IIN International Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8128

Annual Report

2007

Characteristics of the Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange")

The 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 the 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 the 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 the GEM mean that it is a market more suited to professional and other sophisticated investors.

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

The principal means of information dissemination on the 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 the GEM-listed issuers.

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

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

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BOARD OF DIRECTORS

Executive directors

Wu Shu Min
Fu Hui Zhong
Xu Zhi Feng

Independent non-executive directors

Liu Yang
Li Junlin
Jin Dunshen

REGISTERED OFFICE

Huntlaw Building, P.O. Box 2804
George Town
Grand Cayman
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2201A, 22/F., Bank of America Tower
12 Harcourt Road
Central
Hong Kong

COMPLIANCE OFFICER

Wu Shu Min

QUALIFIED ACCOUNTANT

Chen Jing

COMPANY SECRETARY

Wong Lai Yuk

AUDIT COMMITTEE

Jin Dunshen *(Chairman)*
Liu Yang
Li Junlin

REMUNERATION COMMITTEE

Jin Dunshen *(Chairman)*
Liu Yang
Li Junlin

AUTHORISED REPRESENTATIVES

Wu Shu Min
Wong Lai Yuk

PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Central
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Cayman) Limited
P.O. Box 705
Butterfield House
Fort Street
George Town
Grand Cayman
British West Indies
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITORS

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
31st Floor
Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

STOCK CODE

8128

COMPANY WEBSITE

www.iini.com

To all shareholders of IIN International Limited

It is my pleasure to present, on behalf of the Board of Directors, the results of IIN International Limited (the "Company") together with its subsidiaries (collectively referred to as the "Group" or "IIN") for the financial year ended 30 September 2007.

Fiscal year 2007 was a challenging and remarkable year to the Company. The Company had successfully introduced new funds into the Company through completion of several placing of shares during the year. It enormously uplifts the financial condition of the Group which will provide sufficient financial resources for the Group's further development.

In fiscal year 2007, we continued to focus on three long-term financial priorities:

- Achieve profitability targets and improve productivity
- Seek profitable growth opportunities
- Increase shareholders value

Business Outlook and Prospect

As we look ahead to 2008, we are planning for growth in annual revenue and further progress in profit attributable to equity shareholders. The outlook for the telecommunications industry continues to be soft. However, in the long term, revenue and gross margin may be adversely affected if we do not add capacity fast enough to meet increased market demand.

In addition, we had also realized our commitment to identify business opportunities that will enhance the business base and create growth for the Company. In November 2007, we completed an acquisition of an environmental company in Shenzhen which mainly engages in the businesses of synthetically utilization of marsh gas, disposal and handling of solid garbage, disposal and handling of solid dangerous rejectamenta, disposal of sewage and waste water and utilization of new energy sources. We are of the opinion that through the diversification of business, the Company entered a new business segment with strong growth potential. On the other hand, it also offered a new income source to the Group.

Demand of our products is also affected by changes in customer order patterns, such as changes in the levels of inventory maintained by our customers and timing of our customers purchases. The coming year will also be an important one for IIN organization. In fiscal year 2008, I expect the company's investment plan for environmental protection industry will make the division more profitable and strive to become the industry leader.

We believe that we have the product offerings, facilities, personnel, and competitive and financial resources for continued business success, but future revenue, costs, gross profit margin and profits are all inherently difficult to forecast.

I remain optimistic about IIN's future, and passionate about creating that bright future in partnership with IIN employees and customers. By focusing its investments where the return will be the greatest, IIN will deliver enhanced operational results. By managing the company's costs, IIN will improve its margins. Together, these efforts will increase the value of IIN's stock for investors, strengthen the company for its employees and increase the value that IIN delivers to its customers.

Sincerely,

Wu Shu Min
Chairman

FINANCIAL REVIEW

Turnover

For the financial year under review, the Group recorded a 50% growth in turnover to approximately HK$106.4 million as compared to approximately HK$71.0 million recorded in 2006, mainly driven by the success of the transmission solutions of Wujiang Shengxin Optoelectronics Technology Co, Ltd. ("Shengxin").

Group's net profit attributable to equity shareholders was approximately HK$2.6 million in 2007, compared to a loss of approximately HK$16.2 million in 2006. The performance improvement was a result of the Group's perseverance and persistence in improving productivity while at the same time managing cost effectively.

Gross Profit Margin

Despite the increase in turnover, the gross profit margin declined marginally to 11.4% (2006: 13.7%) due essentially to higher operating cost and lower margin contribution from the transmission segment. The gross profit margin percentage may fluctuate and period to period changes in such margin percentages may not indicative of a trend for the business.

Other revenue and income

Other revenue and income for the fiscal year 2007 amounted to approximately HK$21.8 million (2006: HK$4.8 million), which consisted primarily of financial assets at fair value approximately HK$11.3 million.

Selling and Distribution Costs and Administrative Expenses

Total selling and administrative expenses for the year ended 30 September 2007 were approximately HK$4.4 million (2006: HK$3.8 million), an increase of 16.2% from last fiscal year. As a percentage of revenue, selling and distribution costs were 4.2% and 5% in 2007 and 2006, respectively.

The Group's administrative expenses increased by 5% to approximately HK$14.3 million in 2007 (2006: HK$13.6 million) because of increase in headcount-related expenses. Our headcount expected to increase, as we continue to focus on expanding new market segment, additional sales coverage; growing and expanding our advanced technologies; and strengthening our product offerings in the market. However, it is the Group policy of adherence to prudent cost controls and keeping cost at reasonable level but without jeopardizing the efficiency and productivity level.

Segmental Information

As a result of organisational changes, beginning in fiscal 2007, our reportable segment was focused on transmission segment. Sales from the transmission segment accounted for 100% of the turnover of the Group for the year ended 30 September 2007.

Order Book

As at the date of this report, the group has secured approximately HK$12.0 million worth of contracts on hand.

Financial Resources and Liquidity

Net current assets of the Group as at 30 September 2007 were approximately HK$124.8 million (2006: net current liabilities approximately HK$28.3 million). As at 30 September 2007, the Group had short term cash and bank deposits (including pledged deposits of HK$790,000) of approximately HK$92.2 million (2006: approximately HK$3.5 million). The increase in the cash and cash equivalent was primarily a result of issuance of common stock HK$149.5 million partially offset by cash used for repayment of loan and investments acquired.

We expect that cash provided by operating activities may fluctuate in future period as a result of a number of factors, including fluctuations in our operating results, accounts receivable collections, inventory management and other payments.

As at 30 September 2007, the Group's total bank and other borrowings amounted to approximately HK$31.8 million at fixed interest rates ranging from 5.61% p.a. to 12% p.a. (2006: approximately HK$27.5 million at fixed interest rates ranging 7.25% p.a. to 12% p.a.).

Charge on Group assets

Details of the charge on Group assets are set out in note 28 to the financial statements.

Exposure to fluctuations in exchange rates

The Group continued to adopt a conservative treasury policy by keeping all bank deposits in either Hong Kong Dollars or in the local currencies of the places where the Group's subsidiaries are operating, to minimize its exposure to foreign exchange risks.

Gearing ratio

The gearing ratio of the Group, based on total liabilities to total assets of the company, was significantly improved to 35.7% as at 30 September 2007 (2006: 119.4%).

Employees

As at 30 September 2007, the Group has had 148 employees (2006:127 employees), including 136 employees of Shengxin (2006: 115 employees). The staff costs, including the directors' emoluments amounted approximately HK$6 million for the year under review (2006: HK$ 5.6 million). In addition to the basic salaries, staff benefits include medical coverage and share options scheme. Training and development opportunities continue to be offered to enhance employees' knowledge and skills. Competition for personnel of the highest caliber is intense in the industries; we endeavor to give our employee challenging work, bonuses, competitive wages and participate financially in the success of IIN through stock option plan. Our success will depend on our continued ability to attract and retain highly qualified, experienced and talented personnel.

Share option schemes

The Group has adopted two share option schemes, whereby directors and employees of the Group maybe granted an option to subscribe for the shares of the company. Additional information regarding share option schemes are set out in the section under "Share Option Scheme" of this report.

Contingent Liabilities

As at the date of this annual report, the Directors have had no Knowledge of any material contingent liabilities.

Dividend

The Board of Directors does not recommend the payment of a final dividend for the year ended 30 September 2007 (2006: Nil).

Capital Structure

During the year under review, movement of share capital of the Company was as follows:

On 14 May 2007, the Company entered into a placing agreement to place an aggregate of 325,600,000 placing shares at the price of HK$0.095 per placing share.

On 5 June 2007, the Company and Placing Agent entered into a Placing Agreement to place a total 1,000,000,000 new shares at the Placing Price of HK$0.12 per Placing Share.

During the year ended 30 September 2007, 3,600,000 share options were exercised at HK$0.078 per share (at par value).

As at 30 September 2007, 2,957,360,470 shares of the company were issued and fully paid.

Capital commitment and substantial investments

As at 30 September 2007, II Networks International Limited, a wholly-owned subsidiary of the Company, entered into an agreement with China Standard Limited to acquire entire interest in Shenzhen Lidesui Huanbao Jishu Company Limited and Shenzhen Lisai Gardens Luhua Company Limited for a consideration of HK$440 million.

Details of the capital commitment are set out in the note 37 to the financial statements and the Company's circular dated 3 October 2007.

Future plans for substantial investments or capital assets

II Networks International Limited, a wholly owned subsidiary of the Company, entered into a memorandum of understanding with an independent third party in relation to the possible acquisition of a group of companies which are principally engaged in the research and development, usage of renewable ground-source energy as alternative energy sources for heating and cooling.

Major acquisition or disposals

During the year ended 30 September 2007, II Networks International Limited, a wholly owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party ("the Purchaser") in relation to acquire entire interests in Shenzhen Lidesui Huanbao Jishu Company Limited and Shenzhen Lisai Gardens Luhua Company Limited at an aggregate consideration of HK$440 million.

Details of the acquisition are set out in the Company's circular dated 3 October 2007 and this transaction was completed on 7 November 2007.

BUSINESS REVIEW AND OUTLOOK

Transmission solutions

For the year under review, the turnover of the Group was entirely generated from the transmission segment as a result of the development strategy in line with the changes in the market condition. The transmission segment carries out the sale of transmission products such as cables and fiber optic cables through Shengxin, a subsidiary in which the Group owns a 51% equity interest. As a result of the growth in the investments by Chinese domestic telecommunications operators, supply contracts of a substantial value were successfully secured in the Shanghai, Shandong and Hunan markets, pushing the turnover for the financial year under review to rise substantially to approximately HK$106.4 million from approximately HK$71.0 million of the previous year, representing an increase of approximately 50%. However, the profit margin was still under pressure as the prices of copper, the main raw material for the transmission business, remained high.

Considering that the existing business is not sufficient to support the Group's development, the Group has been aggressively pursuing the direction towards diversification. During the year under review, the Group entered into an agreement with China Standard Limited on the acquisition of the entire equity interests in Shenzhen Lidesui Huanbao Jishu Company Limited and Shenzhen Lisai Gardens Luhua Company Limited, and subsequently completed the acquisition in November 2007. Considering that relevant demand in the sectors is expected to grow geometrically in the next several years as a result of China's attention; tremendous support on environmental protection program and new energy utilization, the Group remains confident in the future of the company.

By capitalizing on the aggressive efforts of the Group's management, and investor's attention and confidence in the Chinese sectors for environmental protection and new energy utilization, the Group completed two share placements during the financial year under review. The proceeds from the placements will facilitate the improvement of the Group's financial status as well as new business development, further enhance the confidence of the Group in its future development.

EXECUTIVE DIRECTORS

Mr. Wu Shu Min (吳樹民), aged 44, Chairman of the Company, is responsible for the strategic direction of the Group. He has over 21 years' experience in the PRC telecommunications industry, and started his career in the Science Research Institute of Hunan Telecommunications in 1985. In 1994, he joined Hunan Tricom Communication Equipment Co., Ltd. as its China representative before he established Hunan Internet Information Networks Company Ltd. in 1997.

Mr. Fu Hui Zhong (傅慧忠), aged 47, was appointed as the chief executive officer of the Company on 16 July 2007. Mr. Fu obtained a Bachelor's Degree in Science and completed MBA core courses in Shanghai Jiao Tong University. Prior joining the Company, he held key position in various IT companies in the PRC. He has intensive experience in research and development, operating resources consolidation and business management.

Mr. Xu Zhi Feng (許志峰), aged 44, the General Manager of Product Department of the Group, was appointed as executive Director of the Company on 7 July 2006. Mr. Xu holds a Bachelor's degree in Mathematics from Jinan University (暨南大學). Prior to joining the Group in 2002, he had worked for The Industrial and Commercial Bank of China and was responsible for credit and financing work during 1985-1990. He also has over 11 years' experience in telecommunications industry.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Liu Yang (劉陽), aged 35, is a senior counsel of Beijing Seafront Law Office. Mr. Liu graduated from the University of International Business and Economics with a bachelor's degree in law in 1995, completed the post-graduate course of international trade law in the University Institute of European Studies, Turin Italy in 2001, and graduated from the University of California, Berkeley School of Law with a master's degree in law in 2003. Mr. Liu has obtained profound experiences in handling the international business projects, especially on foreign investment, international mergers and acquisitions, financing by overseas listing of domestic enterprises. He also had years of working experiences in Chinese central governmental authority in charge of foreign investment. Mr. Liu has participated in drafting the majority of China's laws and regulations with respect to foreign investment since 1995 and participated in the approval process for over 800 foreign investment projects in China.

Mr. Li Junlin (李軍林), aged 43, graduated from the former Hunan Province Post and Telecommunication Institute (湖南省郵電學校) in 1983 and acquired the professional qualification for an engineer in 1988. Mr. Li has over 24 years of working experience in post and telecommunications field.

Mr. Jin Dunshen (金敦申), aged 53, is one of the founders and was once a deputy director of Shanghai Chang Xin Certified Public Accountants Co. Ltd. Mr. Jin has been a certified public accountant in the PRC since 1994 and later a certified assets valuer in the PRC.

SENIOR MANAGEMENT

Mr. Wang Wei Ping (王偉平), aged 41, is the Managing Director of Shengxin, completed the secondary school and then continued his studies in manufacturing of communication cables and fibre optic cables. He has over 18 years' working experience in the industry of communication cables and optical fibre cables.

The directors present their report and the audited financial statements of the Company and the Group for the year ended 30 September 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of its subsidiaries are set out in note 21 to the consolidated financial statements.

An analysis of the Group's performance for the year ended 30 September 2007 by business segments are set out in note 8 to the consolidated financial statements.

RESULTS

The Group's profit for the year ended 30 September 2007 and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements on pages 21 to 70.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and the assets, liabilities and minority interests of the Group for the last five financial years is set out below. This summary does not form part of the audited financial statements.

Results

	Year ended 30 September				
	2007	2006	2005	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	**106,369**	71,013	60,069	113,944	166,849
Profit/(loss) before income tax	**4,420**	(13,232)	(86,334)	(51,625)	(39,420)
Income tax expense	**(1,153)**	(1,056)	(240)	(920)	(900)
Profit/(loss) for the year	**3,267**	(14,288)	(86,574)	(52,545)	(40,320)
Attributable to:					
Equity holders of the Company	**2,594**	(16,204)	(82,097)	(48,462)	(37,603)
Minority interests	**673**	1,916	(4,477)	(4,083)	(2,717)
	3,267	(14,288)	(86,574)	(52,545)	(40,320)

Assets, liabilities and minority interests

	As at 30 September				
	2007	2006	2005	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**228,456**	60,448	75,502	167,287	243,201
Total liabilities	**(81,563)**	(72,178)	(80,179)	(92,229)	(128,698)
Minority interests	**(16,125)**	(10,195)	(7,981)	(12,458)	(14,752)
Equity attributable to equity holders of the Company	**130,768**	(21,925)	(12,658)	62,600	99,751

Note: Certain comparative figures have been restated due to the adoption of the new or revised standards and interpretations of Hong Kong Financial Reporting Standards effective from 1 October 2005.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in notes 31 and 32 to the consolidated financial statements respectively.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 33 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

The Company's share premium account is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. The share premium account may also be distributed in the form of fully paid bonus shares. Since the accumulated losses of the Company exceeded the amount standing to the credit of its share premium account as at 30 September 2007, the Company did not have any reserves available for distribution (2006: Nil).

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 78% of the total sales for the year and sales to the largest customer included therein amounted to 42%. Purchases from the Group's five largest suppliers accounted for 90% of the total purchases for the year and purchases from the largest supplier included therein amounted to 64%.

To the best knowledge of the directors, neither the directors, their associates, nor any shareholders who own more than 5% of the Company's issued share capital, had any beneficial interest in the Group's five largest customers and/or its five largest suppliers during the year.

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Mr. Wu Shu Min
Mr. Fu Hui Zhong (appointed on 16 July 2007)
Mr. Xu Zhi Feng

Non-executive director:

Mr. Yukihiko Izutsu (resigned on 7 July 2007)

Independent non-executive directors:

Mr. Liu Yang
Mr. Li Junlin
Mr. Jin Dunshen

Note: In accordance with articles 86, 87 and 88 of the Company's articles of association, each of Messrs. Wu Shu Min, Fu Hui Zhong, and Li Junlin will retire, and being eligible, offer themselves for re-election at the forthcoming annual general meeting. The appointments of the independent non-executive directors shall continue until either the Company or the independent non-executive director terminates his relevant appointment by a month's notice, and are subject to retirement by rotation in accordance with the Company's articles of association.

The Company had received confirmation of independence from each of the independent non-executive director pursuant to Rule 5.09 of the GEM Listing Rules and the Company still considers that the independent non-executive directors to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

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

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in notes 15 and 38 to the consolidated financial statements, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATION

As at 30 September 2007, the interests or short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short position which they are taken or deemed to have taken under such provisions of the SFO), or which will be required to be entered into the register kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, were as follows:

Long positions in ordinary shares of the Company:

		Number of issued share of US$0.01 each in the Company held and the capacity	
Name of director	**Capacity**	**Total**	**Percentage of the Company's issued share capital**
Mr. Wu Shu Min	Beneficial owner	141,023,000	4.77%
Mr. Xu Zhi Feng	Beneficial owner	4,376,000	0.15%

The interests of the directors and the chief executive of the Company in the share options of the Company are separately disclosed in note 32 to the consolidated financial statements.

Save as disclosed above, as at 30 September 2007, none of the directors and chief executive of the Company or their associates had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short position which they were taken or deemed to have taken under such provisions of the SFO), or which were required to be entered into the register kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in note 32 to the consolidated financial statements in respect of the share option schemes, at no time during the year there were rights to acquire benefits by means of the acquisition of shares in or debentures of 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

The detailed disclosures relating to the Company's share option schemes are set out in note 32 to the consolidated financial statements.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS DISCLOSEABLE UNDER SFO

So far as is notified to the directors of the Company, as at 30 September 2007, shareholders (other than directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO or which were required pursuant to Section 336 of the SFO, to be entered into the register referred to therein, were as follows:

Long positions

Name	Capacity	Interest in shares	Percentage of interests	Interests under equity derivatives	Aggregate interests
Lei Dong Ling *(Note 1)*	Interests of spouse	141,023,000	4.77%	28,000,000	169,023,000
Environment Protection International Limited *(Note 2)*	Beneficial owner	185,000,000	6.26%	–	185,000,000
Netvantage International Limited *(Note 2)*	Beneficial owner	185,000,000	6.26%	–	185,000,000
Tsutsumi Naoyuki *(Note 2)*	Beneficial owner	185,000,000	6.26%	–	185,000,000

Note:

1. Ms. Lei Dong Ling is the spouse of Mr. Wu Shu Min. Under Section 316 of the SFO, Ms. Lei Dong Ling is deemed to be interested in all 141,023,000 shares and 28,000,000 share options in which Mr. Wu Shu Min is interested.

2. Environment Protection International Limited is wholly owned by Netvantage International Limited ("Netvantage") which in turn is wholly onwed by Tsutsumi Naoyuki. Therefore, Netvantage and Tsutsumi Naoyuki are deemed to be interested in 185,000,000 shares of the Company under the SFO.

Save as disclosed above, as at 30 September 2007, the directors of the Company were not aware of any other person (other than directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required pursuant to Section 336 of the SFO, to be entered into the register referred to therein.

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions of the Group are set out in note 38 to the consolidated financial statements.

COMPETITION AND CONFLICT OF INTERESTS

None of the directors, the management shareholders or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests, with the Group.

AUDIT COMMITTEE

The Company has an audit committee (the "Audit Committee") established with written terms of reference in compliance with GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls of the Group and to provide advice to the directors of the Company. The Audit Committee presently comprises Mr. Liu Yang, Mr. Li Junlin and Mr. Jin Dunshen, independent non-executive directors of the Company. The Audit Committee has reviewed the Group's audited annual results for the year ended 30 September 2007 and has provided advice and comments thereon. The Audit Committee held four meetings during the year.

CORPORATE GOVERNANCE

The Company's Corporate Governance Report is set out on pages 16 to 18.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has not adopted its own code of conduct regarding securities transactions by directors, but having made specific enquiry of all directors, the Company reported that during the year, the directors have complied with the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules and its code of conduct regarding securities transactions by directors.

AUDITORS

Messrs. HLB Hodgson Impey Cheng were appointed as the auditors of the Company by the approval of the shareholders of the Company at the extraordinary general meeting held on 10 December 2007 in succession to Messrs. Grant Thornton who resigned from the office on 12 November 2007.

The consolidated financial statements of the Group have been audited by Messrs. HLB Hodgson Impey Cheng who shall retire and, being eligible, offer themselves for re-appointment as the auditors of the Company at the forthcoming annual general meeting.

For and on behalf of the Board

Wu Shu Min
Chairman

Hong Kong, 21 December 2007

The Company is committed to achieving high standards of corporate governance to protect the interests of the shareholders of the Company. The Company had complied with most of the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 15 of the GEM Listing Rules throughout the year ended 30 September 2007. This report describes the corporate governance standards and practices used by the Company to direct and manage its business affairs. It also explains the applications of the Code and deviations, if any.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has not adopted its own code of conduct regarding securities transactions by directors, but having made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules during the period under review.

BOARD OF DIRECTORS

As at 30 September 2007, the Board comprised six Directors, including three executive Directors, namely Mr. Wu Shu Min, Mr. Fu Hui Zhong and Mr. Xu Zhi Feng and three independent non-executive Directors, namely Mr. Liu Yang, Mr. Li Junlin and Mr. Jin Dunshen. Mr. Wu Shu Min is the Chairman of the Board. One of the independent non-executive Directors has appropriate professional qualifications, or accounting or related financial management expertise.

According to the Articles of Association of the Company, at each annual general meeting, one third of the Directors for the time being, or their number is not three or a multiple of three, then the number nearest one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years.

To the knowledge of the Directors, the Board members have no financial, business, family or other material/relevant relationships with each others.

The Board held regular meetings during the year to discuss the overall business, development strategy, operations and financial reporting of the Company.

During the year ended 30 September 2007, fifteen meetings were held. Details of the attendance of the Directors at the meetings of the Board and its respective committees are as follows:

Name of Director	**Board Meeting**	**Audit Committee Meeting**	**Remuneration Committee Meeting**
Executive Directors			
Mr. Wu Shu Min	15/15	4/4	1/1
Mr. Fu Hui Zhong (appointed on 16 July 2007)	6/15	N/A	N/A
Mr. Xu Zhi Feng	15/15	N/A	N/A
Independent non-executive Directors			
Mr. Liu Yang	12/15	4/4	1/1
Mr. Li Junlin	12/15	4/4	1/1
Mr. Jin Dunshen	13/15	4/4	1/1
Non-executive Director			
Mr. Yukihiko Izutsu (resigned on 7 July 2007)	7/15	N/A	N/A

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under the Code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Certain period during the year ended 30 September 2007, the responsibilities of chairman and the chief executive officer of the Company are performed by Mr. Wu Shu Min until after the appointment of Mr. Fu Hui Zhong as executive Director and chief executive officer of the Company, the roles of chairman and chief executive officer is separate.

NON-EXECUTIVE DIRECTORS

Under the Code Provision A.4.1, all the non-executive directors should be appointed for a specific term, subject to re-election. At present, the independent non-executive Directors are not appointed for a specific term, but are subject to retirement by rotation and re-election in accordance with the Company's Articles of Association.

The Company has received, from each of the independent non-executive directors, an annual confirmation of their independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers that all of the independent non-executive directors are independent.

REMUNERATION COMMITTEE

A remuneration committee was only formed in May 2006 with specific written terms of reference which deal clearly with its authority and duties in accordance with the requirements of the new Code. The remuneration committee is responsible for reviewing and developing the remuneration polices of the Directors and senior management. The remuneration committee consists of all the three independent non-executive directors of the Company, namely Mr. Liu Yang, Mr. Li Junlin and Mr. Jin Dunshen.

During the year under review, one meeting was held by the remuneration committee which is to consider and approve the terms of an executive director's service contract.

NOMINATION COMMITTEE

The Company does not establish a nomination committee at present. The appointment of new director(s) is therefore a matter for consideration and decision by the Board. In considering the nomination of a new director or where vacancies on the Board exist, the Board will take into account the skills, qualification, working experience, professional knowledge, leadership and personal integrity of the candidates.

AUDITORS' REMUNERATION

For the year ended 30 September 2007, the remuneration in respect of audit services provided by the auditors, HLB Hodgson Impey Cheng, amounted to HK$350,000. There was no significant non-audit service assignment undertaken by HLB Hodgson Impey Cheng during the year.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the audit committee are, among others, to review and supervise the financial reporting processes and internal control procedures of the Group and to provide advice and comments to the Board accordingly. The audit committee consists of the three independent non-executive Directors of the Company, namely Mr. Liu Yang, Mr. Li Junlin and Mr. Jin Dunshen.

The audit committee is of the opinion that the audited financial statements of the Company and the Group for the year ended 30 September 2007 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

INTERNAL CONTROLS

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

HLB 國衛會計師事務所
Hodgson Impey Cheng

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

Chartered Accountants
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF IIN INTERNATIONAL LIMITED

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of IIN International Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 21 to 70, which comprise the consolidated and company balance sheets as at 30 September 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 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.

Auditors' responsibility

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

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

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

Basis for qualified opinion

The corresponding figures in the current year's consolidated financial statements were derived from the consolidated financial statements for the year ended 30 September 2006 which was audited by another auditor whose report dated 29 December 2006 was disclaimed in view of the fundamental uncertainty relating to the going concern basis of the consolidated financial statements. We are unable to obtain sufficient reliable evidence to satisfy ourselves as to whether the net liabilities of the Company and of the Group as at 30 September 2006 and the results and cash flows and the related disclosures in the notes to the consolidated financial statements of the Company and of the Group for the year ended 30 September 2006 were fairly stated. Any adjustment found to be necessary to the opening balances as at 1 October 2006 may affect the net assets of the Company and of the Group as at 30 September 2007 and the results and cash flows and the related disclosures in the notes to the consolidated financial statements of the Company and the Group for the year ended 30 September 2007.

Qualified opinion arising from limitation of scope for the corresponding figures

In our opinion, except for the effects of such adjustments on the opening balances, if any, as might have been determined to be necessary had we been able to obtain sufficient information concerning the matters as described in the basis for qualified opinion paragraph, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 September 2007 and of the Group's profit 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.

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

Hong Kong, 21 December 2007

For the year ended 30 September 2007

	Note	2007 HK$'000	2006 HK$'000
Turnover	7	**106,369**	71,013
Cost of sales		**(94,293)**	(61,262)
Gross profit		**12,076**	9,751
Other revenue and income	9	**21,815**	4,795
Selling and distribution costs		**(4,441)**	(3,822)
Administrative expenses		**(14,308)**	(13,624)
Other operating expenses		**(8,032)**	(7,877)
Profit/(loss) from operations	10	**7,110**	(10,777)
Finance costs	11	**(2,690)**	(2,455)
Profit/(loss) before tax		**4,420**	(13,232)
Income tax expense	12	**(1,153)**	(1,056)
Profit/(loss) for the year		**3,267**	(14,288)
Attributable to:			
Equity holders of the Company		**2,594**	(16,204)
Minority interests		**673**	1,916
Profit/(loss) for the year		**3,267**	(14,288)
Earnings/(loss) per share attributable to equity holders of the Company during the year	14		
Basic		**HK0.13 cents**	HK(1.02 cents)
Diluted		**HK0.13 cents**	HK(1.02 cents)

All of the Group's activities are classified as continuing.

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

CONSOLIDATED BALANCE SHEET

As at 30 September 2007

	Note	2007 HK$'000	2006 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	16	**17,373**	12,781
Prepaid land lease payments	17	**3,498**	3,371
Club membership	19	**–**	379
Goodwill	20	**1,269**	–
		22,140	16,531
Current assets			
Inventories	22	**4,776**	5,578
Financial assets at fair value through profit or loss	25	**38,500**	–
Trade receivables	23	**36,910**	32,103
Prepayments, deposits and other receivables	24	**33,940**	2,719
Pledged deposits	26	**790**	59
Cash and cash equivalents	26	**91,400**	3,458
		206,316	43,917
Current liabilities			
Trade and bills payables	27	**13,039**	17,929
Borrowings	28	**31,793**	27,522
Amounts due to directors	29	**334**	1,394
Accrued liabilities, deposits received and other payables	30	**31,183**	20,768
Tax payable		**5,214**	4,565
		81,563	72,178
Net current assets/(liabilities)		**124,753**	(28,261)
Net assets/(liabilities)		**146,893**	(11,730)
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	31	**230,667**	126,989
Reserves	33	**(99,899)**	(148,914)
		130,768	(21,925)
Minority interests		**16,125**	10,195
Total equity		**146,893**	(11,730)

The financial statements were approved and authorised for issue by the board of directors on 21 December 2007 and signed on its behalf by:

Wu Shu Min
Executive Director

Fu Hui Zhong
Executive Director

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

BALANCE SHEET

As at 30 September 2007

	Note	2007 HK$'000	2006 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	*21*	**44,183**	–
Current assets			
Cash and cash equivalents	*26*	**62,994**	51
Current liabilities			
Accrued liabilities and other payables		**823**	749
Amounts due to subsidiaries	*21*	**28,239**	27,094
		29,062	27,843
Net current assets/(liabilities)		**33,932**	(27,792)
Net assets/(liabilities)		**78,115**	(27,792)
EQUITY			
Share capital	*31*	**230,667**	126,989
Reserves	*33*	**(152,552)**	(154,781)
Total equity		**78,115**	(27,792)

The financial statements were approved and authorised for issue by the board of directors on 21 December 2007 and signed on its behalf by:

Wu Shu Min
Executive Director

Fu Hui Zhong
Executive Director

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 September 2007

	Equity attributable to equity holders of the Company										
	Issued share capital HK$'000	Share premium account HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000	Asset revaluation reserve HK$'000	Share-based payment reserve HK$'000	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 October 2005	120,359	54,964	–	4	4,698	–	(13)	(192,670)	(12,658)	7,981	(4,677)
Issuance of new shares	6,630	–	–	–	–	–	–	–	6,630	–	6,630
Surplus realised upon disposal of revalued assets	–	–	–	–	(4,243)	–	–	4,243	–	–	–
Surplus arising on revaluation of buildings	–	–	–	–	311	–	–	–	311	298	609
Currency translation	–	–	–	–	–	–	(4)	–	(4)	–	(4)
Net income and expenses recognised directly in equity	–	–	–	–	311	–	(4)	–	307	298	605
Net profit/(loss) for the year	–	–	–	–	–	–	–	(16,204)	(16,204)	1,916	(14,288)
Total recognised income and expenses for the year	–	–	–	–	311	–	(4)	(16,204)	(15,897)	2,214	(13,683)
At 30 September 2006	126,989	54,964	–	4	766	–	(17)	(204,631)	(21,925)	10,195	(11,730)
At 1 October 2006	126,989	54,964	–	4	766	–	(17)	(204,631)	(21,925)	10,195	(11,730)
Issuance of new shares	103,678	47,535	–	–	–	–	–	–	151,213	–	151,213
Share issue expenses	–	(1,678)	–	–	–	–	–	–	(1,678)	–	(1,678)
Acquisition of subsidiary	–	–	–	–	–	–	–	–	–	129	129
Capital increase in a subsidiary	–	–	–	–	–	–	–	–	–	4,309	4,309
Share-based payment expenses	–	–	–	–	–	779	–	–	779	–	779
Surplus arising on revaluation of buildings	–	–	–	–	852	–	–	–	852	819	1,671
Currency translation	–	–	–	–	–	–	(1,067)	–	(1,067)	–	(1,067)
Net income and expenses recognised directly in equity	–	–	–	–	852	779	(1,067)	–	564	819	1,383
Net profit for the year	–	–	–	–	–	–	–	2,594	2,594	673	3,267
Total recognised income and expenses for the year	–	–	–	–	852	779	(1,067)	2,594	3,158	1,492	4,650
At 30 September 2007	230,667	100,821	–	4	1,618	779	(1,084)	(202,037)	130,768	16,125	146,893

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

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 September 2007

	Note	2007 HK$'000	2006 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**4,420**	(13,232)
Adjustments for:			
Interest income		**(905)**	(47)
Share-based payment expenses		**779**	–
Loss on disposal of property, plant and equipment		**–**	4,634
Loss on disposal of golf club memberships		**–**	143
Depreciation of property, plant and equipment		**2,185**	3,142
Amortisation of intangible assets		**–**	193
Amortisation of prepaid land lease payments		**78**	73
Club membership written-off		**379**	–
Property, plant and equipment written-off		**496**	–
Allowance of obsolete stock		**431**	–
Finance costs		**2,690**	2,455
Fair value change in financial assets at fair value through profit or loss		**(11,278)**	–
Impairment loss on trade receivables		**2,409**	–
Impairment loss on trade receivables written back		**(1,509)**	(1,284)
Impairment loss on amounts due from related companies		**–**	2,250
Operating profit/(loss) before working capital changes		**175**	(1,673)
Decrease/(increase) in inventories		**802**	(1,135)
Increase in trade receivables		**(5,707)**	(11,824)
Decrease in rental deposits		**–**	114
(Increase)/decrease in prepayments, deposits, and other receivables		**(31,221)**	2,921
Decrease in amounts due from related companies		**–**	378
Decrease in amounts due to directors		**(1,060)**	(82)
Decrease in trade and bills payables		**(4,890)**	(12,936)
Increase in accrued liabilities, deposits received and other payables		**10,415**	1,041
Cash used in operations		**(31,486)**	(23,196)
Interest paid		**(2,690)**	(2,455)
Income tax paid in the PRC		**(392)**	(604)
Net cash outflow from operating activities		**(34,568)**	(26,255)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 September 2007

	Note	2007 HK$'000	2006 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**905**	47
Purchase of property, plant and equipment		**(4,870)**	(351)
Proceeds from disposal of property, plant and equipment		**–**	1,388
Proceeds from disposal of golf club membership		**–**	237
Purchase of financial assets at fair value through profit or loss		**(27,222)**	–
Proceeds from acquisition of interest in a subsidiary		**(1,140)**	–
(Increase)/decrease in pledged deposits		**(731)**	5,034
Net cash (outflow)/inflow from investing activities		**(33,058)**	6,355
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawdown of bank loans		**19,656**	15,506
Drawdown of other loans		**12,158**	12,093
Repayment of bank loans		**(15,784)**	(5,491)
Repayment of other loans		**(11,737)**	(4,859)
Net proceeds from issue of new shares		**149,535**	6,630
Net cash inflow from financing activities		**153,828**	23,879
Net increase in cash and cash equivalents		**86,202**	3,979
Cash and cash equivalents at beginning of year		**3,458**	1,230
Effect of foreign exchange rates, net		**1,740**	(1,751)
Cash and cash equivalents at end of year		**91,400**	3,458
Analysis of balances of cash and cash equivalents			
Cash and bank balances	*26*	**91,400**	3,458

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

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 14 December 1999 as an exempted company with limited liability under the Company Law (1998 Revision) of the Cayman Islands. The address of its registered office is located at Huntlaw Building, P.O. Box 2804, George Town, Grand Cayman, Cayman Islands. The Company's principal place of business in Hong Kong is Unit 2201A, 22/F, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong. The Company's shares are listed on The Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are sale and distribution of telecommunication equipment, sale of network management software and manufacturing and sale of communication cables and optical cables, which is set out in note 21.

The consolidated financial statements on pages 21 to 70 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange ("GEM Listing Rules").

The consolidated financial statements for the year ended 30 September 2007 were approved and authorised for issued by the board of directors on 21 December 2007.

2. APPLICATION 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 standards, amendments and interpretations (the "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations, which are either effective for annual accounting periods beginning on or after 1 January 2006. A summary of the new HKFRSs adopted by the Group is set out as follows:

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 – Int 4	Determining whether an Arrangement Contains a Lease
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 adoption of the above new and revised standards, amendments and interpretations did not result in substantial changes to the Group's accounting policies and did not result in significant impact to the Group's result and financial position.

3. ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKAS 1 (Amendment)	Capital Disclosures [1]
HKAS 23 (Revised)	Borrowing Costs [2]
HKFRS 7	Financial Instruments – Disclosures [1]
HKFRS 8	Operating Segments [2]
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment [3]
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions [4]
HK(IFRIC) – Int 12	Service Concession Arrangements [5]
HK(IFRIC) – Int 13	Customer Loyalty Programmes [6]
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction [5]

HKAS 1 (Amendment) will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any noncompliance.

HKFRS 7 requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments.

The Group is in the process of making an assessment of the impact of these new standards, amendments and interpretations upon initial application. So far, it has concluded that the adoption of HKAS 1 (Amendment) and HKFRS 7 may result in new or amended disclosures, these new standards and amendments should have no significant impact on the results and financial position of the Group.

Notes:

1 Effective for annual periods beginning on or after 1 January 2007
2 Effective for annual periods beginning on or after 1 January 2009
3 Effective for annual periods beginning on or after 1 November 2006
4 Effective for annual periods beginning on or after 1 March 2007
5 Effective for annual periods beginning on or after 1 January 2008
6 Effective for annual periods beginning on or after 1 July 2008

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations ("Ints") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") and by the Hong Kong Companies Ordinance.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost convention except for certain properties and financial instruments, which are stated at their fair values.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 5.

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 30 September each year.

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

All significant inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

(c) Interests in subsidiaries

Interests in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted by the Company on the basis of dividend received or receivables.

(d) Foreign currencies

The consolidated financial statements are presented in Hong Kong Dollars, which is the Company's functional and presentation currency.

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

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

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

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

(e) Revenue recognition

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

(i) Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, provided that the Group maintains neither managerial involvement to the degree usually associated with ownerships, nor effective control over the goods sold;

(ii) Revenue from the rendering of services is recognised when the agreed services have been rendered;

(iii) Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the effective interest rate applicable; and

(iv) Revenue from the sale of securities investments are recognised on a trade date basis.

(f) Intangible assets (other than goodwill) and research and development costs

Intangible assets (other than goodwill)

Intangible assets acquired separately are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to income statement on a straight-line basis over the assets' estimated useful lives from the date when they are available for use. Both the period and method of amortisation are reviewed annually.

Research and development costs

Cost associated with research activities are expensed in the income statement as they occur. Costs that are directly attributable to the development phase are recognised as intangible assets provided that meet the following recognition requirements:

(i) demonstration of technical feasibility of the prospective product for internal use or sale;

(ii) the intangible asset will generate probable economic benefits for internal use or sale;

(iii) sufficient technical, financial and other resources are available for completion; and

(iv) the intangible asset can be reliably measured.

Direct costs include employee costs incurred on development along with an appropriate portion of relevant overheads. The costs of internally generated product developments are recognised as intangible assets. They are subject to the same subsequent measurement method as externally acquired intangible assets.

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

(g) Goodwill

Goodwill arising on an acquisition of a subsidiary or an associate represents the excess of the cost acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary or associate at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the consolidated balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit on the pro rata basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the income statement. An impairment loss for goodwill is not reversed in subsequent periods.

Goodwill arising from acquisition of an associate is included in the carrying amount of the investment and is assessed for impairment as part of the investment.

(h) Property, plant and equipment

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

Type	Basis
Buildings/Lease rights on medium term leases of properties	Over the lease terms
Leasehold improvements	5 years or over the lease terms, whichever is shorter
Plant and machinery	8 years
Computer equipment	4 to 8 years
Office equipment, furniture and fixtures	4 to 5 years
Motor vehicles	5 to 8 years

All buildings are recognised at fair value, based on their use at the date of revaluation less subsequent accumulated depreciation and any subsequent impairment losses. Fair value is determined in appraisals by external professional valuers with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date. Any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the assets. All other property, plant and equipment other than construction in progress are stated at acquisition cost less accumulated depreciation and accumulated impairment losses.

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

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

Any surplus arising on revaluation of buildings is credited to the asset revaluation reserve in equity, unless the carrying amount of that asset has previously suffered a revaluation decrease or impairment loss as described in note 4(j). To the extent that any decrease has previously been recognised in income statement, a revaluation increase is credited to income statement with the remaining part of the increase dealt with in the asset revaluation reserve. A decrease in net carrying amount of buildings arising on revaluations or impairment testing is charged against any revaluation surplus in the revaluation reserve relating to the asset and the remaining decrease recognised in income statement.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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

The gain or loss arising on disposal is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement. Any revaluation surplus remaining in equity is transferred to accumulated losses on the disposal of buildings.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses and is not depreciated. Cost comprises direct cost of construction during the period of construction.

(i) Prepaid land lease payments

Prepaid land lease payments represent up-front payments to acquire the land use rights/leasehold land. They are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated on a straight-line basis over the lease term.

(j) Impairment of assets

Goodwill, other intangible assets, property, plant and equipment, prepaid land lease payments and interests in subsidiaries are subject to impairment testing.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management controls the related cash flows.

Individual assets or cash-generating units that include goodwill (and other intangible assets with an indefinite useful life) are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

(j) Impairment of assets *(Continued)*

An impairment loss is recognised as an expense immediately for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard. The recoverable amount is the higher of fair value, reflecting market condition less costs to sell, and value in use based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit.

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortisation, if no impairment loss had been recognised.

(k) Leases

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

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

(l) Financial instruments

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

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place. The accounting policies adopted in respect of each category of financial assets are set out below.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated at fair value through profit or loss on initial recognition. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in income statement in the period in which they arise.

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

(l) Financial instruments *(Continued)*

Financial assets *(Continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade receivables, prepayments, deposits and other receivables, pledged deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in income statement when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as loans and receivables and not held for trading purpose. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in income statement. Any impairment losses on available-for-sale financial assets are recognised in income statement. Impairment losses on available-for-sale equity investments will not reverse through income statement in subsequent periods. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in income statement when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

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

(l) Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Financial liabilities

Financial liabilities (including trade and bills payable, amounts due to directors, accrued liabilities, deposits received and other payables) are subsequently measured at amortised cost, using the effective interest method.

Borrowings are recognised initially at fair value, net of transaction costs incurred, and are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

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

Derecognition

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

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

(m) Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and in the case of work in progress and finished goods, comprise direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

(n) Income taxes

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

Current income tax assets and/or liabilities comprise those obligations to, or claims from, tax authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in the income statement.

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

(n) Income taxes *(Continued)*

Deferred tax is calculated using the liability method on temporary differences at the balance sheet date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credit, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

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

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised in the income statement, or in equity if they relate to items that are charged or credited directly to equity.

(o) Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand as well as short term bank deposit.

(p) 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 the proceeds (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

(q) Pension scheme and other retirement benefits

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

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

(q) Pension scheme and other retirement benefits *(Continued)*

The Company's subsidiaries in the People's Republic of China except Hong Kong ("PRC") are required to participate in the employee retirement scheme operated by the relevant local government bureau in the PRC and to make contributions for their eligible employees. The contributions payable by these subsidiaries are calculated based on a certain percentage of the salaries and wages of those eligible employees and are charged to the income statement in the period to which they relate.

(r) Share-based employee compensation

The Group operates equity-settled share-based compensation plans for remuneration of its employees.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share options awarded. The value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

All share-based compensation is recognised as an expense in income statement with a corresponding credit to share option reserve. If vesting periods or other vesting condition apply, the expense is recognised over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-current vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than originally estimated.

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

(s) Provisions and contingencies

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past event, and 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 expenditure expected to settle the obligation.

All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

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. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

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

(t) Related parties

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

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

(ii) the party is an associate;

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

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

(v) the party is a close member of the family or any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significant influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan 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.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments 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. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account of their estimated residual value. The determination of the useful lives and residual values involve management's estimation. The Group assesses annually the residual value and the useful life of the property, plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the year the estimate is changed and the future period.

(b) Impairment of trade receivables

The Group's management determines impairment of trade receivables on a regular basis. The estimate is based on the credit history of its customers and current market conditions. The management of the Group reassesses the impairment of trade receivables at the balance sheet date.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

(c) Allowance for impairment of inventories

In determining the amount of allowance required for obsolete and slow-moving inventories, the Group would evaluate aging analysis of inventories and compare the carrying value of inventories to their respective net realisable values. A considerable amount of judgment is required in determining such allowance. If conditions which have impact on the net realisable value of inventories deteriorate, additional allowances may be required.

(d) Land and building

As described in note 16, land and buildings are stated at fair values based on the valuation performed by independent professional valuers. In determining the fair values, the valuers have based on method of valuation which involves certain estimates. In relying on the valuation report, the management has exercised their judgment and is satisfied that the method of valuation is reflective of the current market conditions. Should there are any changes in assumptions due to change of market conditions, the fair values of the land and buildings will change in future.

(e) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

The carrying amount of goodwill at the balance sheet date was approximately HK$1,269,000 and no impairment loss was recognised during the current year (2006: Nil). Details of the impairment test for goodwill are provided in note 20.

6. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group does not have written risk management policies and guidelines. However, the board of directors meets periodically to analyse and formulate measures to manage the Group's exposure to market risk, including principally changes in interest rate and currency exchange rates. Generally, the Group employs a conservative strategy regarding its risk management.

(a) Credit risk

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the balance sheet or in the notes to the financial statements. Credit risk, therefore, is only disclosed in the circumstances where the maximum potential loss differs significantly from the financial asset's carrying amount.

The Group's bank deposits are mainly deposited with banks in Hong Kong and the PRC.

The Group has concentration of credit risk due to its relatively small customer base. The Group performs ongoing credit evaluation of its customers' financial positions. Provision for impairment is based upon a review of the expected collectibility of all receivables.

6. RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(b) Price risk

The Group's financial assets at fair value through profit or loss are listed securities and thus measured at fair value at each balance sheet date. Therefore, the Group is exposed to equity price risk and the management will monitor the price movements of such financial assets and take appropriate actions when they are required.

(c) Foreign currency risk

The Group is mainly exposed to foreign exchange risk arising from the exposure of RMB against Hong Kong Dollar. The Group does not hedge its foreign currency risks, as the management of the Group does not expect any significant movements in the exchange rate between RMB and Hong Kong Dollar.

(d) Fair value

The fair value of the Group's current financial assets and liabilities are not materially different from their carrying amount because of the immediate or short term maturity.

(e) Interest rate risk

The Group has variable-rate borrowing (including secured bank loans and unsecured other loans) and is therefore exposed to cash flow interest rate risk (see note 28 for details of these borrowings). The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

7. REVENUE

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts where applicable and services rendered. All significant intra-group transactions have been eliminated on consolidation.

8. SEGMENT INFORMATION

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

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and service they provide. Each of the Group's business segments represents a strategic business unit that offers product 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:

(a) the telecommunications network infrastructure solutions segment consists of the sale of the broadband data network information platform developed by the Group as well as the integration of third-party software and hardware for telecommunications sectors;

(b) the network management solutions segment consists of the sale of network management software for telecommunications sectors;

8. SEGMENT INFORMATIONS *(Continued)*

(c) the other network solutions for sectors other than telecommunications segment consists of the design, implementation and maintenance of network systems for customers in sectors other than telecommunications sectors;

(d) the transmission segment consists of the manufacturing and sale of communication cables and optical cables, primarily for communications sectors; and

(e) the corporate and other segment consists of the Group's investment holding, corporate assets and liabilities items.

(f) the securities investment and trading consists of Group's investment in securities and trading of investment securities.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

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.

(a) Business segments

The following tables present revenue, result and certain asset, liability and expenditure information for the Group's business segments.

The Group

	Telecommunications network infrastructure solutions		Network management solutions		Other network solutions for sectors other than telecommunications		Transmission		Securities investments and trading		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:												
Sales to external customers	**–**	–	**–**	–	**–**	308	**106,369**	70,705	**–**	–	**106,369**	71,013
Segment results	**(8,128)**	(10,375)	**(2,154)**	(3,656)	**(979)**	(2,567)	**726**	1,026	**7,887**	–	**(2,648)**	(15,572)
Unallocated income and gains											**10,537**	4,795
Unallocated expenses											**(779)**	–
Profit/(loss) from operating activities											**7,110**	(10,777)
Finance costs											**(2,690)**	(2,455)
Profit/(loss) before income tax											**4,420**	(13,232)
Income tax expense											**(1,153)**	(1,056)
Profit/(loss) for the year											**3,267**	(14,288)

8. SEGMENT INFORMATIONS *(Continued)*

(a) Business segments *(Continued)*

The following tables present revenue, result and certain asset, liability and expenditure information for the Group's business segments.

The Group

	Telecommunications network infrastructure solutions		Network management solutions		Other network solutions for sectors other than telecommunications		Transmission		Securities investments and trading		Corporate and other		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**11,260**	1,272	**344**	930	**27**	34	**77,907**	56,175	**38,985**	–	**–**	–	**128,523**	58,411
Unallocated assets											**99,933**	2,037	**99,933**	2,037
Total asset													**228,456**	60,448
Segment liabilities	**10,363**	9,954	**8,799**	15,372	**2,047**	2,141	**12,191**	34,734	**3,390**	–	**–**	–	**36,790**	62,201
Unallocated liabilities											**44,773**	9,977	**44,773**	9,977
Total liabilities													**81,563**	72,178
Other segment information:														
Depreciation of property, plant and equipment	**194**	898	**310**	685	**5**	36	**1,676**	1,508	**–**	–	**–**	15	**2,185**	3,142
Amortisation of prepaid land lease payments	**–**	–	**–**	–	**–**	–	**78**	73	**–**	–	**–**	–	**78**	73
Share-based payment expenses	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**779**	–	**779**	–
Surplus arising on revaluation of buildings – recognised directly in equity attributable to equity holder	**–**	–	**–**	–	**–**	–	**852**	311	**–**	–	**–**	–	**852**	311
Amortisation of deferred development cost	**–**	–	**–**	193	**–**	–	**–**	–	**–**	–	**–**	–	**–**	193
Reversal of Impairment loss on trade receivables	**(134)**	–	**–**	–	**–**	–	**(1,375)**	–	**–**	–	**–**	–	**(1,509)**	–
Impairment loss on trade receivables	**314**	–	**–**	–	**–**	–	**2,095**	–	**–**	–	**–**	–	**2,409**	–
Impairment loss on other receivables	**–**	498	**–**	159	**–**	–	**–**	–	**–**	–	**–**	–	**–**	657
Impairment loss on amount due from related companies	**–**	922	**–**	1,328	**–**	–	**–**	–	**–**	–	**–**	–	**–**	2,250
Property, plant and equipment written-off	**–**	–	**496**	–	**–**	–	**–**	–	**–**	–	**–**	–	**496**	–
Allowance for obsolete inventories	**–**	–	**–**	–	**–**	–	**431**	–	**–**	–	**–**	–	**431**	–
Loss on disposal of property, plant and equipment	**–**	4,634	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	4,634
Club membership written-off	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**379**	–	**379**	–
Loss on disposal of golf club membership	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	143	**–**	143
Capital expenditure	**–**	–	**2,574**	–	**–**	–	**2,296**	351	**–**	–	**–**	–	**4,870**	351

8. SEGMENT INFORMATIONS *(Continued)*

(b) Geographical segments

Over 90% of the Group's revenue, assets and liabilities are derived from customers based in the PRC and accordingly, no further detailed analysis of the Group's geographical segments is disclosed.

9. OTHER REVENUE AND INCOME

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Other revenue:		
Bank interest income	**905**	47
Allowance and others	**3,071**	3,464
	3,976	3,511
Other income:		
Fair value changes in financial assets at fair value through profit or loss	**11,278**	–
Reversal of impairment loss on trade receivables	**1,509**	1,284
Provision for penalty written back	**5,052**	–
	17,839	1,284
	21,815	4,795

10. PROFIT/(LOSS) FROM OPERATIONS

The Group's profit/(loss) from operations is arrived at after charging:

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Cost of inventories sold and services provided	**94,293**	61,262
Depreciation of property, plant and equipment	**2,185**	3,142
Amortisation of prepaid land lease payments	**78**	73
Research and development costs:		
Deferred development costs amortised *	**–**	193
Minimum lease payments under operating leases in respect of land and buildings	**141**	363
Auditors' remuneration	**350**	400
Staff costs (including directors' emoluments *(note 15)*):		
Wages and salaries	**6,021**	5,595
Pension scheme contributions	**12**	17
	6,033	5,612
Impairment loss on trade receivables *	**2,409**	–
Impairment loss on amounts due from related companies *	**–**	2,250
Impairment loss on other receivables *	**–**	657
Allowance for obsolete inventories *	**431**	–
Club membership written off *	**379**	–
Property, plant and equipment written off*	**496**	–
Loss on disposal of property, plant and equipment *	**–**	4,634
Loss on disposal of golf club membership *	**–**	143
Share-based payment expenses*	**779**	–

* *Included in "Other operating expenses" on the face of the consolidated income statement.*

11. FINANCE COSTS

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable within five years	**1,596**	1,770
Interest on other loans wholly repayable within five years	**1,094**	685
	2,690	2,455

12. INCOME TAX EXPENSE

Hong Kong profits tax has not been provided as the Group had no assessable profits arising in Hong Kong during the year (2006: Nil). Taxes on profit assessable elsewhere have been calculated at the applicable rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof during both years.

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Current tax – the PRC		
Charge for the year	**1,153**	1,056

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

The Group – Year ended 30 September 2007

	Hong Kong		**The PRC**		**Total**	
	HK$'000	***%***	***HK$'000***	***%***	***HK$'000***	***%***
(Loss)/profit before tax	**(1,071)**		**5,491**		**4,420**	
Tax at the statutory tax rate	**(187)**	**(17.5)**	**1,812**	**33.0**	**1,625**	**36.7**
Tax effect of expenses not deductible for tax purpose	**795**	**74.2**	**319**	**5.8**	**1,114**	**25.2**
Tax effect of income not taxable for tax purpose	**(2,129)**	**(198.7)**	**(1,396)**	**(25.4)**	**(3,525)**	**(79.7)**
Tax effect of tax losses not recognised	**1,521**	**142.0**	**418**	**7.6**	**1,939**	**43.9**
	–	**–**	**1,153**	**21.0**	**1,153**	**26.1**

The Group – Year ended 30 September 2006

	Hong Kong		The PRC		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Loss before tax	(11,711)		(1,521)		(13,232)	
Tax at the statutory tax rate	(2,050)	(17.5)	(502)	(33.0)	(2,552)	(19.3)
Tax effect of expenses not deductible for tax purpose	850	7.3	472	31.0	1,322	10.0
Tax effect of income not taxable for tax purpose	(8)	(0.1)	(899)	(59.1)	(907)	(6.9)
Tax effect of tax losses not recognised	1,208	10.3	1,985	130.5	3,193	24.1
	–	–	1,056	69.4	1,056	7.9

12. INCOME TAX EXPENSE *(Continued)*

At the balance sheet date, the Group has tax losses of approximately HK$109,955,000 (2006: HK$99,997,000) that are available for offsetting against future taxable profits of the companies which incurred the losses. Deferred tax assets have not been recognised in respect of these losses as it is not probable that future taxable profit will available against which these unused tax losses can be utilised.

13. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss attributable to equity holders includes a loss of HK$43,629,000 (2006: HK$33,497,000) which has been dealt with in the financial statements of the Company.

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

The calculation of basic earnings/(loss) per share is based on the profit/(loss) for the year attributable to equity holders of the Company of HK$2,594,000 (2006: a loss of HK$16,204,000) and the weighted average of 1,922,211,977 (2006: 1,594,393,347) ordinary shares in issue during the year.

Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Profit/(loss) attributable to equity holders of the Company	**2,594**	(16,204)

	2007	2006
Weighted average number of ordinary shares in issue	**1,922,211,977**	1,594,393,347
Adjustment for assumed exercise of share options	**3,335,246**	–
	1,925,547,223	1,594,393,347

The computation of diluted loss per share for the year ended 30 September 2006 did not assume the exercise of the Company's share options because the effect of exercising an option to subscribe for an additional share in the Company would result in a decrease of loss per share.

15. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES' 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:

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Fees:		
Executive directors	–	–
Non-executive directors	–	–
Independent non-executive directors	**312**	248
	312	248
Other emoluments of executive directors salaries, allowances and benefits in kind	**2,466**	1,565
	2,778	1,813

15. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION *(Continued)*

The emoluments of each director, on a named basis for the year ended 30 September 2007 and 2006 are set out below:

	For the year ended 30 September 2007					
	Director Fees	Salaries allowances and benefits in kind	Discretionary bonus	Lump sum ex-gratia payment	Pension scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Independent non-executive directors:						
Liu Yang	120	–	–	–	–	120
Li Jun Lin	96	–	–	–	–	96
Jin Dun Shen	96	–	–	–	–	96
	312	–	–	–	–	312
Non-executive directors:						
Yukihiko Izutsu*	–	–	–	–	–	–
	–	–	–	–	–	–
Executive directors:						
Wu Shu Min	–	1,873	–	–	–	1,873
Xu Zhi Feng	–	492	–	–	–	492
Fu Hui Zhong**	–	101	–	–	–	101
	–	2,466	–	–	–	2,466
Total – 2007	312	2,466	–	–	–	2,778

* *resigned during the year ended 30 September 2007*

** *appointed during the year ended 30 September 2007*

15. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION *(Continued)*

	For the year ended 30 September 2006					
	Director Fees	allowances and benefits in kind	Discretionary bonus	Lump sum ex-gratia payment	Pension scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Independent non-executive directors:						
Liu Yang	96	–	–	–	–	96
Li Jun Lin^^	80	–	–	–	–	80
Jin Dun Shen^^	72	–	–	–	–	72
	248	–	–	–	–	248
Non-executive directors:						
Chang Ye Min, William^	–	–	–	–	–	–
Leong Ka Cheong, Christopher^	–	–	–	–	–	–
Wang Qian^	–	–	–	–	–	–
Yukihiko Izutsu^^	–	–	–	–	–	–
	–	–	–	–	–	–
Executive directors:						
Wu Shu Min	–	1,440	–	–	–	1,440
Xu Zhi Feng^^	–	125	–	–	–	125
Chang Xiao Hui^	–	–	–	–	–	–
Li Jun Chao^	–	–	–	–	–	–
Jin Feng^	–	–	–	–	–	–
	–	1,565	–	–	–	1,565
Total – 2006	248	1,565	–	–	–	1,813

^ *resigned during the year ended 30 September 2006*

^^ *appointed during the year ended 30 September 2006*

15. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION *(Continued)*

There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 30 September 2007 and 2006.

During the years ended 30 September 2007 and 2006, no share options were granted to the directors in respect of their services to the Group. The details of the share option schemes were set out in note 32 to the financial statements.

Five highest paid individuals

The five highest paid individuals in the Group during the year included two (2006: two) directors, details of whose emoluments are disclosed above. The emoluments paid to the remaining three (2006: three) non-director, highest paid individuals for the year are as follows:

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Salary, allowances and benefits in kind	**878**	1,130
Pension scheme contributions	**12**	12
Share-based payment expenses	**779**	–
	1,669	1,142

The number of non-director, highest paid individuals whose emoluments fell within the following band is as follows:

	2007	2006
Nil – HK$1,000,000	**3**	3

During the years ended 30 September 2007 and 2006, no emoluments were paid by the Group to the directors or any of the five highest paid employees of the Group as an inducement to join the Group or upon joining the Group, or as compensation for loss of office.

16. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress HK$'000	Leasehold buildings HK$'000	Lease rights on medium term leases of properties HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Computer equipment HK$'000	Office equipment furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 October 2005									
Cost or valuation	–	22,917	1,355	1,830	10,146	12,426	4,590	3,029	56,293
Accumulated depreciation	–	–	(207)	(1,516)	(2,792)	(11,694)	(4,539)	(2,412)	(23,160)
Net book amount	–	22,917	1,148	314	7,354	732	51	617	33,133
Year ended 30 September 2006									
Opening net book amount	–	22,917	1,148	314	7,354	732	51	617	33,133
Additions	317	–	–	–	34	–	–	–	351
Depreciation	–	(556)	(26)	(191)	(1,050)	(868)	(208)	(243)	(3,142)
Revaluation	–	609	–	–	–	–	–	–	609
Disposal	–	(18,300)	(1,176)	(137)	–	(32)	(1)	(101)	(19,747)
Exchange alignment	–	–	54	14	295	882	301	31	1,577
Closing net book amount	317	4,670	–	–	6,633	714	143	304	12,781
At 30 September 2006									
Cost or valuation	317	4,670	–	235	10,677	7,208	2,013	1,978	27,098
Accumulated depreciation	–	–	–	(235)	(4,044)	(6,494)	(1,870)	(1,674)	(14,317)
Net book amount	317	4,670	–	–	6,633	714	143	304	12,781
Year ended 30 September 2007									
Opening net book amount	**317**	**4,670**	–	–	**6,633**	**714**	**143**	**304**	**12,781**
Additions	**1,943**	–	–	–	**258**	**54**	**41**	**2,574**	**4,870**
Depreciation	–	**(171)**	–	–	**(1,402)**	**(346)**	**(48)**	**(218)**	**(2,185)**
Write-off	–	–	–	–	–	**(339)**	**(143)**	**(14)**	**(496)**
Revaluation	–	**1,671**	–	–	–	–	–	–	**1,671**
Exchange alignment	**19**	**240**	–	–	**403**	**43**	**9**	**18**	**732**
Closing net book amount	**2,279**	**6,410**	–	–	**5,892**	**126**	**2**	**2,664**	**17,373**
At 30 September 2007									
Cost or valuation	**2,279**	**6,410**	–	**249**	**11,584**	**7,361**	**2,033**	**4,658**	**34,574**
Accumulated depreciation	–	–	–	**(249)**	**(5,692)**	**(7,235)**	**(2,031)**	**(1,994)**	**(17,201)**
Net book amount	**2,279**	**6,410**	–	–	**5,892**	**126**	**2**	**2,664**	**17,373**

All the Group's leasehold buildings included above are held under medium term leases in the PRC.

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

The Group's leasehold buildings were revalued individually at the balance sheet date by RHL Appraisal Limited, independent professional qualified valuers, at an aggregate of HK$6,410,000 (2006: HK$4,670,000). During the year, no leasehold land and buildings was disposed, while in the last year, one of the leasehold buildings with a carrying amount of HK18,300,000 was disposed of to settle a bank loan. The remaining building was revalued to approximately HK$6,410,000 and a revaluation surplus of HK$1,671,000 (2006: surplus of HK$609,000), resulting from the above valuations, has been credited to the equity.

Had these leasehold buildings been carried at historical cost less accumulated depreciation, their carrying amounts would have been approximately HK$3,825,000 (2006: HK$3,996,000).

At 30 September 2007, the Group's leasehold buildings and plant and machinery with carrying values of approximately HK$6,410,000 (2006: HK$4,670,000) and HK5,892,000 (2006: HK$6,633,000) respectively, were pledged to secure general banking facilities granted to the Group (note 28).

The analysis of the cost or valuation at 30 September 2007 of the above assets is as follows:

	Construction in progress *HK$'000*	**Leasehold buildings** *HK$'000*	**Lease rights on medium term leases of properties** *HK$'000*	**Leasehold improvements** *HK$'000*	**Plant and machinery** *HK$'000*	**Computer equipment** *HK$'000*	**Office equipment furniture and fixtures** *HK$'000*	**Motor vehicles** *HK$'000*	**Total** *HK$'000*
At cost	**2,279**	**–**	**–**	**249**	**11,584**	**7,361**	**2,033**	**4,658**	**28,164**
At valuation	**–**	**6,410**	**–**	**–**	**–**	**–**	**–**	**–**	**6,410**
	2,279	**6,410**	**–**	**249**	**11,584**	**7,361**	**2,033**	**4,658**	**34,574**

The analysis of the cost or valuation at 30 September 2006 of the above assets is as follows:

	Construction in progress *HK$'000*	Leasehold buildings *HK$'000*	Lease rights on medium term leases of properties *HK$'000*	Leasehold improvements *HK$'000*	Plant and machinery *HK$'000*	Computer equipment *HK$'000*	Office equipment furniture and fixtures *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
At cost	317	–	–	235	10,677	7,208	2,013	1,978	22,428
At valuation	–	4,670	–	–	–	–	–	–	4,670
	317	4,670	–	235	10,677	7,208	2,013	1,978	27,098

17. PREPAID LAND LEASE PAYMENTS

The Group's prepaid land lease payments represent upfront payments to acquire interests in the usage of land situated in the PRC, which are held under medium term leases.

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Outside Hong Kong held on:		
– Leases of between 10 to 50 years	**3,498**	3,371

The above land use rights were pledged to secure bank loans (note 28).

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Cost:		
At beginning of the year	**3,657**	3,485
Exchange alignment	**222**	172
At end of the year	**3,879**	3,657
Accumulated amortisation:		
At beginning of the year	**286**	202
Charge for the year	**78**	73
Exchange alignment	**17**	11
At end of the year	**381**	286
Net book value		
At 30 September	**3,498**	3,371

18. INTANGIBLE ASSETS

The Group

	Deferred development costs
	HK$'000
At 1 October 2005	
Cost	6,284
Accumulated amortisation	(6,100)
Net book amount	184
Year ended 30 September 2006	
Opening net book amount	184
Amortisation	(193)
Exchange alignment	9
Closing net book amount	–
At 30 September 2006	
Cost	6,285
Accumulated amortisation	(6,285)
Net book amount	–
Year ended 30 September 2007	
Opening net book amount and closing net book amount	–
At 30 September 2007	
Cost	6,285
Accumulated amortisation	(6,285)
Net book amount	–

The Group's deferred development costs were amortised over the useful life of not exceeding five years.

19. CLUB MEMBERSHIP

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Golf club membership *(Note)*	–	379

Note: The club membership represents memberships of a golf club in Beijing, the PRC, held by the Group. The membership is perpetual and freely transferable.

As at 30 September 2007, the directors of the Company reassessed the recoverable amount of the club membership. In the opinion of the directors of the Company, the full amount of HK$379,000 was impaired.

20. GOODWILL

The amounts of the goodwill capitalised as an asset in the consolidated balance sheet, arising from the acquisition of subsidiaries, are as follows:

	The Group
	HK$'000
At 1 October 2005	36,468
Accumulated impairment loss	(36,468)
Net carrying amount	–
Year ended 30 September 2006	
Opening net carrying amount	–
Impairment loss	–
Closing net carrying amount	–
At 30 September 2006	
Gross carrying amount	36,468
Accumulated amortisation and impairment losses	(36,468)
Net carrying amount	–
Year ended 30 September 2007	
Opening net carrying amount	–
Addition *(Note)*	1,269
Impairment loss	–
Closing net carrying amount	1,269
At 30 September 2007	
Gross carrying amount	37,737
Accumulated impairment losses	(36,468)
Net carrying amount	1,269

Note:

The balance represents the goodwill arising from acquisition of remaining 3% of Hunan IIN International Co., Ltd (湖南國訊國際網絡有限公司) ("Hunan IIN") at 30 June 2007 at cash consideration of HK$1,140,000.

20. GOODWILL *(Continued)*

Impairment test for goodwill

Goodwill arising from acquisition of Hunan IIN is allocated to the Group's acquired business of the designing, production processing, research and development of environment protection related facilities segment (note 39(a)). The recoverable amount is determined based on the value-in-use calculations. These calculation use cash flow projects based on financial budgets covering a one-year period. Cash flow beyond one-year period is extrapolated using the estimated rate stated below. The growth rate is made by reference to National Bureau of Statistics of China and does not exceed the long-term average growth rate for the business in which the business segment operates.

Key assumptions used for value-in-use calculation of discount rate and growth rate are 15% and 5% respectively.

21. INTERESTS IN SUBSIDIARIES

	The Company	
	2007	2006
	HK$'000	*HK$'000*
Unlisted shares, at cost	**43,437**	43,437
Amounts due from subsidiaries	**234,197**	146,750
Amounts due to subsidiaries	**(28,239)**	(27,094)
	249,395	163,093
Impairment losses recognised	**(233,451)**	(190,187)
	15,944	(27,094)
Amounts due to subsidiaries classified as current liabilities	**(28,239)**	(27,094)
	44,183	–

As at 30 September 2007 and 2006, the balances with subsidiaries are unsecured, interest-free and repayable on demand. Accordingly, the amounts are classified as current.

The directors of the Company consider that the carrying amounts of the Company's amounts due to subsidiaries approximate to their fair values.

21. INTERESTS IN SUBSIDIARIES *(Continued)*

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Particulars of issued/ registered capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
II Networks International Limited	BVI	16,666,667 ordinary shares of US$0.01 each	100	–	Investment holding
IIN Network Technology Limited	Hong Kong	400,000,000 ordinary shares of HK$0.005 each	–	100	Investment holding and overseas trading
Far High International Limited	BVI	1 ordinary shares of US$1 each	–	100	Investment holding
Hunan IIN Technologies Engineering Co., Limited#	the PRC	US$1,300,000	–	100	Sale and distribution of telecommunication equipment
Hunan IIN-Galaxy Software Development Company Limited##	the PRC	RMB5,000,000	–	100	Network management solutions related business
Hunan IIN International Company Limited##	the PRC	HK$38,000,000	–	100	Other network solutions related businesses
Hubei IIN-Galaxy Network Co., Limited###	the PRC	RMB3,000,000	–	100	Other network solutions related businesses
Beijing IIN Data Network Technology Company Limited##	the PRC	RMB3,000,000	–	60	Data communications (including IP network management and monitoring system) and network infrastructure related business
Hunan Modern Time Technology Limited#	the PRC	RMB5,500,000	–	100	Communication network system related business
Wujiang Shengxin Optoelectronics Technology Co., Limited##	the PRC	RMB22,350,000	–	51	Manufacturing and sale of communication cables and optical cables
Chengdu TM Network Corporation#	the PRC	RMB30,000,000	–	51	Telecom network management

21. INTERESTS IN SUBSIDIARIES *(Continued)*

\# *registered as wholly-foreign owned enterprises under the PRC law.*

\## *registered as Sino-foreign joint ventures under the PRC law.*

\### *registered as a limited liability company under the PRC law.*

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

22. INVENTORIES

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Raw materials	**345**	667
Finished goods	**4,431**	4,911
	4,776	5,578

No inventories are carried at net realisable value (2006:Nil).

23. TRADE RECEIVABLES

An aged analysis of the Group's net trade receivables as at the balance sheet date is as follow:

	The Group	
	2007	2006
	HK$'000	*HK$'000*
0 – 90 days	**26,265**	19,061
91 – 180 days	**10,117**	6,997
181 – 365 days	**528**	5,741
Over 365 days	**–**	304
	36,910	32,103

The Group has a policy of allowing trade customers with credit terms pursuant to the provisions of the relevant contracts. The carrying amounts of the trade receivables are denominated in RMB. The directors of the Company consider that the carrying amounts of trade receivables approximate to their fair values.

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Prepayments	**3,870**	1,196
Deposits	**22,080**	–
Other receivables	**7,990**	1,523
	33,940	2,719

The directors of the Company consider that the carrying amounts of the prepayments, deposits and other receivables approximate to their fair values.

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss as at 30 September 2007 include:

	The Group	
	2007	2006
	HK$'000	*HK$'000*
At fair value		
At the beginning of year	–	–
Addition	**27,222**	–
Fair value change	**11,278**	–
At the end of year	**38,500**	–

The fair values of the above financial assets at fair value through profit or loss are determined based on the quoted market bid prices available on the Stock Exchange.

26. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

		The Group		The Company	
		2007	2006	**2007**	2006
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances		**92,190**	3,517	**62,994**	51
Less: Pledged deposits for construction of buildings	37	**(62)**	–	**–**	–
Pledged deposits for bills payable repayable within one year	28	**(728)**	(59)	**–**	–
Cash and cash equivalents		**91,400**	3,458	**62,994**	51

Cash at bank earns interest at floating rates based on daily bank deposit rates.

The pledged deposit represents deposit pledged to banks and other financial institutions to secure credit facilities granted to the Group. Deposit amounting to HK$728,000 (2006: HK$59,000) have been pledged to secure bills payable repayment. Other deposit amounting to HK$62,000 (2006: Nil) have been pledged to secure the construction of building.

As at 30 September 2007, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to approximately HK$17,307,000 (2006: HK$1,974,000), which were deposits with banks in the PRC. The RMB is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

27. TRADE AND BILLS PAYABLES

The credit terms of trade payables varies according to the terms agreed with different suppliers. An aged analysis of the trade and bills payables as at the balance sheet date, is as follows:

	The Group	
	2007	2006
	HK$'000	*HK$'000*
0 – 90 days	**2,732**	920
91 – 180 days	**2,892**	3,062
181 – 365 days	**641**	645
Over 365 days	**6,774**	13,302
	13,039	17,929

The directors of the Company consider that the carrying amounts of trade and bills payables approximate to their fair values.

28. BORROWINGS

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Repayable within 1 year:		
Secured bank loans	**19,656**	14,608
Unsecured other loans	**12,137**	12,914
	31,793	27,522

As at 30 September 2007, the Group's secured bank loans and other bank facilities were secured by i) charges on the Group's bank deposits of approximately HK$728,000, ii) legal charges on the Group's leasehold land, buildings, and plant and machinery with carrying values of approximately HK$3,498,000, HK$6,410,000 and HK$5,892,000 respectively, and iii) guarantees by a director of a subsidiary of the Company and 蘇州鼎盛擔保投資有限公司.

As at 30 September 2006, the Group's secured bank loans and other bank facilities were secured by i) charges on the Group's bank deposits of approximately HK$59,000, ii) legal charges on the Group's leasehold land, buildings, and plant and machinery with carrying values of approximately HK$3,371,000, HK$4,670,000 and HK$6,633,000 respectively; and iii) guarantees by a director of a subsidiary of the Company and 蘇州鼎盛擔保投資有限公司.

All bank loans of the Group were fixed interest rate bank loans with maturity date on or before the end of April 2008. The interest rates of the Group's bank loans ranged from 5.61% to 7.46% (2006: 7.25% to 10.88%) per annum.

The other loans of the Group were unsecured, bearing interest ranged at 12% (2006: 7.25% to 12%) per annum and were repayable on demand.

As at 30 September 2007, the balances of the other loans included the borrowing's of approximately HK$645,000 from certain directors of the subsidiaries of the Company. The interest expenses incurred to these directors of the Company's subsidiaries during the year amounted to HK$9,000.

All of the borrowings were denominated in RMB.

29. AMOUNTS DUE TO DIRECTORS

The amounts due to directors are unsecured, interest-free and repayable on demand. In the opinion of the directors of the Company, the carrying amounts of the amounts due to directors approximate to their fair values.

30. ACCRUED LIABILITIES, DEPOSITS RECEIVED AND OTHER PAYABLES

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Accrued liabilities	**9,411**	5,379
Deposits received	**663**	829
Other payables	**21,109**	14,560
	31,183	20,768

The directors of the Company consider that the carrying amounts of the accrued liabilities, deposits received and other payables approximate to their fair values.

31. SHARE CAPITAL

The Group and the Company

	Number of shares		Par value			
	2007	2006	**2007**		2006	
	'000	*'000*	***US$'000***	***HK$'000***	*US$'000*	*HK$'000*
Authorised:						
Ordinary shares of US$0.01 each	**5,000,000**	2,000,000	**50,000**	**390,000**	20,000	156,000
Issued and fully paid:						
At the beginning of the year	**1,628,160**	1,543,160		**126,989**		120,359
Issuance of ordinary share of US$0.01 each *(Note e)*	–	85,000		–		6,630
Placing of shares *(Note b & c)*	**1,325,600**	–		**103,397**		–
Exercise of share options *(Note d)*	**3,600**	–		**281**		–
At the end of the year	**2,957,360**	1,628,160		**230,667**		126,989

Note:

(a) As per the resolution passed by the shareholders of the Company at the extraordinary general meeting on 4 July 2007, it was resolved that the increase of the authorised share capital of the Company from US$20,000,000 divided into 2,000,000,000 shares of US$0.01 each to US$50,000,000 divided into 5,000,000,000 share of US$0.01 each by the creation of an additional of 3,000,000,000 shares of US$0.01 each.

(b) On 14 May 2007, the Company entered into the placing agreement with the placing agent (the "Placing Agent"). Pursuant to the placing agreement, the Company has conditionally agreed to place an aggregate of 325,600,000 placing shares (the "Placing Shares"), through the placing agent, on a best endeavour basis, to not fewer than six placees at a price of HK$0.095 per placing share (the "Placing"). The gross proceeds from the Placing will be approximately HK$30.9 million and the net proceeds after deducting the related placing fee, professional fees and all other related expenses incurred in connection with the Placing, which will be borne by the Company, are expected to be approximately HK$30 million, representing a net Placing price of approximately HK$0.092 per Placing Share. The Company intends to apply the net proceeds for general working capital purpose.

31. SHARE CAPITAL *(Continued)*

(c) On 5 June 2007, the Company and the Placing Agent entered into a Placing Agreement to place, on a best effort basis, initially a total of 700,000,000 new shares (before the exercise of the Over-Allotment Option) at the Placing Price of HK$0.12 per Placing Share. Under the Placing Agreement, the Company has also granted the Placing Agent the Over-Allotment Option pursuant to which the Placing Agent may require the Company to issue up to an additional 300,000,000 new Shares at the Placing Price. The net proceeds from the Placing amounting to approximately HK$118 million of which approximately HK$80 million was intended to be used for the development of the existing business of the Group and the remaining balance was for the general working capital.

(d) During the year ended 30 September 2007, 3,600,000 share options were exercised, in which 600,000, 1,000,000 and 2,000,000 share options were exercised at HK$0.078 at par value.

(e) During the year ended 30 September 2006, the Company entered into a subscription agreement with an independent subscriber pursuant to which the subscriber subscribed 85,000,000 ordinary shares of US$0.01 each of the Company at a subscription price of HK$0.078 per share. The subscription of new shares raised total consideration of HK$6,630,000.

32. SHARE OPTION SCHEME

The principal purpose of the share option schemes of the Company is to recognise the significant contributions of the directors and employees of the Group to the growth of the Group, by rewarding them with opportunities to obtain an ownership interest in the Company and to further motivate and give incentive to these persons to continue to contribute to the Group's long term success and prosperity. The Company has a share option plan adopted on 7 January 2000 and a share option plan adopted on 22 November 2001.

(a) Pre-IPO Share Option Plan

On 7 January 2000, the Company adopted an employee share option plan (the "Pre-IPO Share Option Plan"). The Pre-IPO Share Option Plan was valid and effective for a period not exceeding eight years commencing from 7 January 2000.

Under the Pre-IPO Share Option Plan, the grantees may include (a) any full-time employee and director (including non-executive director and independent non-executive director) of the Company or any of its subsidiaries; (b) any part-time employee with weekly working hours of 15 hours and above of the Company or any of its subsidiaries; (c) any advisor or consultant (in the areas of technical, financial or corporate managerial) to the Company or any of its subsidiaries; and (d) any other person who, at the sole determination of the board of directors, has contributed to the Group based on certain assessment criteria.

The offer of a grant of share options may be accepted within 21 days from the date of the offer with no consideration being payable by the grantee.

The share subscription price in respect of any particular option granted under the Pre-IPO Share Option Plan was determined by the board of directors from time to time. The maximum number of shares in respect of the options granted under the Pre-IPO Share Option Plan in an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time, excluding for this purpose shares issued upon the exercise of options granted under the Pre-IPO Share Option Plan. At 30 September 2007, the number of shares issuable under share options granted under the Pre-IPO Share Option Plan was 15,000,000 which represented approximately 0.5% of the Company's shares in issue as at that date.

Upon listing of the Company's shares on the GEM of the Stock Exchange on 30 November 2001, no further share options will be granted under the Pre-IPO Share Option Plan.

32. SHARE OPTION SCHEME *(Continued)*

(a) Pre-IPO Share Option Plan *(Continued)*

The following share options were outstanding under the Pre-IPO Share Option Plan during the year:

	Number of share options outstanding under the Pre-IPO Share Option Plan							
Director	As at 1 October 2006	Exercised during the year	Cancelled during the year	Lapsed during the year	As at 30 September 2007	Date of grant of share options	Exercise period of share options	Adjusted exercise price per share*
								HK$
Mr. Wu Shu Min	5,000,000	–	–	–	5,000,000	7 January 2000	7 January 2000 to 6 January 2008	0.150
	10,000,000	–	–	–	10,000,000	26 February 2000	26 February 2000 to 25 February 2008	0.150
	15,000,000	–	–	–	15,000,000			

* *The exercise price per share was adjusted for the consolidation and capitalisation issue of the Company's shares on 22 November 2001, as well as conversion from US$ to HK$.*

(b) Share Option Plan

On 22 November 2001, the Company adopted a share option scheme (the "Share Option Plan") conditionally upon the listing of the Company's shares on the GEM of the Stock Exchange on 30 November 2001. The Share Option Plan became valid and effective on 30 November 2001 and, unless otherwise cancelled or amended, will remain in force for a period of ten years commencing from the date of adoption.

Under the Share Option Plan, the grantees may include (i) any full-time employee, director (including non-executive director and independent non-executive director) and part-time employee with weekly working hours of 15 hours and above of the Company and any of its subsidiaries; (ii) any advisor or consultant (in the areas of technical, financial or corporate managerial) to the Company or any of its subsidiaries; and (iii) any other person who, at the sole determination of the board of directors, has contributed to the Group based on certain assessment criteria.

No option may be granted to any one person which if exercised in full would result in the total number of shares of the Company already issued and issuable to him under all the options previously granted to him and the said option exceeding one percent of the number of the shares of the Company in issue in any 12-month period up to the date of grant. Any further grant of options in excess of the one percent limit must be subject to shareholders' approval, with that participant and his associates abstaining from voting.

The maximum number of shares in respect of which options may be granted under the Share Option Plan and any other share option scheme of the Company is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time, excluding for this purpose shares issued upon the exercise of options granted under the Share Option Plan or any other share option scheme. At 30 September 2007, the number of shares issuable under share options granted under the Share Option Plan was 27,300,000, which represented approximately 0.9% of the Company's shares in issue as at that date. The limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Plan and any other schemes must not exceed 30% of the shares of the Company from time to time.

32. SHARE OPTION SCHEME *(Continued)*

(b) Share Option Plan *(Continued)*

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the board of directors, and commences on any date after the date of grant and ends on a date which is not later than ten years from the date of offer of the share options or the expiry date of the Share Option Plan, if earlier.

The exercise price of share options is determined by the board of directors, but may not be less than the higher of (i) the closing price of the Company's shares on the GEM of the Stock Exchange on the date of grant of the option; (ii) the average of the closing prices of the Company's shares on the GEM of the Stock Exchange for the five trading days immediately preceding the date of grant of the option; and (iii) the nominal value of the shares of the Company.

The following share options were outstanding under the Share Option Plan during the year:

Directors	Number of share options outstanding under Share Option Plan As at 1 October 2006	Granted during the year	Exercised during the year	Lapsed during the year	As at 30 September 2007	Date of grant of share options	Exercise period of share options	Exercise price of share options *HK$*	Company's share price at the date immediately before the grant date of options *HK$*
Mr. Wu Shu Min	10,000,000	–	–	–	10,000,000	7 March 2002	7 March 2002 to 21 December 2011	0.465	0.455
	3,000,000	–	–	–	3,000,000	5 June 2003	5 June 2003 to 21 December 2011	0.078	0.045
Mr. Xu Zhi Feng#	1,000,000	–	–	–	1,000,000	5 June 2003	5 June 2003 to 21 December 2011	0.078	0.045
	14,000,000	–	–	–	14,000,000				
Other employees In aggregate	800,000	–	–	–	800,000	1 March 2002	1 March 2002 to 21 December 2011	0.475	0.470
	3,600,000	–	(3,600,000)	–	–	5 June 2003	5 June 2003 to 21 December 2011	0.078	0.045
	–	12,500,000	–	–	12,500,000	29 May 2007	29 May 2007 to 21 December 2011	0.214	0.214
	4,400,000	12,500,000	(3,600,000)	–	13,300,000				
	18,400,000	12,500,000	(3,600,000)	–	27,300,000				

During the year ended 30 September 2006, Mr. Xu Zhi Feng was appointed as a director of the Company

32. SHARE OPTION SCHEME *(Continued)*

(b) Share Option Plan *(Continued)*

As at the balance sheet date, the Company had 15,000,000 share options outstanding under the Pre-IPO Share Option Plan.

As at the balance sheet date, the Company had 27,300,000 share options outstanding under the Share Option Plan.

The exercise in full of the outstanding share options under the Pre-IPO Share Option Plan and the Share Option Plan would, under the present capital structure of the Company, result in the issue of 42,300,000 additional ordinary shares and cash proceeds to the Company of approximately HK$10,267,000, before related issuing expense.

The fair value of the share options granted during the year ended 30 September 2007 is HK$0.155761. According to the Binomial Model, the value and adjusted value of the options granted during the year are as follows:

Date of grant:	29 May 2007
Total number of share options:	12,500,000
Option value:	HK$0.155761
Valuables	
– Maturity date	21 December 2011
– Risk free rate *(note (i))*	4.321%
– Stock price at the date of grant	HK$0.214
– Exercise price	HK$0.214
– Volatility	96.84%
– Expected ordinary dividend	Nil

Note:

(i) Risk free rate was interpolated from the yields to maturity of respective Hong Kong Exchange Fund Note as at the date of grant.

33. RESERVES

(a) The Group

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

The share premium of the Group includes (i) the excess of the issue price over the nominal value of the Company's shares issued at a premium and (ii) the difference between the nominal value of the share capital of the subsidiaries acquired pursuant to the Group's reorganisation scheme in preparation for the public listing of the Company's shares on the GEM of the Stock Exchange (the "Reorganisation") in 2001 over the nominal value of the share capital of the Company issued in exchange therefore.

In accordance with the relevant PRC regulations and joint venture agreements, the Sino-foreign joint ventures established in the PRC shall set aside a portion of their respective profit after tax, if any, to the statutory reserve. Such amount will be determined at the discretion of the board of directors of the respective joint ventures.

33. RESERVES *(Continued)*

(b) The Company

	Share premium HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 October 2005	44,929	(166,213)	(121,284)
Net loss for the year	–	(33,497)	(33,497)
At 30 September 2006 and 1 October 2006	44,929	(199,710)	(154,781)
Issuance of new shares	47,535	–	47,535
Share issue expenses	(1,677)	–	(1,677)
Net loss for the year	–	(43,629)	(43,629)
At 30 September 2007	**90,787**	**(243,339)**	**(152,552)**

The share premium of the Company includes (i) the excess of the issue price over the nominal value of the Company's shares issued at a premium; and (ii) the difference between the nominal value of the shares of the Company issued in exchange for the issued share capital of the subsidiaries and the value of the underlying net assets of the subsidiaries pursuant to the Reorganisation. Under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in position to pay off its debts as and when they fall due in the ordinary course of business.

34. MAJOR NON-CASH TRANSACTIONS

The Group and the Company did not have any significant non-cash transactions for the year ended 30 September 2007.

At 30 September 2006, the Group was defaulted in repayment of bank loan of HK$13,725,000 and the pledged property of the Group with a carrying value of HK$18,300,000 was assigned to the bank for settlement of the bank loan.

35. CONTINGENT LIABILITIES

The Group and the Company did not have any significant contingent liabilities as at the balance sheet date (2006: Nil).

36. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to two years. None of the leases include contingent rentals.

At 30 September 2007, the Group had total future minimum lease payments under non-cancellable operating leases in respect of office premises and staff quarter falling due as follows:

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Within one year	**179**	–

37. CAPITAL COMMITMENTS

At the balance sheet date, the Group had the following outstanding capital commitments:

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Contracted but not provided for		
– Construction of building *(Note i)*	–	467
– Acquisition of a company *(Note ii)*	**440,000**	–

Notes:

(i) The construction of building was completed on 18 April 2007.

(ii) As at 30 July 2007, II Networks International Limited, a wholly-owned subsidiary of the Company, entered into an agreement with China Standard Limited to acquire entire equity interests in Shenzhen Lidesui Huanbao Jishu Company Limited and Shenzhen Lisai Gardens Luhua Company Limited at an aggregate consideration of HK$440 million, which shall be satisfied as to (i) HK$80 million by cash; (ii) HK$200 million by the issue of the consideration shares; and (iii) HK$160 million by the issue of the convertible notes. Details of the acquisition are set out in the Company's circular dated 3 October 2007.

38. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these consolidated financial statements, the Group had the following significant related party transactions:

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Amounts due from minority shareholders of subsidiaries *(i)*	**3,771**	706
Amounts due to directors *(ii)*	**334**	1,394

38. RELATED PARTY TRANSACTIONS *(Continued)*

Note:

(i) Amounts due from minority shareholders of subsidiaries are unsecured, interest-free and repayable on demand.

(ii) Amounts due to directors are unsecured, interest-free and repayable on demand and are included in note 29.

(iii) In the opinion of the directors, the key management personnel are the directors of the Company. The details of the remuneration paid to them are set out in note 15.

39. POST BALANCE SHEET EVENTS

(a) During the year ended 30 September 2007, II Networks International Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party ("the Purchaser") to acquire entire interests in Shenzhen Lidesui Huanbao Jishu Company Limited and Shenzhen Lisai Gardens Luhua Company Limited at an aggregate consideration of HK$440 million, which shall be satisfied as to (i) HK$80 million by cash; (ii) HK$200 million by the issue of the consideration shares; and (iii) HK$160 million by the issue of the convertible notes. Details of the acquisition are set out in the Company's circular dated 3 October 2007 and this transaction was completed on 7 November 2007.

(b) On 11 September 2007, the Company entered into the Placing Agreement with the Placing Agent whereby the Company conditionally agreed to place an aggregate of 390,752,000 Placing Shares at the Placing Price of HK$0.198 per Placing Share, through the Placing Agent, on a best endeavour basis, to not less than six placees, who and whose ultimate beneficial owners are independent third parties of the Company and its connected persons. The Placing was completed on 9 October 2007. Details of the placing information are set out in the Company's announcement dated 19 September 2007 and 9 October 2007.

(c) Subsequent to the year end date, II Networks International Limited, a wholly-owned subsidiary of the Company, entered into a memorandum of understanding with an independent third party in relation to the possible acquisition (the "Possible Acquisition") of equity interest of a company incorporated in the British Virgin Islands (the "Target Company"). The exact percentage of issued share capital of the Target Company to be acquired shall be subject to further negotiation. The Target Company is directly and indirectly holding a group of companies which are principally engaged in the research and development, usage of renewable ground-source energy as alternative energy sources for heating and cooling which would achieve energy saving, environmental protection, low-cost and safe operation for the use of new energy resources.

The consideration for the Possible Acquisition shall be approximately HK$704,000,000 and subject to further negotiations. Details of the Possible Acquisition are set out in the Company's announcement dated 5 November 2007.