executive Directors:	
Mr. POON Lai Yin Michael	16/16
Mr. LO Chi Kit	13/16
Mr. TAM Hang Chuen	16/16

Board minutes are kept by the company secretary. 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 meetings.

Throughout the year ended 31 July 2007, the Board at all times met the requirements of the GEM Listing Rules relating to the appointment of at least three INEDs with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise. In addition, more than one-third of the Board is consisted of INEDs so there is strong element of independence in the Board to exercise independent judgment.

BOARD OF DIRECTORS *(Continued)*

Each of the INEDs has made an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers that all of the INEDs meet the independence guidelines set out in Rule 5.09 of the GEM Listing Rules and are independent in accordance with terms of the guidelines.

To the knowledge of the directors, the Board members have no financial, business, family or other relationships with each other.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman is responsible for management of the Board, the strategic planning of the Group and the day-to-day management of the Group's business.

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separated and should not be preformed by the same individual. During the year ended 31 July 2007, the Chairman was Mr. CHAN Wing Him Kenny. There was no official appointment of a chief executive officer, as the Board considers that the executive directors and the senior management staff can adequately undertake daily business decisions with the relatively small size of the Group. The Board will review the existing structure from time to time.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. The INEDs are appointed for a specific term. All directors are appointed subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the articles of associations of the Company (the "Articles of Associations").

Code Provision A.4.2 stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. According to article 108 of the Articles of Association, at each annual general meeting, one-third of the directors for the time being, or, if the number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every director, including those appointed for a specific term or holding office as chairman, deputy chairman, managing director or joint managing director, shall be taken into account in determining the number of directors to retire and subject to retirement by rotation at least once every three years.

As the Board as a whole is responsible for reviewing the Board composition, selection and approval of candidates for appointment as directors to the Board, the Company has not set up a nomination committee in accordance with the requirements for the time being. In considering the nomination of a new director or where vacancies on the Board exist, the Board will take into account of the skills, qualification, working experience, professional knowledge, leadership and personal integrity of the candidates. Any newly appointed director to the Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting. The Board will review its composition regularly to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company. Biographical details of the Directors as at the date of this report are set out on page 15 of this annual report.

Corporate Governance Report

INDEPENDENT AUDITOR'S REMUNERATION

During the year, the independent auditor provided the following audit and permissible non-audit services to the Company:

	2007	2006
	HK$	*HK$*
Audit	**250,000**	220,000
Tax advisory	**3,000**	–
Other advisory services	**10,000**	–
	263,000	220,000

CORPORATE GOVERNANCE PRACTICES AND PROCEDURES

The Group believes that enhancing good corporate governance demands long-term commitment from management and that the distinctive roles and functions of different committees are important in strengthening internal control.

During the year, the Company has compiled with the new Code on Corporate Governance Practices as set out in the Appendix 15 of the GEM Listing Rules.

BOARD COMMITTEES

The Board has established several committees. The terms of reference of the Audit Committee and Remuneration Committee (both hereinafter defined) are of no less exacting terms than those set out in Code on Corporate Governance Practices. All committees are provided with sufficient resources to discharge their duties.

MANAGEMENT COMMITTEE

The management committee of the Company (the "Management Committee"), which comprises two executive directors, namely Mr. CHAN Wing Him Kenny and Mr. CHAN Man Ching, was established on 22 June 2007 and operates as a general management committee with overall delegated authority from the Board. The Management Committee manages the daily operation of the Company and reports through the Chairman to the Board.

During the year ended 31 July 2007, two (2) meetings of the Management Committee had been held with the following attendances:

	Number of committee meetings attended/eligible to attend
Mr. CHAN Wing Him Kenny	2/2
Mr. CHAN Man Ching	2/2

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

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises three members who are the three INEDs, namely, Mr. POON Lai Yin Michael ("Mr. Poon"), Mr. LO Chi Kit and Mr. TAM Hang Chuen and Mr. Poon is the chairman thereof.

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control systems of the Group. The Audit Committee reviews the quarterly, interim and annual reports of the Company 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 the accounting standards, the GEM Listing Rules and the legal requirements in the review of the Company's quarterly, interim and annual reports.

During the year ended 31 July 2007, three (3) meetings of the Audit Committee had been held with the following attendances:

	Number of committee meetings attended/eligible to attend
Mr. Poon	3/3
Mr. LO Chi Kit	3/3
Mr. TAM Hang Chuen	3/3

Full minutes of the Audit Committee meetings are kept by a duly appointed secretary of the Company. Draft and final versions of the 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 meetings.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") currently comprises three INEDs, namely Mr. Poon, Mr. LO Chi Kit and Mr. TAM Hang Chuen and Mr. Poon is the chairman thereof. The principal responsibilities of the Remuneration Committee include the formulation of the Company's remuneration policy, the approval or recommendation of remuneration packages for the directors and senior management, and the review and approval of remuneration by reference to the performance of the individual and the Company as well as market practice and conditions.

Five (5) meetings of the Remuneration Committee had been held during the reporting year and the attendance of each member is set out as follows:

	Number of committee meetings attended/eligible to attend
Mr. Poon	5/5
Mr. LO Chi Kit	5/5
Mr. TAM Hang Chuen	5/5

ACCOUNTABILITY AND AUDIT

The Board acknowledges their responsibility for preparing the financial statements of the Group and ensures the financial statements have adopted the accounting principles generally accepted in Hong Kong and complied with the requirements of the Hong Kong Financial Reporting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Companies Ordinance and the GEM Listing Rules.

The statement of the auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 25 to 26 of this annual report.

There are no material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

INTERNAL CONTROLS

The Board has overall responsibilities for maintaining an adequate and effective internal control systems and for reviewing its effectiveness to safeguard the Company's assets against unauthorised use or disposition, and to protect the interests of Shareholders.

COMMUNICATION WITH SHAREHOLDERS

The Board recognises the importance of good communication with Shareholders. Information in relation to the Group is disseminated to Shareholders in a timely manner through a number of formal channels, which include quarterly, interim and annual reports, announcements and circulars.

The Company also acknowledges that general meetings are valuable forums for the Board to communicate directly with the Shareholders and members of the Board and committees are encouraged to attend and answer questions at the general meetings.

Directors and Senior Management Profile

EXECUTIVE DIRECTORS

Mr. CHAN Wing Him Kenny ("Mr. Kenny Chan"), aged 56, is the chairman and an executive director of the Company and is responsible for corporate planning, business development strategy and overall direction of the Group. Mr. Kenny Chan is also a director, co-chairman and the chief executive officer of Petromin Resources Limited ("Petromin"), a company which shares are listed on the Toronto Stock Exchange Venture Board. As at the date of this report, Mr. Kenny Chan held approximately 3.9% of the shares of Petromin. Concurrently, Mr. Kenny Chan is a director of Hollingport Venture Inc., a company listed on the Toronto Stock Exchange Venture Board with approximately 15% shareholding of the company. He is an entrepreneur and financier with over 24 years of experience in the resources and financial industry in North America. He also has extensive overseas networks and close relationships with business and financial communities in North America and Asian countries.

Mr. CHAN Man Ching, aged 38, is an executive director of the Company, the qualified accountant, the chief financial officer and company secretary of the Group. Mr. Chan Man Ching is responsible for overall financial and accounting management of the Group. Mr. Chan was an executive director of SYSCAN Technology Holdings Limited, a company listed on GEM. He graduated from the University of South Australia with a bachelor's degree in accountancy. He is a member of the Hong Kong Institute of Certified Public Accountants and CPA Australia. He has over 14 years' experience in accounting, auditing and taxation.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. POON Lai Yin Michael, aged 35, joined the Group in December 2006. He is the financial controller and company secretary of Sonavox International Holdings Limited ("Sonavox"), a company which shares are listed on GEM. He is responsible for financial reporting and monitoring the operations of the finance and accounting department of Sonavox. Mr. Poon has over ten years of experience in providing business advisory assurance, taxation and accounting services. Before joining Sonavox, he had provided business advisory and assurance services to certain listed companies. He graduated with a bachelor's degree in administrative studies with York University in Canada and a master's degree in practicing accounting with Monash University in Australia. He is also a member of the Hong Kong Institute of Certified Public Accountants and CPA Australia. Mr. Poon is an independent non-executive director of the Quaypoint Corporation Limited since November 2006, a company which shares are listed on the Main Board of the Stock Exchange.

Mr. LO Chi Kit, aged 46, joined the Group in December 2006. He is a businessman who has extensive experience in senior management and business operations, in particular, in the waste treatment and the sale and purchase of fruit and vegetables business.

Mr. TAM Hang Chuen, aged 52, joined the Group in December 2006. He is a businessman with more than 20 years experience in senior management and business operations, in particular, in the printing industry. Mr. Tam has broad connection with commercial groups in Asian region.

Directors and Senior Management Profile

SENIOR MANAGEMENT

Mr. HO Tak Yuen, Peter, aged 51, joined the Group in February 2007 and is the Senior Executive Vice President of the Company on business development and corporate strategy.

Mr. Ho is a highly respectable Petroleum Engineer in Oil and Gas Reservoir Simulation and Enhanced Oil Recovery in Canada and the PRC. With Mr. Ho's extensive experience in the energy field and broad networks and close relationships with the energy communities in North America and the PRC, the Company expects to utilize his expertise and networks to expand the Company's operations and seek more development opportunities.

Mr. Ho is currently a Senior Vice President of Petromin which is principally engaged in acquiring and developing oil and gas properties. He has also been the advisor on reservoir engineering and simulation of Computer Modelling Group Limited since 1996. He is an engineer with over 27 years' experience in the energy resources sector in North America. He has worked as a senior independent oil and gas consultant and trainer to the Chinese energy majors and other foreign national companies in Reservoir Simulation and Enhanced Oil Recovery for the past 10 years. From conducting training on Coalbed Methane production in Colombia to designing Enhanced Oil Recovery scheme for the biggest petroleum companies in the PRC, Mr. Ho has demonstrated the use of sophisticated reservoir simulation technology to resolving energy development scheme worldwide. Mr. Ho graduated from University of Ottawa, Canada, with a bachelor's degree in Applied Science (Chemical Engineering) in 1979. Mr. Ho is a member of the Association of Professional Engineers, Geologists and Geophysicists of Alberta.

Report of the Directors

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries of the Company are set out in note 16 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND APPROPRIATIONS

The Group's loss for the year ended 31 July 2007 of the Group is set out in the financial statements on page 27.

The Directors do not recommend the payment of any dividends in respect of the year.

SUMMARY FINANCIAL INFORMATION

The following is a summary of the published consolidated results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and the prospectus of the Company dated 30 January 2003 (the "Prospectus") as set out in the note below. This summary does not form part of the audited financial statements.

Results

	Year ended 31 July				
	2007	2006	2005	2004	2003
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Revenue	**3,373,893**	6,988,225	22,514,073	15,881,193	10,188,743
Loss before tax	**(45,973,559)**	(7,786,129)	(13,619,267)	(12,165,261)	(9,376,639)
Tax	**–**	–	–	–	–
Net loss attributable to equity shareholders of the Company	**(45,973,559)**	(7,786,129)	(13,619,267)	(12,165,261)	(9,376,639)

SUMMARY FINANCIAL INFORMATION *(Continued)*

Assets and liabilities

	As at 31 July				
	2007	2006	2005	2004	2003
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Non-current assets	**524,363**	685,315	1,198,004	3,033,000	1,779,923
Current assets	**489,859,040**	2,362,722	10,100,922	19,285,711	28,993,731
Current liabilities	**(7,237,303)**	(7,212,365)	(7,620,293)	(6,268,211)	(2,557,893)
Net current assets/(liabilities)	**482,621,737**	(4,849,643)	2,480,629	13,017,500	26,435,838
Net assets/(liabilities)	**483,146,100**	(4,164,328)	3,678,633	16,050,500	28,215,761

PLANT AND EQUIPMENT

Details of movements in the plant and equipment of the Company and of the Group during the year are set out in note 15 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the share capital and share options of the Company during the year ended 31 July 2007, together with the reasons therefor, are set out in notes 25 and 26 to the financial statements, respectively.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association of the Company or the Laws of the 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 listed securities of the Company during the year.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 27 to the financial statements and in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

As at 31 July 2007, the Company had no reserves available for distribution, except that under the provisions of the Companies Law of the Cayman Islands, the Company's share premium account and capital reserve and less accumulated losses, of HK$441,221,471 in aggregate as at 31 July 2007, may be distributed provided that immediately following the date on which a 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.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 78.1% of the Group's total sales for the year and sales to the largest customer included therein accounted for approximately 56.1%.

Purchases from the Group's five largest suppliers accounted for approximately 53.2% of the Group's total purchases for the year and purchases from the largest supplier included therein accounted for approximately 30.8%.

One of the Group's five largest customers for the year ended 31 July 2007 (accounted for 7.1% of the Group's total sales for the year) was Pushang Management Services Limited, a company incorporated in Hong Kong and a director of which is Mr. Lam Chi Shing, former chairman and executive director of the Company. Mr. Lam Chi Shing resigned on 20 December 2006 and for details please refer to "Related Party Transaction" in note 30 to the financial statements.

Saved as disclosed above, during the year none of the directors or any of their associates or any Shareholders (which, to the best knowledge of the directors, own more than 5% of the issued share capital of the Company) had any beneficial interest in the Group's five largest customers or suppliers.

DIRECTORS

The directors during the year were:

Executive directors:

Mr. CHAN Wing Him Kenny	(appointed on 29 November 2006)
Mr. CHAN Man Ching	(appointed on 29 November 2006)
Mr. LAM Chi Shing	(resigned on 20 December 2006)
Mr. YUEN Kin Tong	(resigned on 20 December 2006)
Mr. CHAN Chi Hung	(resigned on 20 December 2006)

Independent non-executive directors:

Mr. POON Lai Yin Michael	(appointed on 20 December 2006)
Mr. LO Chi Kit	(appointed on 20 December 2006)
Mr. TAM Hang Chuen	(appointed on 20 December 2006)
Mr. LAU Siu Ki Kevin	(resigned on 20 December 2006)
Mr. WANG Yat Yee Mark	(resigned on 20 December 2006)
Mr. ZHANG Guo Xuan	(resigned on 20 December 2006)

In accordance with articles 112 of the Articles of Association, Mr. POON Lai Yin Michael, Mr. LO Chi Kit and Mr. TAM Hang Chuen will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting respectively.

DIRECTORS *(Continued)*

The Company has received, from each of the INEDs, an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers all of the INEDs are independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and senior management of the Group are set out on pages 15 and 16 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. CHAN Wing Him Kenny and Mr. CHAN Man Ching entered into a service contract with the Company on 20 December 2006 for an initial fixed term of three years commencing from 29 November 2006 which shall continue thereafter, subject to termination by either party with not less than three months' notice served in writing.

Each of Mr. POON Lai Yin Michael, Mr. LO Chi Kit and Mr. TAM Hang Chuen entered into a 2-year service contract with the Company. They are subject to the provisions governing the retirement and rotatlon of directors in the Articles of Association.

Save as aforesaid none of the directors 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 Remuneration Committee with reference to directors' duties and responsibilities.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 30 to the financial statements, no director had a significant beneficial interest, 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 AND DEBENTURES

As at 31 July 2007, the interests and short positions of the directors and the chief executive of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules, were as follows:

Long positions in ordinary shares of the Company:

Name of director	*Note*	Corporate interests	Approximate Percentage of the Company's issued share capital	Capacity and nature of interest
Mr. CHAN Wing Him Kenny	*(a)*	591,270,000	55.03%	Through a controlled corporation
		591,270,000	55.03%	

Note:

(a) These shares are held by Colpo Mercantile Inc. ("Colpo") The entire share capital of Colpo is beneficially owned by Mr. CHAN Wing Him Kenny, who is therefore deemed to be interested in the shares held by Colpo.

In addition to the above, Mr. CHAN Wing Him Kenny has non-beneficial personal equity interests in certain subsidiaries of the Company held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

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

DIRECTOR'S RIGHTS TO ACQUIRE SHARES

Apart from as disclosed under the paragraph headed "Directors' and chief executive's interests and short positions in shares and underlying shares and debentures" above and the share option scheme disclosures in note 26 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEMES

On 25 January 2003, the Pre-IPO Share Option Scheme (the "Pre-Scheme") and Post-IPO Share Option Scheme (the "Post-Scheme") were approved pursuant to written resolutions of the Company. The purpose of the Pre-Scheme and Post-Scheme were to recognise the contribution of certain employees of the Group to the growth of the Group's business and/or to the listing of ordinary shares of the Company on the GEM of the Stock Exchange.

Further details of the Pre-Scheme and Post-Scheme are set out in note 26 to the financial statements.

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

As at 31 July 2007, the following interests and short positions of 5% or more of the issued shares capital of the Company held by the following parties (other than directors or chief executive of the Company) were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name	*Note*	Number of ordinary shares held	Capacity and nature of interest	Percentage of holding
Substantial shareholder				
Colpo Mercantile Inc.	*(a)*	591,270,000	Directly beneficially owned	55.03
Other shareholder				
JPMorgan Chase & Co.		55,890,000	Directly beneficially owned	5.20

Note:

(a) The entire issued share capital of Colpo is beneficially owned by Mr. CHAN Wing Him Kenny, the chairman and an executive director of the Company, who is therefore deemed to be interested in the 591,270,000 shares held by Colpo, Mr. CHAN Wing Him Kenny's indirect interests in 591,270,000 shares in the Company held through Colpo have also been set out in the above section headed "Directors' and chief executive's interests and short positions in shares and underlying shares and debentures".

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY *(Continued)*

Details of options granted to directors and chief executive of the Company under the Post-Scheme since its adoption and up to 31 July 2007 are as follows:

Name	Date of grant (dd/mm/yy)	Exercise period (dd/mm/yy)	Subscription price per share	No. of underlying shares: Comprising the options granted	Comprising the options exercised	Comprising the options lapsed	Comprising the options outstanding
Mr. CHAN Wing Him Kenny	29/12/2006	29/12/2006 to 24/1/2013	HK$0.127	7,923,600	–	–	7,923,600
	22/6/2007	22/6/2007 to 24/1/2013	HK$2.730	1,000,000	–	–	1,000,000
Mr. CHAN Man Ching	29/12/2006	29/12/2006 to 24/1/2013	HK$0.127	7,923,600	–	–	7,923,600
	22/6/2007	22/6/2007 to 24/1/2013	HK$2.730	1,000,000	–	–	1,000,000
Mr. HO Tak Yuen Peter	18/1/2007	18/1/2007 to 24/1/2013	HK$0.127	7,923,600	–	–	7,923,600
	22/6/2007	22/6/2007 to 24/1/2013	HK$2.730	1,000,000	–	–	1,000,000
				26,770,800	–	–	26,770,800

Save as disclosed above, as at 31 July 2007, no person (other than the directors and chief executive of the Company, whose interests are set out in the section headed "directors' and chief executive's interests and short positions in shares and underlying shares and debentures" 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.

LONG POSITIONS IN UNDERLYING SHARES OF THE COMPANY

On 25 January 2003, the Post-Scheme was approved pursuant to a written resolution of the Company. The purpose of the Post-Scheme is to enable the Group to recognise the contribution of the participants to the Group and to motivate the participants to continuously work to the benefit of the Group by offering the participants an opportunity to have personal interest in the share capital of the Company. The Board may, at its discretion, grant options to any employees, consultants and advisers of the Company or its subsidiaries, including executive, non-executive and independent non-executive directors, to subscribe for shares of the Company. The Post-Scheme remains in force for a period of ten years with effect from 25 January 2003.

Report of the Directors

COMPETITION AND CONFLICT OF INTERESTS

As at 31 July 2007, none of the directors, the management Shareholders or substantial Shareholders of the Company or any of their respective associates had engaged in any business that competes or may compete with the businesses of the Group, or had any other conflict of interests with the Group.

AUDITORS

Fan, Mitchell & Co. acted as auditors of the Company for the year ended 31 July 2005. During the year ended 31 July 2006, Fan, Mitchell & Co. was dissolved and Lak & Associates C.P.A. Limited was appointed by the directors to fill the casual vacancy so arising.

Lak & Associates C.P.A. Limited will 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

CHAN Wing Him Kenny
Chairman

Hong Kong, 12 October 2007

Independent Auditor's Report

力恒會計師事務所有限公司

LAK & ASSOCIATES C.P.A. LIMITED

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ENVIRO ENERGY INTERNATIONAL HOLDINGS LIMITED
(FORMERLY KNOWN AS SYS SOLUTIONS HOLDINGS LIMITED)
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Enviro Energy International Holdings Limited (formerly known as Sys Solutions Holdings Limited) (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 27 to 72, which comprise the consolidated and Company balance sheets as at 31 July 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 CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

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

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

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 July 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.

Lak & Associates C.P.A. Limited
Certified Public Accountants
3rd Floor, Chinachem Tower
34 – 37 Connaught Road Central
Hong Kong
12 October 2007

Fung Lak
Practising Certificate Number P01301

Consolidated Income Statement

For the year ended 31 July 2007

(Expressed in Hong Kong Dollars)

	Note	**2007**	2006
Revenue	*8*	**3,373,893**	6,988,225
Cost of sales		**(2,864,823)**	(6,600,069)
Gross profit		**509,070**	388,156
Other income	*8*	**6,151,259**	73,559
Administrative and operating expenses		**(52,633,888)**	(8,247,844)
Loss from operating activities		**(45,973,559)**	(7,786,129)
Finance cost		**–**	–
Loss before taxation	*9*	**(45,973,559)**	(7,786,129)
Income tax	*12*	**–**	–
Net loss attributable to equity shareholders of the Company	*13*	**(45,973,559)**	(7,786,129)
Loss per share	*14*		
Basic		**(HK8.44 cents)**	(HK1.97 cents)
Diluted		**N/A**	N/A

The annexed notes form an integral part of these financial statements.

Consolidated Balance Sheet

At 31 July 2007

(Expressed in Hong Kong Dollars)

	Note	2007	2006
Non-current assets			
Plant and equipment	15	**524,363**	685,315
Investment in a jointly-controlled entity	17	**–**	–
		524,363	685,315
Current assets			
Inventories	18	**–**	3,874
Trade receivables	19	**197,696**	694,247
Deposits, prepayments and other receivables	20	**94,546,247**	1,178,810
Cash and cash equivalents	21	**395,115,097**	485,791
		489,859,040	2,362,722
Current liabilities			
Trade payables	22	**50,519**	1,526,385
Deposits received	23	**258,117**	1,642,675
Accrued liabilities and other payables	23	**6,928,667**	855,976
Amount due to a director	24	**–**	3,187,329
		7,237,303	7,212,365
Net current assets/(liabilities)		**482,621,737**	(4,849,643)
NET ASSETS/(LIABILITIES)		**483,146,100**	(4,164,328)
CAPITAL AND RESERVES			
Issued capital	25	**5,372,730**	3,961,800
Reserves	27	**477,773,370**	(8,126,128)
TOTAL EQUITY		**483,146,100**	(4,164,328)

The annexed notes form an integral part of these financial statements.

Chan Wing Him, Kenny
Director

Chan Man Ching
Director

Consolidated Statement of Changes in Equity

For the year ended 31 July 2007

(Expressed in Hong Kong Dollars)

	Note	Share capital	Share premium account	Capital reserve	Share option reserve	Exchange reserve	Accumulated losses	Total
As at 1 August 2005		3,961,800	29,685,786	19,980,000	–	–	(49,948,953)	3,678,633
Net loss for the year		–	–	–	–	–	(7,786,129)	(7,786,129)
Exchange differences on translation of the financial statements of an overseas subsidiary		–	–	–	–	(56,832)	–	(56,832)
As at 31 July 2006 and 1 August 2006		3,961,800	29,685,786	19,980,000	–	(56,832)	(57,735,082)	(4,164,328)
Net loss for the year		–	–	–	–	–	(45,973,559)	(45,973,559)
Exchange differences on translation of the financial statements of an overseas subsidiary		–	–	–	–	(33,134)	–	(33,134)
Issue of new shares	*25*	1,385,430	504,892,620	–	–	–	–	506,278,050
Share-based payment expenses	*9*	–	–	–	37,228,098	–	–	37,228,098
Shares issued under share option scheme	*25*	25,500	1,208,433	–	(586,233)	–	–	647,700
Share issue expenses		–	(10,836,727)	–	–	–	–	(10,836,727)
As at 31 July 2007		5,372,730	524,950,112	19,980,000	36,641,865	(89,966)	(103,708,641)	483,146,100

The annexed notes form an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 July 2007

(Expressed in Hong Kong Dollars)

	Note	**2007**	2006
Operating activities			
Loss from operating activities		**(45,973,559)**	(7,786,129)
Adjustments for:			
Bank interest income		**(210,907)**	(6,101)
Waiver of amount due to a director		**(4,987,329)**	–
(Gain)/loss on disposal of plant and equipment		**(262)**	10,370
Depreciation		**514,406**	531,118
Write-off of plant and equipment		**21,450**	14,211
Share-based payment expenses		**37,228,098**	–
Operating loss before changes in working capital		**(13,408,103)**	(7,236,531)
Decrease in inventories		**3,874**	69,528
Decrease in trade receivables		**496,551**	131,191
Decrease in deposits, prepayments and other receivables		**232,563**	188,970
(Decrease)/increase in trade payables		**(1,475,866)**	1,050,304
(Decrease)/increase in deposits received		**(1,384,558)**	377,402
Increase/(decrease) in accrued liabilities and other payables		**4,061,978**	(1,963)
Net cash used in operating activities		**(11,473,561)**	(5,421,099)
Investing activities			
Bank interest received		**210,907**	6,101
Purchase of plant and equipment		**(373,304)**	(52,733)
Proceeds from disposal of plant and equipment		**262**	11,879
Proceeds from sale of available-for-sale investments		**–**	300,000
Deposit paid for acquisition of a subsidiary	*20*	**(93,600,000)**	–
Net cash (used in)/from investing activities		**(93,762,135)**	265,247
Financing activities			
Advance from directors		**3,280,000**	3,187,329
Repayment to a director		**(1,480,000)**	(5,000,000)
Proceeds from issue of ordinary shares		**506,278,050**	–
Proceeds from exercise of share options		**647,700**	–
Proceeds for shares to be issued under share option scheme	*23*	**2,010,713**	–
Share issue expenses		**(10,836,727)**	–
Net cash from/(used in) financing activities		**499,899,736**	(1,812,671)
Net increase/(decrease) in cash and cash equivalents		**394,664,040**	(6,968,523)
Cash and cash equivalents at beginning of year		**485,791**	7,513,302
Effect of foreign exchange rate changes		**(34,734)**	(58,988)
Cash and cash equivalents at end of year		**395,115,097**	485,791
Analysis of balances of cash and cash equivalents			
Cash and bank balances	*21*	**395,115,097**	485,791

The annexed notes form an integral part of these financial statements.

Balance Sheet

At 31 July 2007

(Expressed in Hong Kong Dollars)

	Note	2007	2006
Non-current assets			
Plant and equipment	15	**48,885**	54,260
Interests in subsidiaries	16	**–**	–
		48,885	54,260
Current assets			
Deposits, prepayments and other receivables	20	**93,777,852**	140,689
Cash and cash equivalents	21	**394,695,391**	15,596
		488,473,243	156,285
Current liabilities			
Accrued liabilities and other payables	23	**5,640,132**	296,216
Amount due to a subsidiary	16	**78,000**	–
		5,718,132	296,216
Net current assets/(liabilities)		**482,755,111**	(139,931)
NET ASSETS/(LIABILITIES)		**482,803,996**	(85,671)
CAPITAL AND RESERVES			
Issued capital	25	**5,372,730**	3,961,800
Reserves	27	**477,431,266**	(4,047,471)
TOTAL EQUITY		**482,803,996**	(85,671)

The annexed notes form an integral part of these financial statements.

Chan Wing Him, Kenny
Director

Chan Man Ching
Director

1. CORPORATE INFORMATION

The Company was incorporated as an exempted company in the Cayman Islands with limited liability under the Companies Law (Revised) of the Cayman Islands on 3 July 2002. The shares of the Company were listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM") on 18 February 2003.

The principal place of business of the Company is located at Unit A, 7th Floor, Guangdong Investment Tower, 148 Connaught Road Central, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are shown in note 16 to the financial statements.

As at 31 July 2007, the Directors consider the ultimate holding company of the Group is Colpo Mercantile Inc. ("Colpo"), a company incorporated in the British Virgin Islands.

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

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all applicable Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong. The financial statements comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM ("GEM Listing Rules"). They have been prepared under the historical cost convention, except for certain financial instruments, which are measured at fair value.

The preparation of the financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment are discussed in note 5.

3. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new and revised HKFRSs and HKASs and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA which are either effective for accounting periods beginning on or after 1 December 2005. The adoption of the following new HKFRSs has no material effects on how the results and financial position for the current or prior accounting periods are prepared and presented. Accordingly, no prior period adjustments have been made.

HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures
HKAS 21 (Amendment)	Net investment in a foreign operation
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions
HKAS 39 (Amendment)	The fair value option
HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts
HKFRS 6	Exploration for and evaluation of mineral resources
HKFRS – INT 4	Determining whether an arrangement contains a lease
HKFRS – INT 5	Right to interests arising from decommissioning, restoration and environmental rehabilitation funds
HK(IFRIC) – INT 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipment
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) – INT 8	Scope of HKFRS 2
HK(IFRIC) – INT 9	Reassessment of embedded derivatives

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 32).

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 July 2007. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

(b) Subsidiaries

A subsidiary is an entity whose financial and operating policies 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 interests in subsidiaries are stated at cost less any impairment losses.

(c) Jointly-controlled entities

A joint venture company is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture entity and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A jointly-controlled entity is a joint venture company which is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated income statement and consolidated reserves, respectively. The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

4. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

(c) Jointly-controlled entities *(Continued)*

Equity accounting is discontinued from the date on which the Group ceases to have joint control over, or have significant influence in, a jointly-controlled entity. When the carrying amount of the investment in the jointly-controlled entity reaches zero, equity accounting is discontinued unless the Group has obligations or guaranteed obligations in respect of the jointly-controlled entity.

In the Company's balance sheet, the investments in jointly-controlled entities are stated at cost less provision for impairment losses. The results of jointly-controlled entities are accounted for by the Company on the basis of dividends received and receivable.

(d) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of an item of 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. Major costs incurred in restoring assets to their normal working conditions are charged to the income statement.

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 asset, the expenditure is capitalised as an additional cost of that asset.

Depreciation is provided to write off the cost of the assets to their estimated residual value, if any, over their estimated useful lives from the date on which they become fully operational, using the straight-line method, at the following rates per annum:

Leasehold improvements	33% or over the lease terms, whichever is shorter
Computer equipment and software	30–50%
Furniture and fixtures	20%
Office equipment	20%

The gain or loss arising from the retirement or disposal of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the assets and is recognised as income or expense in the income statement. Improvements are capitalised and depreciated over their expected useful lives.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

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

(f) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amounts of the inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances, demand deposits with banks and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of consolidated cash flow statement.

(j) Income tax

Income tax comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company or the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(l) 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:

(i) from the sale of computer hardware and software and the provision of related network infrastructure construction services, when the installation work is completed and the customer has accepted the goods together with significant risks and rewards of ownership;

(ii) from the rendering of network infrastructure maintenance and reinforcement services, on a time proportion basis over the period of the contract or when the related services are rendered;

(iii) from the rendering of other professional value-added solutions and services and data processing fee income, when the related services are rendered; and

(iv) interest income, on an accrual basis using the effective interest method.

(m) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Rentals applicable to such operating leases are charged to the income statement on a straight-line basis over the lease terms.

(n) Borrowing costs

Borrowing costs are expensed in the income statement in the year in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Pension scheme

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

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government (the "PRC Scheme"). This subsidiary is required to make contributions for its employees who are registered as permanent residents in Mainland China. The contributions are charged to the income statement as they become payable in accordance with the rules of the PRC Scheme.

Long service payments

No provision has been recognised as no employees of the Group have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment.

Share option schemes

The Group operates equity-settled share-based compensation scheme ("Scheme") to remunerate its employees.

For share options granted under the Scheme, the fair value of the employee's services rendered in exchange for the grant of the options is recognised as an expense immediately and credited to the share option reserve under equity. Where the employees are required to meet vesting conditions before they become entitled to the options, the Group recognises the fair value of the options granted over the vesting periods. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of the original estimates, if any, in the income statement, and a corresponding adjustment to the share option reserve.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Employee benefits *(Continued)*

Share option schemes (Continued)

Upon exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price over the nominal value of the shares is recorded by the Company in the share premium account. The equity amount is recognised in the share option reserve until the option is exercised when it is transferred to the share premium account. If the options lapse unexercised, the related share option reserve is transferred directly to retained earnings.

(p) Translation of foreign currencies

The 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 profit or loss. 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 exchange rates ruling at the balance sheet date and, their income statements are translated into Hong Kong dollars at the weighted average exchange rate for the year. The resulting exchange differences are included in a separate component of equity, the exchange 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.

(q) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's financial reporting, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Segment reporting *(Continued)*

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade and other receivables and plant and equipment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets (both tangible and intangible) that are expected to be used for more than one year.

Unallocated items mainly comprise financial and corporate assets, amount due to a director, corporate and financial expenses.

(r) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly, through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

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

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share premium account (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future in preparing accounting estimates. The resulting accounting estimates may not equal to the actual results. The key estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

(a) Impairment on investment in a jointly-controlled entity

The Group's management determines impairment on investment in the jointly-controlled entity on an annual basis. In the prior year, full impairment on investment in the jointly-controlled entity in Hangzhou has been made. Details of the basis of the impairment are disclosed in the note 17 to these financial statements. The management will reassess the impairment of the provision for impairment at each balance sheet date.

(b) Depreciation

The Group's net book value of plant and equipment as at 31 July 2007 was HK$524,363. The Group depreciates its plant and equipment on a straight line basis over the estimated useful life as set out in note 4(d), commencing from the date the plant and equipment is placed into productive use. The estimated useful life and dates that the Group places the plant and equipment into productive use reflects the Directors' estimate of the periods that the Group intend to derive future economic benefits from the use of the Group's plant and equipment.

(c) Valuation of share options granted

The fair value of share options granted was calculated using the Black-Scholes valuation model which requires the management's estimates and assumptions on significant calculation inputs, including the estimated life of share options granted, the volatility of share price and expected dividend yield. Changes in the subjective input assumptions could materially affect the fair value estimate.

6. FINANCIAL RISK MANAGEMENT

Exposure to currency, credit, interest rate, price and liquidity risks arises in the normal course of the Group's businesses. These risks are mitigated by the Group's financial management policies and practices described below.

(a) Foreign currency risk

The Group's financial assets and financial liabilities are substantially denominated in Hong Kong dollars. Accordingly, the management considers the foreign exchange rate risk to the Group is not significant.

(b) Credit risk

The Group has limited exposure to credit risk due to tight control of working capital management on the credit policies.

(c) Fair value and cash flow interest rate risks

The Group's exposure to fair value and cash flow interest risks is minimal as the Group does not have any material long term financial assets or liabilities.

(d) Price risk

The Group was not exposed to equity securities price risk during the year, since it held no investments which were classified as available-for-sale financial assets or as financial assets at fair value through the income statement. In addition, the Group was not exposed to commodity price risk.

(e) Liquidity risk

Internally generated cash flow and funds raising from placing of shares during the year are the general source of funds to finance the operation of the Group. The Group regularly reviews its major funding positions to ensure it has adequate financial resources in meeting its financial obligations.

7. SEGMENT INFORMATION

Segment information is presented by way of the Group's primary segment reporting basis, by business segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(i) the network infrastructure construction solutions segment comprises the provision of hardware and software for network infrastructure solutions and the design and installation of network infrastructure systems;

(ii) the network infrastructure maintenance and reinforcement services segment comprises the provision of support and maintenance services to customers' existing computer networks and systems; and

(iii) the other professional value-added solutions and services segment offers server co-location and management services, web-hosting and e-mail hosting services, web-based software applications and the provision of user training services.

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.

No analysis for geographical segment is presented as over 90% of the Group's revenue, assets and liabilities were derived from services rendered in or located in Hong Kong during each of the years ended 31 July 2006 and 2007.

Notes to the Financial Statements

For the year ended 31 July 2007

7. SEGMENT INFORMATION *(Continued)*

An analysis of the Group's revenue and profit/(loss) and certain assets, liabilities and expenditure information for the Group's business segments is as follows:

	Network infrastructure construction solutions segment HK$	Network infrastructure maintenance and reinforcement services segment HK$	Other professional value-added solutions and services segment HK$	Consolidated HK$
2007				
Segment revenue:				
Sales to external customers	919,983	1,602,410	851,500	3,373,893
Segment results	50,331	975,527	(266,279)	759,579
Unallocated income				5,308,082
Unallocated expenses				(52,041,220)
Loss from operating activities				(45,973,559)
Finance costs				–
Loss before taxation				(45,973,559)
Taxation				–
Net loss attributable to equity shareholders of the Company				(45,973,559)
Segment assets	38,875	251,862	341,521	632,258
Unallocated assets				489,751,145
Total assets				490,383,403
Segment liabilities	(56,628)	(96,485)	(282,504)	(435,617)
Unallocated liabilities				(6,801,686)
Total liabilities				(7,237,303)
Other segment information:				
Depreciation	–	–	–	–
Unallocated depreciation				514,406
				514,406
Write-down of inventories	13,664	–	–	13,664
Capital expenditure	–	–	–	–
Unallocated capital expenditure				373,304
				373,304

7. SEGMENT INFORMATION *(Continued)*

	Network infrastructure construction solutions segment *HK$*	Network infrastructure maintenance and reinforcement services segment *HK$*	Other professional value-added solutions and services segment *HK$*	Consolidated *HK$*
2006				
Segment revenue:				
Sales to external customers	3,869,256	542,143	2,576,826	6,988,225
Segment results	(564,261)	98,137	(1,028,316)	(1,494,440)
Unallocated income				73,559
Unallocated expenses				(6,365,248)
Loss from operating activities				(7,786,129)
Finance costs				–
Loss before taxation				(7,786,129)
Taxation				–
Net loss attributable to equity shareholders of the Company				(7,786,129)
Segment assets	430,846	227,575	889,125	1,547,546
Unallocated assets				1,500,491
Total assets				3,048,037
Segment liabilities	1,548,785	1,054,923	841,062	3,444,770
Unallocated liabilities				3,767,595
Total liabilities				7,212,365
Other segment information:				
Depreciation	–	–	110,000	110,000
Unallocated depreciation				421,118
				531,118
Write-down of inventories	13,803	–	–	13,803
Capital expenditure	–	–	–	–
Unallocated capital expenditure				52,733
				52,733

8. REVENUE AND OTHER INCOME

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and the value of services rendered.

An analysis of the Group's revenue and other income is as follows:

	2007	2006
	HK$	*HK$*
Revenue		
Network infrastructure construction solutions		
– Sale of computer hardware and software and the provision of related services	919,983	3,869,256
Rendering of network infrastructure maintenance and reinforcement services	1,602,410	542,143
Other professional value-added solutions and services	851,500	2,576,826
	3,373,893	6,988,225
Other income		
Bank interest income	210,907	6,101
Consultancy fee	80,000	–
Gain on disposal of plant and equipment	262	–
Waiver of amount due to a director	4,987,329	–
Sundry income	843,177	17,294
Exchange gain, net	29,584	50,164
	6,151,259	73,559
Total	9,525,152	7,061,784

9. LOSS BEFORE TAXATION

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

	2007	2006
	HK$	*HK$*
Cost of inventories sold*	**716,365**	3,452,062
Cost of services provided**	**2,148,458**	3,148,007
Depreciation	**514,406**	531,118
Write-down of inventories	**13,664**	13,803
Write-off of plant and equipment	**21,450**	14,211
Minimum lease payments under operating leases		
– Leasehold property	**683,823**	776,062
– Dataline	**–**	2,855
Incorporation expenses	**8,030**	–
Auditors' remuneration		
– Audit services	**250,000**	220,000
– Other services	**10,000**	–
	260,000	220,000
Staff costs, including directors' remuneration *(note 10)*		
– Wages and salaries	**7,660,787**	5,132,124
– Pension scheme contributions	**200,455**	173,248
– Share-based payment expenses *(note 26)*	**37,228,098**	–
	45,089,340	5,305,372
(Gain)/loss on disposal of plant and equipment	**(262)**	10,370
Waiver of amount due to a director	**(4,987,329)**	–
Exchange gain, net	**(29,584)**	(50,164)

* *The cost of inventories sold includes HK$13,664 (2006: HK$13,803) relating to the write-down of inventories, which is also included in the total amount disclosed above.*

** *The cost of services provided includes HK$1,222,752 (2006: HK$437,710) relating to staff costs, which are also included in the total amounts of staff costs disclosed separately above.*

10. 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	Directors' fee HK$	Salaries, allowance and benefits in kind HK$	Pension scheme contributions HK$	Share-based payments HK$	Total HK$
Executive directors					
Chan Wing Him, Kenny *(note i)*	–	2,601,000	7,000	3,609,607	6,217,607
Chan Man Ching *(note i)*	–	745,000	9,000	3,609,607	4,363,607
Chan Chi Hung *(note ii)*	–	225,707	5,000	–	230,707
Yuen Kin Tong *(note iii)*	3,870	–	–	–	3,870
	3,870	3,571,707	21,000	7,219,214	10,815,791
Independent non-executive directors					
Poon Lai Yin, Michael *(note iv)*	36,935	–	–	–	36,935
Lo Chi Kit *(note iv)*	36,935	–	–	–	36,935
Tam Hang Chuen *(note iv)*	36,935	–	–	–	36,935
Lau Siu Ki, Kevin *(note v)*	69,678	–	–	–	69,678
Wang Yat Yee, Mark *(note v)*	46,452	–	–	–	46,452
Zhang Guo Xuan *(note v)*	10,000	–	–	–	10,000
	236,935	–	–	–	236,935
Total	240,805	3,571,707	21,000	7,219,214	11,052,726

10. DIRECTORS' REMUNERATION *(Continued)*

2006	Directors' fee *HK$*	Salaries, allowance and benefits in kind *HK$*	Pension scheme contributions *HK$*	Total *HK$*
Executive directors				
Lam Chi Shing *(note vi)*	–	250,000	5,000	255,000
Chan Chi Hung	–	463,500	12,000	475,500
Yuen Kin Tong *(note iii)*	3,844	–	–	3,844
	3,844	713,500	17,000	734,344
Non-executive director				
Yuen Kin Tong *(note iii)*	6,156	–	–	6,156
Independent non-executive directors				
Lau Siu Ki, Kevin	180,000	–	–	180,000
Wong Man Chung, Francis *(note vii)*	15,000	–	–	15,000
Wang Yat Yee, Mark	120,000	–	–	120,000
Zhang Guo Xuan	10,000	–	–	10,000
	325,000	–	–	325,000
Total	335,000	713,500	17,000	1,065,500

Notes:

(i) Mr. Chan Wing Him, Kenny and Mr. Chan Man Ching were appointed on 29 November 2006.

(ii) Emoluments of Mr. Chan Chi Hung for the year ended 31 July 2007 represented his remuneration received in the capacity of Executive Director before his resignation on 20 December 2006.

(iii) The position of Mr. Yuen Kin Tong in the Company was changed from non-executive director to executive director on 24 April 2006. Emolument of Mr. Yuen Kin Tong for the year ended 31 July 2007 represented his remuneration received in the capacity of executive director before his resignation on 20 December 2006.

(iv) Mr. Poon Lai Yin, Michael, Mr. Lo Chi Kit and Mr. Tam Hang Chuen were appointed on 20 December 2006.

(v) Emoluments of Mr. Lau Siu Ki, Kevin, Mr. Wang Yat Yee, Mark and Mr. Zhang Guo Xuan for the year ended 31 July 2007 represented their remuneration received in the capacity of independent non-executive director before their resignation on 20 December 2006.

10. DIRECTORS' REMUNERATION *(Continued)*

Notes:

(vi) Mr. Lam Chi Shing waived emoluments of HK$232,258 as of 20 December 2006 and he resigned on 20 December 2006. During the year ended 31 July 2006, Mr. Lam Chi Shing waived emoluments of HK$350,000.

(vii) Emoluments of Mr. Wong Man Chung, Francis for the year ended 31 July 2006 represented his remuneration received in the capacity of Independent Non-executive Director before his resignation on 31 August 2005.

(viii) There were 17,847,200 share options granted to the Directors during the year ended 31 July 2007. Details of the movements of share options are set out in note 26.

(ix) No emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group during the years ended 31 July 2006 and 2007.

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2006: two) Directors, whose remuneration are disclosed in note 10 to the financial statements. Details of the remuneration of the remaining three (2006: three) non-director, highest paid employees are as follows:

	Group	
	2007	2006
	HK$	*HK$*
Salaries, allowances and benefits in kind	**1,162,669**	1,197,907
Pension scheme contributions	**23,492**	34,813
Share-based payments	**3,755,020**	–
	4,941,181	1,232,720

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**	3
HK$4,000,001 to HK$4,500,000	**1**	–
	3	3

During the year, no emoluments were paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group.

12. INCOME TAX

Hong Kong profits tax has not been provided (2006: Nil) as the Group did not generate any assessable profits in Hong Kong during the year. No provision for corporate income tax for a subsidiary and the jointly-controlled entity established and operating in Mainland China (2006: Nil) has been made as no assessable profits arose from their operations during the year. The statutory tax rate for Hong Kong profits tax is 17.5% (2006: 17.5%). The statutory tax rate of corporate income tax in Mainland China is 33% (2006: 33%).

A reconciliation of the tax credit applicable to loss before taxation using the statutory rates for the countries in which the Company and its subsidiaries and jointly-controlled entity are domiciled to the tax credit at the effective tax rates, and a reconciliation of the applicable rates to the effective tax rates, are as follows:

	Group			
	2007		2006	
	HK$	***%***	*HK$*	*%*
Loss before taxation	**(45,973,559)**		(7,786,129)	
Tax credit at statutory tax rate	**(8,045,372)**	**(17.5)**	(1,362,572)	(17.5)
Tax effect of:				
– higher tax rate for specific provinces and local authority	**(44,814)**	**(0.1)**	(188,135)	(2.4)
– income not subject to tax	**(824,409)**	**(1.8)**	(1,068)	(0.1)
– expenses not deductible for tax	**7,312,427**	**15.9**	3,551	0.1
– temporary differences not recognised	**57,827**	**0.1**	69,252	0.9
– tax losses not recognised as deferred tax assets	**1,544,341**	**3.4**	1,478,972	19.0
Tax credit	**–**		–	

The Group has unrecognised deferred tax assets from tax losses of HK$11,572,255 (2006: HK$10,027,914) that are available for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time. Included in unrecognised tax losses are losses arising from the PRC subsidiary of HK$1,819,470 (2006: HK$1,724,059) that will expire in five years from the respective year of loss. Other losses could be carried forward indefinitely.

13. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The net loss from ordinary activities attributable to equity shareholders of the Company for the year dealt with in the financial statements of the Company was HK$50,427,454 (2006: HK$500,594) (note 27).

14. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss attributable to equity shareholders of the Company for the year of HK$45,973,559 (2006: HK$7,786,129) and the weighted average of 544,861,454 (2006: 396,180,000) ordinary shares in issue during the year, as adjusted to reflect the issue of shares, share subdivision and exercise of share options during the year.

	2007 Weighted average number of shares	2006 Weighted average number of shares
Issued ordinary shares at beginning of year	**396,180,000**	396,180,000
Effect of issue of new shares	**27,011,317**	–
Effect of share subdivision	**120,873,699**	–
Effect of exercise of share options	**796,438**	–
Weighted average number of ordinary shares	**544,861,454**	396,180,000

Diluted loss per share for each of the years ended 31 July 2006 and 2007 have not been presented, as the share options outstanding during the years had an anti-dilutive effect on the basic loss per share for the respective years.

15. PLANT AND EQUIPMENT

	Leasehold improvements HK$	Computer equipment and software HK$	Furniture and fixtures HK$	Office equipment HK$	Total HK$
Group					
Cost:					
As at 1 August 2005	580,222	1,505,884	242,530	251,415	2,580,051
Exchange adjustment	1,065	2,736	–	494	4,295
Additions	–	51,913	820	–	52,733
Disposal	(49,084)	(55,944)	(2,580)	–	(107,608)
Write-off	–	(117,466)	(110,655)	(1,700)	(229,821)
As at 31 July 2006 and 1 August 2006	532,203	1,387,123	130,115	250,209	2,299,650
Exchange adjustment	–	5,155	–	960	6,115
Additions	207,390	42,373	78,660	44,881	373,304
Disposal	–	(70,414)	–	(3,027)	(73,441)
Write-off	–	(76,624)	(42,956)	–	(119,580)
As at 31 July 2007	**739,593**	**1,287,613**	**165,819**	**293,023**	**2,486,048**
Accumulated depreciation:					
As at 1 August 2005	22,875	1,038,553	138,193	182,426	1,382,047
Exchange adjustment	311	1,400	–	428	2,139
Charge for the year	201,943	266,567	30,472	32,136	531,118
Eliminated on disposal	(38,858)	(45,168)	(1,333)	–	(85,359)
Eliminated on write-off	–	(117,057)	(97,745)	(808)	(215,610)
As at 31 July 2006 and 1 August 2006	186,271	1,144,295	69,587	214,182	1,614,335
Exchange adjustment	–	3,555	–	960	4,515
Charge for the year	281,096	187,170	23,784	22,356	514,406
Eliminated on disposal	–	(70,414)	–	(3,027)	(73,441)
Eliminated on write-off	–	(76,484)	(21,646)	–	(98,130)
As at 31 July 2007	**467,367**	**1,188,122**	**71,725**	**234,471**	**1,961,685**
Carrying amount:					
As at 31 July 2007	**272,226**	**99,491**	**94,094**	**58,552**	**524,363**
As at 31 July 2006	345,932	242,828	60,528	36,027	685,315

15. PLANT AND EQUIPMENT *(Continued)*

	Computer equipment and software *HK$*	Furniture and fixtures *HK$*	Office equipment *HK$*	Total *HK$*
Company				
Cost:				
As at 1 August 2005	45,255	56,858	65,090	167,203
Additions	160	–	–	160
Disposal	–	(2,580)	–	(2,580)
As at 31 July 2006 and 1 August 2006	45,415	54,278	65,090	164,783
Additions	29,595	2,000	–	31,595
Write-off	(2,433)	(4,823)	–	(7,256)
As at 31 July 2007	**72,577**	**51,455**	**65,090**	**189,122**
Accumulated depreciation:				
As at 1 August 2005	22,696	23,566	27,921	74,183
Charge for the year	13,585	11,070	13,018	37,673
Eliminated on disposal	–	(1,333)	–	(1,333)
As at 31 July 2006 and 1 August 2006	36,281	33,303	40,939	110,523
Charge for the year	11,858	10,614	13,017	35,489
Eliminated on write-off	(2,433)	(3,342)	–	(5,775)
As at 31 July 2007	**45,706**	**40,575**	**53,956**	**140,237**
Carrying amount:				
As at 31 July 2007	**26,871**	**10,880**	**11,134**	**48,885**
As at 31 July 2006	9,134	20,975	24,151	54,260

16. INTERESTS IN SUBSIDIARIES

	Company 2007 HK$	2006 HK$
Unlisted shares, at cost	**969,031**	891,031
Due from subsidiaries	**26,290,345**	21,316,195
Due to a subsidiary	**(78,000)**	–
	27,181,376	22,207,226
Less: Impairment loss	**(27,259,376)**	(22,207,226)
	(78,000)	–

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

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

Particulars of the subsidiaries are as follows:

Name	Place of incorporation/ establishment and operation	Nominal value of issued shares/ paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activity
Sys Solutions (BVI) Limited #	British Virgin Islands/Hong Kong	US$10,000 ordinary	100	–	Investment holding
Rich Concept Technology Limited #	British Virgin Islands/Hong Kong	US$10,000 ordinary	100	–	Investment holding
Sys Solutions (China) Limited	Hong Kong	HK$1,000,000 ordinary	–	100	Inactive
Sys Solutions Limited	Hong Kong	HK$1,000,000 ordinary	–	100	Provision of network infrastructure solutions and services
Sys Solutions Technology Consulting Limited	Hong Kong	HK$10,000 ordinary	–	100	Provision of network infrastructure solutions and services

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16. INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ establishment and operation	Nominal value of issued shares/ paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activity
Sys Solutions GlobalSoft Limited	Hong Kong	HK$10,000 ordinary	–	100	Provision of network infrastructure solutions and services
Sys Solutions System Management Limited ("Sys Solutions System Management")	Hong Kong	HK$10,000 ordinary	–	100	Investment holding
廣州軟迅網絡科技有限公司#/** (Sys Solutions (Guangzhou) Limited)	People's Republic of China	HK$2,000,400	–	100	Provision of technical services and research and development of web-based software
China Enviro Energy Holdings Limited (formerly known as Enviro Energy International Holdings Limited)	Hong Kong	HK$1 ordinary	–	100	Inactive

** *Sys Solutions (Guangzhou) Limited is a wholly-owned foreign enterprise established by Sys Solutions Limited in Mainland China for a period of 11 years commencing the date of issuance of its business licence of 2 July 2001.*

Not audited by Lak & Associates C.P.A. Limited

17. INVESTMENT IN A JOINTLY-CONTROLLED ENTITY

	Group 2007 HK$	2006 HK$
Share of net assets, unlisted	**1,457,726**	1,457,726
Less: Impairment loss	**(1,457,726)**	(1,457,726)
	–	–

17. INVESTMENT IN A JOINTLY-CONTROLLED ENTITY *(Continued)*

Particulars of the jointly-controlled entity are as follows:

Name	Business structure	Place of incorporation/ registration and operation	Percentage of ownership interest	Percentage of voting power	Percentage of profit sharing	Principal activity
杭州軟均信息系統工程監理有限公司 ("Hangzhou JV")	Corporate	People's Republic of China	50	60	50	Provision of information technology consulting services

Hangzhou JV is a sino-foreign equity joint enterprise established by Sys Solutions System Management Limited ("Sys Solutions System Management") and a joint venturer in Mainland China for a period of 20 years commencing from the date of issuance of its business licence of 10 October 2003. Hangzhou JV is accounted for as a jointly-controlled entity by virtue of the fact that neither the Group nor the joint venturer can exercise unilateral control over its economic activity.

The jointly-controlled entity is not audited by Lak & Associates C.P.A. Limited.

In view of the recurring operating losses of the jointly-controlled entity and the unfavourable market conditions, an impairment loss of HK$1,457,726 was charged to the consolidated income statement in the prior year.

As at 31 July 2007, Hangzhou JV had a number of unsettled obligations due to problem in recovering of debts due from third parties with an approximate total amount of HK$3,313,000 (2006: HK$3,119,000). Due to the financial difficulty of the jointly-controlled entity, the directors are uncertain whether it is able to repay the debts at the balance sheet date. In case of failure of repayment, Hangzhou JV may incur additional liabilities such as penalties for late payment, or be exposed to possible lawsuits. Since there is no clause in the joint venture agreement signed with the joint venturer in Mainland China stating that Sys Solutions System Management has a commitment to provide additional financial support to Hangzhou JV other than the contributed amount stated in the joint venture agreement, the directors are not aware of the possibility of any contingent liability.

For the years ended 31 July 2006 and 2007, the Group discontinued the use of equity accounting method as the carrying amount of the investment was reduced to nil.

18. INVENTORIES

	Group 2007 *HK$*	Group 2006 *HK$*
Computer hardware and software held for re-sale	–	3,874

None of the inventories included above were carried at net realisable value as at 31 July 2007 (2006: Nil).

19. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit for which the credit period is generally for a period of 30 to 60 days.

An aged analysis of the trade receivables of the Group (net of impairment losses for bad and doubtful debts) as at the balance sheet date, based on invoice date, is as follows:

	Group	
	2007	2006
	HK$	*HK$*
Within 30 days	**138,230**	422,859
Between 31 – 60 days	**59,466**	166,481
Between 61 – 90 days	**–**	103,407
Between 91 – 180 days	**–**	1,500
	197,696	694,247

The carrying amounts of trade receivables approximate to their fair values.

As at 31 July 2006, included in the Group's trade receivables were amounts due from the Group's related company of which Mr. Lam Chi Shing, the former chairman and an executive director of the Company, was also a director.

Particulars of which disclosed pursuant to Section 161B of the Hong Kong Companies Ordinances were as follows:

Name of related company	**Balance at 31 July 2007**	**Balance at 31 July 2006**	**Maximum amount outstanding during the year**
	HK$	*HK$*	*HK$*
Pushang Management Services Limited	–	1,500	1,500

The amounts due were unsecured, interest-free and repayable on credit terms similar to those offered to the other customers of the Group.

Included in the trade receivables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	2007	2006
United States Dollars	**–**	546

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20. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Group		Company	
	2007	2006	**2007**	2006
	HK$	*HK$*	***HK$***	*HK$*
Deposits, prepayments and other receivables	**94,546,247**	1,178,810	**93,777,852**	140,689

On 10 April 2007, the Company entered into an exclusivity agreement (the "Exclusivity Agreement") with Global Richland Investment Limited ("Global Richland"), an independent third party, pursuant to which Global Richland had agreed to, among others, grant an exclusivity period of six months, to the Company for conducting due diligence on Allied Resources Limited ("Allied Resources"), a company incorporated in Hong Kong with limited liability, with a view to acquiring the entire issued share capital of Allied Resources (the "Proposed Acquisition"). On 19 July 2007, the Company entered into a supplemental deed to the Exclusivity Agreement with Global Richland (the "Supplemental Deed"), pursuant to which Global Richland had agreed to, among others, further extend the exclusivity period up to 31 December 2007 (the "Extended Exclusivity Period"). Up to 31 July 2007, an aggregate of HK$93.6 million refundable deposits have been paid by the Company to Global Richland and included in deposits, prepayments and other receivables.

The carrying amounts of deposits, prepayments and other receivables approximate to their fair values.

21. CASH AND CASH EQUIVALENTS

	Group		Company	
	2007	2006	**2007**	2006
	HK$	*HK$*	***HK$***	*HK$*
Bank balances	**395,105,617**	469,185	**394,695,391**	15,596
Cash balances	**9,480**	16,606	**–**	–
Cash and cash equivalents in the consolidated cash flow statement	**395,115,097**	485,791	**394,695,391**	15,596

Included in the cash and cash equivalents are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	Group		Company	
	2007	2006	**2007**	2006
United States Dollars	**1,562**	1,566	**–**	–
Renminbi	**52,439**	62,666	**–**	–

Cash at bank earns interest at floating rates based on daily bank deposits rates. The carrying amounts of the cash and cash equivalents approximate to their fair values.

22. TRADE PAYABLES

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

	Group	
	2007	2006
	HK$	*HK$*
Within 30 days	**50,519**	725,691
Between 31 – 60 days	**–**	34,755
Between 61 – 90 days	**–**	225,427
Between 91 – 180 days	**–**	158,050
Over 181 days	**–**	382,462
	50,519	1,526,385

The carrying amounts of trade payables approximate to their fair values.

Included in the trade payables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	2007	2006
United States Dollars	**4,648**	144,141

23. DEPOSITS RECEIVED, ACCRUED LIABILITIES AND OTHER PAYABLES

	Group		Company	
	2007	2006	**2007**	2006
	HK$	*HK$*	***HK$***	*HK$*
Deposits received *(note i)*	**258,117**	1,642,675	**–**	–
Accrued liabilities	**1,011,399**	466,230	**791,686**	240,883
Other payables	**2,610,555**	361,413	**1,541,733**	27,000
Directors' remuneration payable	**1,296,000**	28,333	**1,296,000**	28,333
Temporary receipts *(note ii)*	**2,010,713**	–	**2,010,713**	–
	6,928,667	855,976	**5,640,132**	296,216
	7,186,784	2,498,651	**5,640,132**	296,216

Notes:

i. The deposits received represent an unearned portion of deposits received from customers in respect of the provision of the network infrastructure maintenance and reinforcement services and other professional value-added solutions and services.

ii. Temporary receipts represent the proceeds received for 14,131,600 share options granted to employees and others and exercised after the balance sheet date.

The carrying amounts of deposits received, accrued liabilities and other payables approximate to their fair values.

24. AMOUNT DUE TO A DIRECTOR

Name of director	Group 2007 HK$	2006 HK$
Lam Chi Shing	–	3,187,329

The amount due to a director was unsecured, interest-free and fully settled during the year.

25. SHARE CAPITAL

	Number of ordinary shares	Nominal value of ordinary shares HK$
Authorised:		
As at 1 August 2005 and 31 July 2006		
Ordinary shares of HK$0.01 each	5,000,000,000	50,000,000
Share subdivision *(note i)*	5,000,000,000	–
As at 31 July 2007		
Ordinary shares of HK$0.005 each	10,000,000,000	50,000,000
Issued and fully paid:		
As at 1 August 2005 and 31 July 2006		
Ordinary shares of HK$0.01 each	396,180,000	3,961,800
Share placing on 26 February 2007 *(note ii)*	24,000,000	240,000
	420,180,000	4,201,800
Share subdivision *(note i)*	420,180,000	–
Share placing on 28 May 2007 *(note iii)*	49,995,000	249,975
Share placing and subscription on 16 July 2007 and 24 July 2007 *(note iv)*	179,091,000	895,455
Shares issued under share option scheme on 5 June 2007 *(note v)*	5,100,000	25,500
As at 31 July 2007		
Ordinary shares of HK$0.005 each	1,074,546,000	5,372,730

25. SHARE CAPITAL *(Continued)*

Notes:

i. An ordinary resolution proposed at the Extraordinary General Meeting held on 17 April 2007 to approve the subdivision of every issued and unissued ordinary shares of par value of HK$0.01 each in the share capital of the Company into two subdivided ordinary shares of par value of HK$0.005 each was duly passed by the shareholders. The share subdivision became effective on 18 April 2007.

ii. Completion of the placing took place on 26 February 2007 in accordance with the terms of the placing agreement, where a total of 24,000,000 new shares were placed out at the placing price of HK$0.40 per share, resulting in the issue of 24,000,000 shares of HK$0.01 each for a total cash consideration, before expenses, of HK$9,600,000.

iii. Completion of the placing took place on 28 May 2007 in accordance with the terms of the placing agreement, as amended by the supplemental deed, where a total of 49,995,000 new shares were placed out at the placing price of HK$0.80 per share, resulting in the issue of 49,995,000 shares of HK$0.005 each for a total cash consideration, before expenses, of HK$39,996,000.

iv. Completion of the placing took place on 16 July 2007, where a total of 179,091,000 new shares were placed out at the placing price of HK$2.55 per share, resulting in the issue of 179,091,000 shares of HK$0.005 each for a total cash consideration, before expenses, of HK$456,682,050. The conditional subscription by Colpo Mercantile Inc. ("Colpo"), the controlling shareholder of the Company, has also been completed on 24 July 2007, pursuant to which Colpo has subscribed for 179,091,000 new shares at HK$2.55 per subscription share.

v. The subscription rights attaching to 5,100,000 share options were exercised at the subscription price of HK$0.127 per share (note 26), resulting in the issue of 5,100,000 shares of HK$0.005 each for a total cash consideration, before expenses, of HK$647,700.

26. SHARE OPTION SCHEMES

(i) On 25 January 2003, a share option scheme (the "Pre-Scheme") was approved pursuant to written resolutions of the Company. The purpose of the Pre-Scheme was to recognise the contribution of certain employees of the Group to its growth. The Company had granted pre-IPO share options thereunder to two executive directors and 18 employees to subscribe for a total of 30,168,000 shares, representing in aggregate of approximately 7.84% of the then issued share capital of the Company immediately following the completion of the placing and the capitalisation issue, at a subscription prices ranging from HK$0.11 to HK$0.27 per share. No further options can be granted under the Pre-Scheme after the listing of the Company's shares on GEM. All these options granted may be exercised after the expiry of 12 months from 18 February 2003, the listing date, and in each case, not later than four years from the listing date. Each grantee has paid HK$1 to the Company as consideration for such grant.

The movements under the Pre-Scheme during the year are as follow:

Category of participant	Number of share options granted on 25 January 2003: As at 1 August 2006	Exercised during the year	Lapsed during the year	As at 31 July 2007	Exercise period of share options	Exercise price per share *HK$*
Employee of the Group	270,000	–	(270,000)	–	18 February 2004 to 17 February 2007	0.27

During the year, 270,000 share options lapsed following the resignation of an employee. As at 31 July 2007, there was no outstanding share options under the Pre-Scheme.

26. SHARE OPTION SCHEMES *(Continued)*

(ii) On 25 January 2003, another share option scheme (the "Post-Scheme") was approved pursuant to a written resolution of the Company. The purpose of the Post-Scheme is to enable the Group to recognise the contribution of the participants to the Group and to motivate the participants to continuously work to the benefit of the Group by offering the participants an opportunity to have personal interest in the share capital of the Company. The Board may, at its discretion, grant options to any employee, consultants and advisers of the Company or its subsidiaries, including executive, non-executive and independent non-executive directors, to subscribe for shares of the Company. The Post-Scheme remains in force for a period of 10 years with effect from 25 January 2003.

The maximum number of shares in respect of which options may be granted under the Post-Scheme and any other share option scheme of the Company may not exceed 10% of the issued share capital of the Company, or may not exceed a maximum of 30% should the shareholders renew the 10% limit, from time to time which have been duly allotted and issued.

The exercise price for shares under the Post-Scheme may be determined by the Board at its absolute discretion but in any event will be at least the highest of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a business day; (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the relevant option; and (iii) the nominal value of the shares on the date of grant of the option.

Any share options granted to a substantial shareholder or an independent non-executive director or any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value based on the closing price of the shares of the Company in issue at any time or with an aggregate value based on the closing price of the shares of the Company at the date of grant in excess of HK$5 million, in any 12-month period, are subject to shareholders' approval in advance in a general meeting. In addition, any share options granted to any one person in excess of 1% of the shares of the Company in issue at any time, in any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The options granted may be exercised at any time or times during a period to be determined and notified by the Board which period of time shall commence after the date of grant of the option and expire on such date as determined by the Board in any event no later than 10 years from the date of the grant of the option. A nominal consideration of HK$1 is payable on acceptance of the grant of an option under the Post-Scheme.

26. SHARE OPTION SCHEMES *(Continued)*

(ii) *(Continued)*

The movements in the share options granted under the Post-Scheme during the year are shown in the following table:

Name or Category of Participants	Date of Grant	Exercise Period	Exercise Price per Share *(HK$)*	Number of Share Options: As at 1/8/2006	Granted during the year	Lapsed during the year	Exercised during the year	As at 31/7/2007
Directors, chief executive, management shareholders or substantial shareholders or their respective associates:								
Mr. Chan Wing Him, Kenny	29/12/2006	29/12/2006 to 24/1/2013	0.127	–	7,923,600	–	–	7,923,600
	22/6/2007	22/6/2007 to 24/1/2013	2.730	–	1,000,000	–	–	1,000,000
				–	8,923,600	–	–	8,923,600
Mr. Chan Man Ching	29/12/2006	29/12/2006 to 24/1/2013	0.127	–	7,923,600	–	–	7,923,600
	22/6/2007	22/6/2007 to 24/1/2013	2.730	–	1,000,000	–	–	1,000,000
				–	8,923,600	–	–	8,923,600
Mr. Ho Tak Yuen, Peter	18/1/2007	18/1/2007 to 24/1/2013	0.127	–	7,923,600	–	–	7,923,600
	22/6/2007	22/6/2007 to 24/1/2013	2.730	–	1,000,000	–	–	1,000,000
				–	8,923,600	–	–	8,923,600
Other employees:								
In aggregate	18/1/2007	18/1/2007 to 24/1/2013	0.127	–	7,923,600	–	–	7,923,600
	26/4/2007	26/4/2007 to 24/1/2013	1.158	–	200,000	–	–	200,000
				–	8,123,600	–	–	8,123,600

26. SHARE OPTION SCHEMES *(Continued)*

(ii) *(Continued)*

Name or Category of Participants	Date of Grant	Exercise Period	Exercise Price per Share *(HK$)*	Number of Share Options: As at 1/8/2006	Granted during the year	Lapsed during the year	Exercised during the year	As at 31/7/2007
Others:								
In aggregate	18/1/2007	18/1/2007 to 24/1/2013	0.127	–	16,023,600	–	(5,100,000)	10,923,600
	20/3/2007	20/3/2007 to 24/1/2013	0.225	–	12,420,000	–	–	12,420,000
	26/4/2007	26/4/2007 to 24/1/2013	1.158	–	700,000	–	–	700,000
	22/6/2007	22/6/2007 to 24/1/2013	2.730	–	7,250,000	–	–	7,250,000
				–	36,393,600	–	(5,100,000)	31,293,600
TOTAL				–	71,288,000	–	(5,100,000)	66,188,000
Weighted average exercise price				N/A	0.5314	N/A	0.1270	0.5625

Notes:

(a) Share options for subscribing 71,288,000 shares of the Company were granted for a total consideration of HK$42 during the year under review. The aggregate fair value of options granted under the Post-Scheme, measured at their respective dates of grant, amounted to HK$37,228,098. The fair values of the outstanding options were derived from Black-Scholes option pricing model by applying the following bases and assumptions:

Date of Grant	Dividend Yield	Expected Volatility *(i)*	Risk-free rate *(ii)*	Price of the Company's shares at grant date of options *(iii)* *HK$ per share*
29/12/2006	Nil	186.91%	3.73%	0.232
18/1/2007	Nil	309.78%	3.88%	0.232
20/3/2007	Nil	332.98%	4.06%	0.460
26/4/2007	Nil	190.24%	4.06%	0.900
22/6/2007	Nil	331.76%	4.61%	2.480

i. the expected volatilities of the options were calculated based on the annualized historical volatility of the closing price of the shares of the Company for the 12 months immediately preceding the date of grant of the options;

ii. the monthly average yield of the Hong Kong Exchange Fund Notes for a period of about 5 years were applied as the risk-free interest rates; and

iii. the price of the Company's shares disclosed as at the date of grant of the share options is the closing price on the trading day immediately prior to the date of grant of the options, as adjusted to reflect the share subdivision on 18 April 2007.

26. SHARE OPTION SCHEMES *(Continued)*

(ii) *(Continued)*

Notes: (Continued)

(b) The values of the options are subject to the limitations of the Black-Scholes option pricing model and a number of assumptions which are subjective and difficult to ascertain. Changes in the subjective input assumptions could materially affect the fair value estimate.

(c) The weighted average share price of the Company's shares immediately before the date on which the options were exercised and at the date of exercise of the share options are HK$2.57 and HK$3.07 respectively.

(d) The outstanding share options as at 31 July 2007 had a weighted average remaining contractual life of 5.49 years.

(e) If options are forfeited before expiration or lapsed, the related share option reserve will be transferred directly to accumulated losses.

(f) As at 31 July 2007, the Company had 66,188,000 share options outstanding under the Post-Scheme, which represented approximately 6.16% of the Company's shares in issue at that date.

(iii) Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

27. RESERVES

(a) The 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 29 of the financial statements.

(b) The Company

	Note	Share premium account HK$	Capital reserve HK$	Share option reserve HK$	Accumulated losses HK$	Total HK$
As at 1 August 2005		29,685,786	871,031	–	(34,103,694)	(3,546,877)
Net loss for the year		–	–	–	(500,594)	(500,594)
As at 31 July 2006 and 1 August 2006		29,685,786	871,031	–	(34,604,288)	(4,047,471)
Net loss for the year		–	–	–	(50,427,454)	(50,427,454)
Issue of new shares	25	504,892,620	–	–	–	504,892,620
Share-based payment expenses	9	–	–	37,228,098	–	37,228,098
Shares issued under share option scheme	25	1,208,433	–	(586,233)	–	622,200
Share issue expenses		(10,836,727)	–	–	–	(10,836,727)
As at 31 July 2007		524,950,112	871,031	36,641,865	(85,031,742)	477,431,266

27. RESERVES *(Continued)*

Under the Companies Law (Revised) of the Cayman Islands, the funds in the share premium account are distributable to the shareholders of the the Company provided that immediately following the date on which the dividend is proposed to be distributed.

The capital reserve of the Group represents the difference between the nominal value of the share capital and share premium account of the subsidiaries acquired pursuant to the Group reorganisation, over the nominal value of the share capital of the Company issued in exchange therefor. The capital reserve of the Company represents the excess of the then consolidated net assets of the subsidiaries acquired pursuant to the Group reorganisation over the nominal value of the share capital of the Company issued in exchange therefor. Under the Companies Law of the Cayman Islands, the capital reserve of the Company may be distributable to its shareholders, provided that immediately following the date on which a 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 exchange reserve has been set up and will be dealt with in accordance with the accounting policies adopted for foreign currency translation.

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 4(o) to the financial statements. The amount will be either be transferred to the share premium account when the related options are exercised, or be transferred to accumulated losses should the related options expire or be forfeited.

28. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office premises under operating lease arrangements for terms ranging from one to three years. None of the leases includes contingent rentals.

At the balance sheet date, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Group		**Company**	
	2007	2006	**2007**	2006
	HK$	*HK$*	***HK$***	*HK$*
Within one year	**504,711**	689,056	**–**	–
After one year but within five years	**–**	447,853	**–**	–
	504,711	1,136,909	**–**	–

29. COMMITMENTS

Except for the operating lease commitments and the events after balance sheet date detailed in notes 28 and 31 to the financial statements, respectively, the Group and the Company had no significant commitments outstanding at the balance sheet date.

30. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions during the years presented:

	2007	2006
	HK$	*HK$*
Speed Sourcing Limited*		
Network infrastructure maintenance and reinforcement services income	**–**	13,250
Other professional value-added solutions and services income and dataline rental income	**–**	3,470
Pushang Management Services Limited*		
Network infrastructure construction solutions income	**8,621**	176,255
Network infrastructure maintenance and reinforcement services income	**163,400**	86,600
Other professional value-added solutions and services income and dataline rental income	**–**	9,000
Rental income	**–**	14,795
Sales proceeds on disposal of furniture	**–**	1,250
Hong Shing Decoration Co.**		
Renovation fee paid	**–**	27,600
Lam Chi Shing		
Cash advance from a director	**1,800,000**	3,187,329
Waiver of amount due to a director	**4,987,329**	–
Chan Wing Him, Kenny		
Cash advance from a director	**1,480,000**	–

* *Speed Sourcing Limited and Pushang Management Services Limited are companies incorporated in Hong Kong, each of which Mr. Lam Chi Shing, the former chairman and an executive director of the Company, is also a director.*

** *In 2006, Mr. Wong Wing Hong was a significant shareholder of the Company and the owner of Hong Shing Decoration Co.*

30. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Key management personnel compensation

	2007	2006
	HK$	*HK$*
Short-term employee benefits	**4,315,995**	1,332,407
Post-employment benefits	**26,000**	28,113
Share-based payments	**10,859,763**	–
	15,201,758	1,360,520

(c) Movement of non-trade balance with related party

	2007	2006
	HK$	*HK$*
Non-trade balances due to:		
Director – Mr. Lam Chi Shing		
Beginning of the year	**3,187,329**	5,000,000
Cash advance to the Group	**1,800,000**	3,187,329
Repayment of loan	**–**	(5,000,000)
Waiver of amount due to a director	**(4,987,329)**	–
End of the year	**–**	3,187,329
Director – Mr. Chan Wing Him, Kenny		
Cash advance to the Group	**1,480,000**	–
Repayment to director	**(1,480,000)**	–
End of the year	**–**	–

31. EVENTS AFTER BALANCE SHEET DATE

(a) An aggregate of HK$93.6 million refundable deposits have been paid by the Company to Global Richland up to 31 July 2007 for the Proposed Acquisition of Allied Resources. On 16 August 2007, the Company entered into the 2nd Supplemental Deed, pursuant to which the Company had paid an additional refundable deposit of HK$35 million, which will form part of the consideration of the Proposed Acquisition, to Global Richland on 16 August 2007. Such HK$35 million together with HK$93.6 million already paid by the Company to Global Richland under the Exclusivity Agreement and Supplemental Deed is refundable if the Company decides not to proceed with the Proposed Acquisition or a legally binding sale and purchase agreement of share is not entered into on or before the expiry of the Extended Exclusivity Period, i.e. 31 December 2007.

On 14 September 2007, the Company entered into the Agreement to acquire from Global Richland the entire issued capital of Allied Resources at a total consideration of HK$365.88 million, which shall be satisfied by payment of cash of HK$178 million and the issue of 110,000,000 new shares of HK$0.0025 each (the "Consideration Shares") at an issue price of HK$1.708 per share to Global Richland. The market value of the Consideration Shares amounted to approximately HK$317.9 million based on the closing price of HK$2.89 per share as quoted on the Stock Exchange on 14 September 2007. A further refundable deposit of HK$49.4 million was paid to Global Richland upon signing of the Agreement and an aggregate of HK$178 million refundable deposits have been paid. Up to the date of the approval of the financial statements, the Company is still conducting the detailed review of the Proposed Acquisition. Thus, the amounts to be recognised at the acquisition date for each class of the acquiree's assets, liabilities and contingent liabilities are not yet available.

(b) On 28 August 2007, an ordinary resolution proposed at the Extraordinary General Meeting held to approve the subdivision of every issued and unissued ordinary shares of par value of HK$0.005 each in the share capital of the Company into two subdivided ordinary shares of par value of HK$0.0025 each was duly passed by the shareholders. The share subdivision became effective on 29 August 2007.

32. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 JULY 2007

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the year ended 31 July 2007 and which have not been adopted in these financial statements:

	Effective for accounting periods beginning on or after
HKAS 1, Amendment, Presentation of financial statements: – capital disclosures	1 January 2007
HKAS 23 (Revised), Borrowing costs	1 January 2009
HKFRS 7, Financial instruments: disclosures	1 January 2007
HKFRS 8, Operating segments	1 January 2009
HK(IFRIC) – Int 10, Interim financial reporting and impairment	1 November 2006
HK(IFRIC) – Int 11, HKFRS 2 – Group and Treasury Share Transactions	1 March 2007
HK(IFRIC) – Int 12, Service concession arrangements	1 January 2008

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations are expected to be in the period of initial application. So far it has concluded that while the adoption of them may result in new or amended disclosures, it is unlikely to have a significant impact on the Group's results of operations and financial position.

33. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 12 October 2007.