

Interim Report 2007



**Sunny Global Holdings Limited**  
**新怡環球控股有限公司**  
(incorporated in Bermuda with limited liability)  
Stock Code : 1094

**INTERIM RESULTS**

The board of directors (the "Board") of Sunny Global Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 31 March 2007 together with comparative figures for the corresponding period in 2006.

**CONSOLIDATED INCOME STATEMENT**

		<b>For the six months ended 31 March</b>	
		<b>2007</b>	2006
		<b>(Unaudited)</b>	(Unaudited)
	<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
<b>Revenue</b>	2, 3	<b>24,394</b>	19,571
Cost of sales		<u><b>(22,631)</b></u>	<u>(17,935)</u>
<b>Gross profit</b>		<b>1,763</b>	1,636
Administrative and other operating expenses		<b>(7,073)</b>	(6,914)
Selling and distribution costs		–	(71)
Impairment loss on goodwill		<u><b>(5,000)</b></u>	<u>–</u>
<b>Operating loss</b>		<b>(10,310)</b>	(5,349)
Other financial income		<b>312</b>	260
Other revenue		<b>1,101</b>	1,000
Share of profit of associate		<u><b>410</b></u>	<u>–</u>
<b>Loss before income tax</b>	4	<b>(8,487)</b>	(4,089)
Income tax expense	5	<u>–</u>	<u>–</u>
<b>Loss for the period</b>		<u><b>(8,487)</b></u>	<u>(4,089)</u>
<b>Attributable to:</b>			
Equity holders of the Company		<b>(8,313)</b>	(3,842)
Minority interests		<u><b>(174)</b></u>	<u>(247)</u>
<b>Loss for the period</b>		<u><b>(8,487)</b></u>	<u>(4,089)</u>
		<i>HK cents</i>	<i>HK cents</i>
<b>Loss per share for loss attributable to equity holders of the Company</b>	7		
– Basic		<b>(0.56)</b>	(0.30)
– Diluted		<u><b>(0.5)</b></u>	<u>N/A</u>

## CONSOLIDATED BALANCE SHEET

		As at 31 March 2007 (Unaudited) HK\$'000	As at 30 September 2006 (Audited) HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	6,199	4,637
Consideration paid for acquisition of subsidiaries		—	4,500
Interest in an associate		6,603	6,194
Goodwill		74,032	38,222
		<u>86,834</u>	<u>53,553</u>
<b>Current assets</b>			
Inventories		175	—
Trade receivables, other receivables and deposits	9	8,113	10,035
Loan to a minority shareholder		464	464
Cash at banks		28,022	17,947
		<u>36,774</u>	<u>28,446</u>
<b>Current liabilities</b>			
Trade and other payables	10	6,663	9,601
<b>Net current assets</b>		<u>30,111</u>	<u>18,845</u>
<b>Total assets less current liabilities</b>		<u>116,944</u>	<u>72,398</u>
<b>EQUITY</b>			
<b>Equity attributable to the Company's equity holders</b>			
Share capital	11	194,800	145,000
Accumulated losses		(104,479)	(96,166)
Other reserves		23,040	20,216
		<u>113,361</u>	<u>69,050</u>
<b>Minority interests</b>		<u>3,583</u>	<u>3,348</u>
<b>Total equity</b>		<u>116,944</u>	<u>72,398</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 31 March	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Net cash (used in)/from operating activities	(8,982)	17,279
Net cash used in investing activities	(43)	(15,892)
Net cash from financing activities	19,100	—
	<hr/>	<hr/>
Net increase in cash at banks	10,075	1,387
Cash at bank at 1 October 2006	17,947	19,965
	<hr/>	<hr/>
Cash at bank at 31 March 2007	<u>28,022</u>	<u>21,352</u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to equity holders of the Company			Minority interests	Total equity
	Share capital	Other reserves	Accumulated losses		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 October 2005	115,000	17,764	(60,240)	622	73,146
Acquisition of subsidiaries	-	-	-	152	152
Disposal of subsidiaries	-	-	-	-	-
Currency translation	-	-	-	-	-
Net income/(expense) recognised directly in equity	-	(8,174)	-	774	7,400
Loss for the period	-	-	(3,842)	(247)	(4,089)
Total recognised income and expense for the period	-	(8,174)	(3,842)	527	(11,129)
Balance at 31 March 2006	<u>115,000</u>	<u>9,590</u>	<u>(64,082)</u>	<u>527</u>	<u>61,035</u>

	Equity attributable to equity holders of the Company			Minority interests	Total equity
	Share capital	Other reserves	Accumulated losses		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 October 2006	145,000	20,216	(96,166)	3,348	72,398
Acquisition of subsidiaries	-	-	-	372	372
Currency translation	-	24	-	37	61
Net income/(expense) recognised directly in equity	-	-	-	-	-
Loss for the period	-	-	(8,313)	(174)	(8,487)
Total recognised income and expense for the period	-	24	(8,313)	(137)	(8,426)
New shares issued	49,800	2,800	-	-	52,600
Balance at 31 March 2007	<u>194,800</u>	<u>23,040</u>	<u>(104,479)</u>	<u>3,583</u>	<u>116,944</u>

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

1. **BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**

The condensed consolidated interim financial statements (“interim financial statements”) have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), and complied with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

The accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 30 September 2006.

The interim financial statements should be read in conjunction with the annual financial statements for the year ended 30 September 2006.

The interim financial statements are unaudited and have been reviewed by the audit committee of the Company.

2. **REVENUE**

An analysis of the Group’s revenue is as follows:

	<b>Six months ended</b>	
	<b>31 March</b>	
	<b>2007</b>	2006
	<b>HK\$’000</b>	HK\$’000
Revenue – Turnover		
Information technology business		
– Trading of hardware and software	<b>15,217</b>	16,018
– Provision of services	<b>9,177</b>	3,553
	<b><u>24,394</u></b>	<u>19,571</u>

Turnover represents total invoiced value of goods sold, net of sales tax and services rendered.

### 3. SEGMENT INFORMATION

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

In accordance with the Group's internal financial reporting policy, its segment information is presented by way of two segments format: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

#### Primary reporting format – Business segments

The following tables present revenue, loss and certain assets and liabilities information for the Group's business segments:

2007	Information technology business HK\$'000	Leisure and athletic footwear HK\$'000	Corporate HK\$'000	Total HK\$'000
<b>By principal activity:</b>				
Sales to external customers	<u>24,394</u>	<u>-</u>	<u>-</u>	<u>24,394</u>
Segment results	<u>(6,269)</u>	<u>-</u>	<u>(4,041)</u>	<u>(10,310)</u>
Financial income				312
Finance costs				-
Other revenue				1,101
Share of profit of associate				<u>410</u>
Loss before income tax				(8,487)
Income tax expense				<u>-</u>
Loss for the period				<u>(8,487)</u>
<b>Segment assets</b>	<b>114,657</b>	<b>-</b>	<b>8,950</b>	<b>123,607</b>
<b>Segment liabilities</b>	<b><u>6,163</u></b>	<b><u>-</u></b>	<b><u>500</u></b>	<b><u>6,663</u></b>

## Sunny Global Holdings Limited

2006	Information technology business <i>HK\$'000</i>	Leisure and athletic footwear <i>HK\$'000</i>	Corporate <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>By principal activity:</b>				
Sales to external customers	<u>19,571</u>	<u>–</u>	<u>–</u>	<u>19,571</u>
Segment results	<u>(1,500)</u>	<u>–</u>	<u>(3,849)</u>	<u>(5,349)</u>
Bank interest income				260
Finance costs				–
Other revenue				<u>1,000</u>
Loss before income tax				(4,089)
Income tax expense				<u>–</u>
Loss for the period				<u>(4,089)</u>
Segment assets	36,872	3,461	29,345	69,678
Segment liabilities	<u>27,760</u>	<u>3,325</u>	<u>1,753</u>	<u>32,838</u>



**Secondary reporting format – Geographical segments**

The following tables provide an analysis of the Group's revenue and contribution to loss from operations by geographical market:

	The People's Republic of China (the "PRC") <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>2007</b>			
Segment revenue:			
Sales to external customers	<u>20,592</u>	<u>3,802</u>	<u>24,394</u>
Segment results	<u>(6,562)</u>	<u>(3,748)</u>	(10,310)
Financial income			312
Finance costs			–
Other revenue			1,101
Share of profit of associate			<u>410</u>
Loss before income tax			(8,487)
Income tax expense			–
Loss for the period			<u>(8,487)</u>
	The People's Republic of China (the "PRC") <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>2006</b>			
Segment revenue:			
Sales to external customers	<u>16,018</u>	<u>3,553</u>	<u>19,571</u>
Segment results	<u>(509)</u>	<u>(4,840)</u>	(5,349)
Bank interest income			260
Finance costs			–
Other revenue			<u>1,000</u>
Loss before income tax			(4,089)
Income tax expense			–
Loss for the period			<u>(4,089)</u>

## 4. LOSS BEFORE INCOME TAX

	Six months ended	
	31 March	
	2007	2006
	HK\$'000	HK\$'000
Loss before income tax is arrived at after charging:		
Costs of inventories recognised as expense		
– Information technology business	18,195	17,935
Depreciation and amortisation on property, plant and equipment		
– Owned assets	496	454
– Leased assets	–	–
Impairment loss on goodwill	5,000	–
Rental in respect of land and buildings under operating leases	352	344

## 5. INCOME TAX EXPENSE

No Hong Kong profits tax has been provided in the financial statements as the Group did not derive any assessable profit in Hong Kong for the period.

No PRC income tax has been provided in the financial statements as the Group did not derive any assessable profit in the PRC for the period.

## 6. INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend in respect of the six months ended 31 March 2007 (six months ended 31 March 2006: Nil).

## 7. LOSS PER SHARE

The calculation of basic loss per share is based on the Group's loss attributable to equity holders of the Company for the period of HK\$8,313,000 (2006: HK\$3,842,000) and on weighted average of 1,484,000,000 (2006: 1,150,000,000) ordinary shares in issue during the period.

The calculation of diluted loss per share is based on the Group's loss attributable to equity holders of the Company for the period of HK\$8,313,000 and on weighted average of 1,643,032,000 ordinary shares outstanding during the period, adjusted for the effects of all dilutive potential shares.

## 8. PROPERTY, PLANT AND EQUIPMENT

## Group

	Equipment and furniture HK\$'000	Motor vehicles HK\$'000	Leasehold improvements HK\$'000	Network equipment HK\$'000	Total HK\$'000
Six months ended 31 March 2006					
Opening net book amount	775	29	1,227	33	2,064
Acquisition of subsidiaries	298	-	109	-	407
Additions	28	-	-	5,500	5,528
Depreciation and amortisation	(287)	(4)	(159)	(4)	(454)
Closing net book amount	<u>814</u>	<u>25</u>	<u>1,177</u>	<u>5,529</u>	<u>7,545</u>
At 31 March 2006					
Cost	4,000	45	1,768	5,542	11,355
Accumulated depreciation and amortisation	(3,186)	(20)	(591)	(13)	(3,810)
Net book amount	<u>814</u>	<u>25</u>	<u>1,177</u>	<u>5,529</u>	<u>7,545</u>
Six months ended 31 March 2007					
Opening net book amount	1,034	23	80	3,500	4,637
Acquisition of subsidiaries	1,492	-	593	-	2,085
Additions	9	-	34	-	43
Disposals	-	-	(80)	-	(80)
Depreciation and amortisation	(139)	(4)	(3)	(350)	(496)
Exchange difference	10	-	-	-	10
Closing net book amount	<u>2,406</u>	<u>19</u>	<u>624</u>	<u>3,150</u>	<u>6,199</u>
At 31 March 2007					
Cost	3,496	39	774	5,500	9,809
Accumulated depreciation and amortisation	(1,090)	(20)	(150)	(2,350)	(3,610)
Net book amount	<u>2,406</u>	<u>19</u>	<u>624</u>	<u>3,150</u>	<u>6,199</u>

9. TRADE RECEIVABLES, OTHER RECEIVABLES AND DEPOSITS

	As at 31 March 2007 (Unaudited) HK\$'000	As at 30 September 2006 (Audited) HK\$'000
Trade receivables	4,315	5,829
Prepayments and deposits	2,041	527
Other receivables	1,756	3,679
	<u>8,113</u>	<u>10,035</u>

The Group's policy is to allow an average credit period of 30 to 90 days to its trade customers. As at 31 March 2007, the ageing analysis of the trade receivables were as follows:

	As at 31 March 2007 (Unaudited) HK\$'000	As at 30 September 2006 (Audited) HK\$'000
0 – 30 days	4,024	3,311
31 – 60 days	–	2
61 – 90 days	–	1
91 – 180 days	67	–
181 days or above	224	2,515
	<u>4,315</u>	<u>5,829</u>

## 10. TRADE AND OTHER PAYABLES

	As at 31 March 2007 (Unaudited) HK\$'000	As at 30 September 2006 (Audited) HK\$'000
Trade payables	3,267	2,302
Accrued expenses	3,176	7,299
Finance lease payable	220	–
	<u>6,663</u>	<u>9,601</u>

As at 31 March 2007, the ageing analysis of the trade payables were as follows:

	As at 31 March 2007 (Unaudited) HK\$'000	As at 30 September 2006 (Audited) HK\$'000
0 – 30 days	2,955	1,984
31 – 60 days	109	105
61 – 90 days	10	10
91 – 180 days	60	15
181 days or above	133	188
	<u>3,267</u>	<u>2,302</u>

## 11. SHARE CAPITAL

	As at 31 March 2007 (Unaudited) HK\$'000	As at 30 September 2006 (Audited) HK\$'000
<b>Authorised:</b>		
5,000,000,000 ordinary shares of HK\$0.10 each	<u>500,000</u>	<u>500,000</u>

	Number of Shares	Nominal Value HK\$'000
<b>Issued and fully paid:</b>		
At 30 September 2006	1,450,000,000	145,000
Issue of shares for acquisition of a subsidiary (Note i)	358,000,000	35,800
Issue of shares by placements (Note ii)	120,000,000	12,000
Issue of shares upon exercise of warrants (Note iii)	20,000,000	2,000
As at 31 March 2007	<u>1,948,000,000</u>	<u>194,800</u>

**Notes:**

- i. On 5 January 2007, the Board announced that Joy Century Holdings Limited (“Joy Century”), a wholly owned subsidiary of the Company, entered into the sale and purchase agreement (“Agreement”) dated 22 December 2006 with Mr. Lam Shu Chung (“Mr. Lam”), pursuant to which Mr. Lam agreed to sell and Joy Century agreed to purchase such Class A shares (“Sale Shares”) of DigiSat Network Limited (“DigiSat”), representing approximately 80% of the voting rights of DigiSat.

The total consideration for the Sale Shares is HK\$35,800,000 and shall be settled by Joy Century by procuring the Company to allot and issue 358,000,000 Shares (“Consideration Shares”) at the Issue Price of HK\$0.10 per Consideration Share, credited as fully paid. The Consideration Shares were allotted to Mr. Lam on 14 March 2007 and the acquisition was completed as at 31 March 2007.

- ii. On 13 March 2007, the Company entered into the subscription agreement with Rainbow Bridge Group Limited (“Rainbow”), a company incorporated in the British Virgin Islands with limited liability. As a result, an aggregate of 50,000,000 shares at a price of HK\$0.10 per share were allotted and issued to Rainbow. The Subscription agreement was completed on 26 March 2007.

On 19 March 2007, the Company entered into the subscription agreement with Lucky Rider Investment Limited (“Lucky”), a company incorporated in Samoa with limited liability. As a result, an aggregate of 70,000,000 shares at a price of HK\$0.140 per share were allotted and issued to Lucky. The Subscription agreement was completed on 28 March 2007.

- iii. On 16 August 2006, the Company announced that it had entered into a warrant placing agreement dated 16 August 2006 with Wellington International Invest Limited ("Wellington") in relation to a private placing of 230,000,000 non-listed warrants to be issued by the Company at the issue price of HK\$0.01 per warrant. Each warrant carries the right to subscribe for one new share. The warrant conferring the right to the subscriber to subscribe for the new shares at an initial exercise price of HK\$0.10 per new share for a period of eighteen months commencing from the date of issuance of the warrants. On 5 September 2006, the 230,000,000 non-listed warrants at HK\$0.01 per warrant were issued.

During the period, 20,000,000 warrants had been exercised and 20,000,000 shares of the Company were allotted and issued to Wellington.

## 12. POST BALANCE SHEET EVENTS

On 10 April 2007, the Company announced that it had entered into a warrant placing agreement dated 3 April 2007 with Wellington International Invest Limited ("Wellington") in relation to a private placing of 130,000,000 non-listed warrants to be issued by the Company at the issue price of HK\$0.016 per warrant. Each warrant carries the right to subscribe for one new share. The warrant conferring the right to the subscriber to subscribe for the new shares at an initial exercise price of HK\$0.156 per new share for a period of two years commencing from the date of issuance of the warrants. On 30 April 2007, the 130,000,000 non-listed warrants at HK\$0.016 per warrant were issued to Wellington upon completion of the agreement.

On 10 April 2007, the Company announced that it had entered into a warrant placing agreement dated 3 April 2007 with Rainbow Bridge Group Limited ("Rainbow") in relation to a private placing of 48,000,000 non-listed warrants to be issued by the Company at the issue price of HK\$0.016 per warrant. Each warrant carries the right to subscribe for one new share. The warrant conferring the right to the subscriber to subscribe for the new shares at an initial exercise price of HK\$0.134 per new share for a period of 1 year commencing from the date of issuance of the warrants. On 30 April 2007, the 48,000,000 non-listed warrants at HK\$0.016 per warrant were issued to Rainbow upon completion of the agreement. During the period, 48,000,000 warrants had been exercised and 48,000,000 shares of the Company were allotted and issued to Rainbow.

On 16 April 2007, Successful Link International Limited, a wholly owned subsidiary of the Company, as purchaser, entered into the formal agreement with Mr. Kwan, as vendors in relation to the proposed acquisition of one share of HK\$1.0 each in the share capital of Envision Link Limited ("Envision Link"), representing the entire issued share capital of Envision Link, at a total consideration of HK\$2,700,000. Envision link is principally engaged in the trading of mobile phones and other telecommunications equipment. The acquisition was completed in April 2007.

On 10 May 2007, Joy Century, a wholly owned subsidiary of the Company, as purchaser, entered into the agreement with Mr. Ngai and New Concept as vendors in relation to the proposed acquisition of 10,000 shares of HK\$1.00 each in the share capital of Interactive Broadband Services Limited ("Interactive Broadband"), representing the entire issued share capital of Interactive Broadband, at a total consideration of HK\$32,800,000, which is to be satisfied by the issue and allotment of 200,000,000 new shares at an issue price of HK\$0.164 per Consideration Share, credited as fully paid. Interactive Broadband is principally engaged in the provision of IP-based managed services, including, VoIP telephony, video and data collaboration to broadband internet users. The acquisition was completed in June 2007.

On 12 May 2007, Tianxun, a non wholly-owned subsidiary of the Company, entered into the non-legally binding MOU for the Proposed Disposal of the Disposal Shares, representing Tianxun's entire interest in Haidian at an intended total consideration of RMB30,000,000 (equivalent to approximately HK\$30,612,000).

On 15 May 2007, Joy Century, a wholly owned subsidiary of the Company, as purchaser, entered into the agreement with Mr. Lau as vendor in relation to the proposed acquisition of one share of HK\$1.0 each in the share capital of Global Great Development Limited ("Global Great"), representing the entire issued share capital of Global Great, at a total consideration of HK\$12,000,000. Global Great is principally engaged in the operation of the VoIP services. The acquisition was completed in May 2007.

Due to the group restructuring of China Telecom Industrial Group, the local partner of the sino-foreign equity joint venture enterprise – 嘉興易視佳通訊有限公司 (Jia Xing Yi Shi Jia Tong Xun Limited Company) ("Jia Xing Yi Shi Jia"), 中國嘉興實通光通信設備有限公司 (China Jia Xing Shi Tong Guang Tong Xin She Bei Limited Company), served Jia Xing Yi Shi Jia a notice of dissolution of its own company on 10th April 2007. As a result of the retreat of this significant local partner, the Board of Directors of Jia Xing Yi Shi Jia, after consideration and assessment of potential market development in Zhejiang without this local partner, finally decided to wind up the said joint venture. The Board considers that the cessation of this joint venture business will not have material impact on the Group's operations.

During the six months ended 31 March 2007, an aggregate of 114,500,000 Options were granted to the eligible participants on 17 October 2006 and 1 November 2007 respectively. As at 31 March 2007, no Options granted had been exercised and 114,500,000 Options remain outstanding to be exercised.

Post 31 March 2007 and as at the date of publication, an aggregate of further 63,660,000 Options were granted to the eligible participants, an aggregate of 133,628,000 Options had been exercised and 44,532,000 Options remain outstanding to be exercised.



**MANAGEMENT DISCUSSION AND ANALYSIS****OPERATING AND FINANCIAL REVIEW**

During the financial year under review, the Group recorded a turnover of approximately HK\$24.4 million, representing an increase of around 24.6% as compared to the similar period last year when the revenue amounted to HK\$19.6 million, the increase is mainly due to the contribution of turnover from the subsidiaries newly acquired by the Group during the course of last year.

The following table provides an analysis of the Group's revenue by business segmentation.

	For the		For the		Percentage
	six months ended		six months ended		of change
	31 March 2007		31 March 2006		Yr. to Yr.
	HK\$'000	%	HK\$'000	%	%
IT Business					
– Trading	15,217	62.4	16,018	82	(5)
– Services	9,177	37.6	3,553	18	58.3
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	
TOTAL	<u>24,394</u>	<u>100</u>	<u>19,571</u>	<u>100</u>	24.6

The gross profit margin decreased from 8.4% to 7.2% in reflection of the Increase in competition in the IT business.

Regarding the IT division, it was still going through its development stage to build up an IT business platform for the Group.

The Group is still implementing a tight cost control policy in order to improve the net profit margin in the coming year.

The Group has recorded a loss attributable to shareholders amounted to approximately HK\$8.5 million or a loss of HK\$0.56 cent per share because it has not yet to achieve the optimal economies of scale in the IT sector.

**NEW BUSINESS**

During the financial period, The Group has acquired China Rainbow Technology Limited (“China Rainbow”) and 80% equity share capital of DigiSat Network Limited (“DigiSat”)

China Rainbow is engaged in the provision of technical support and management consultancy services to telecommunication and internet services providers in the PRC. Details of this acquisition were disclosed in the Company’s announcement dated 11 April 2006 and 8 May 2006.

DigiSat was incorporated on 18 August 2003 and is principally engaged in the operation of internet protocol television platform which provides to its customers an interactive, high quality, reliable video delivery and multimedia entertainment via the internet using state of the art digital broadcast technology. Details of this acquisition were disclosed in the Company’s announcement dated 8 January 2007.

Chinaway Network Technology Limited (“Chinaway”), a wholly-owned subsidiary of the Company, has entered into a new project which provides logistic and freight forward system. This new project includes software development, installation, training and maintenance. The management of the Company believes that this new business opportunity will strengthen our IT foundation in the PRC. Chinaway will review its existing PRC school projects and will continue to maintain its operation subject to recoverability of account payables and profitability, however, the management of the Company expects the new logistic division will benefit from the existing business network of Chinaway in the near future.

In April 2007, the Company acquired the entire share capital of Envision Link Limited (“Envision Link”). Envision Link was incorporated on 3 January 2006 and is principally engaged in the trading of mobile phones and other telecommunications equipment. Envision Link has commenced its business activities on the date of incorporation.

In May 2007, the Company acquired the entire share capital of Global Great Limited (“Global Great”). Global Great was incorporated on 10 January 2005 and is principally engaged in the operation of the VoIP services. Global Great has commenced its business activities on the date of incorporation .

In June 2007, the Company acquired the entire share capital of Interactive Broadband Services Limited ("Interactive Broadband"). Interactive Broadband was incorporated on 16 December 1998 and is principally engaged in the provision of IP-based managed services, including VoIP telephony, video and data collaboration to broadband internet users. Interactive Broadband has commenced its business activities on 16 December 1998. Details of this acquisition were disclosed in the Company's announcement dated 14 May 2007.

Throughout these acquisitions, our IT platform of the Group is expected to be strengthened to broaden our revenue bases and enhance the Group's profit margin in the long run.

### **OUTLOOK**

As mentioned in the annual report 2006, the Group is anticipating to encounter envisaged challenges in the coming year.

Currently, the Group has participated in the IT business. After three years of efforts, although our IT division is still under its developmental stage, our IT businesses are beginning to bear fruit. No doubt that there are more needs to be done but the Group expects to see a positive impact of these initiatives on our financials in the years ahead.

Regarding the footwear division, the Group will implement a tighten strategy to cope with the market sentiment.

The Group will be very cautious in allocating its resources and will keep exploring other suitable business opportunities and diversifying its investment to other potential industries with favorable investment return and prospect.

### **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 March 2007, the Group maintained cash and bank balances of approximately HK\$28.0 million (30 September 2006: HK\$17.9 million) without any borrowings (30 September 2006: nil).

The gearing ratio of the Group as of 31 March 2007 was null (30 September 2006: nil). As of 31 March 2007, the Group's working capital (net current assets) and current ratio were approximately HK\$30.1 million (30 September 2006: HK\$18.8 million) and 5.5x (30 September 2006: 3.0x) respectively. In term of the quality of current assets, over 76% of current assets were cash at banks whereas the Group is expected to preserve a healthy liquidity position. The existing available cash and bank balances are considered sufficient to adequate liquidity and capital resources for the Group's operating requirements.

### **PLEDGE OF ASSETS AND CONTINGENT LIABILITIES**

As at 31 March 2007, no asset (30 September 2006: nil) was pledged by the Group to secure any bank facility. The Group had no significant contingent liabilities as at 31 March 2007 (30 September 2006: Nil).

### **LITIGATION**

Chinaway Network Technology Limited ("Chinaway"), a wholly-owned subsidiary of the Company, had commenced an action in October 2006 in the Court of First Instance of the High Court under Action No. 2369 of 2006 against 4 Defendants, namely, Leung Yuen Sang Sunny ("Leung"), Fung Ka Man Carmen, Ho Wing Yiu Peter and Easeful Communications Limited ("ECL") (collectively "the Defendants").

The Company claims against Leung for the sum of HK\$1,172,600.00, and against ECL for HK\$1,917,785.13, the aggregate being HK\$3,090,385.13, plus interest and costs to be assessed. The Company is also claiming for damages for breach of contract and for delivery up of documents in respect of school projects in the Peoples Republic of China.

All 4 Defendants have already filed and served their respective defence, while Leung has filed and served a counterclaim against the Company. The particulars of the counterclaim appear as follows.

Leung had instituted a claim in the Labour Tribunal under Case No. LBTC 4350 of 2006 for alleged arrears in wages and reimbursements of expenses. In November 2006, the Presiding Officer at the Labour Tribunal directed that since Leung's claim was part and parcel of the disputes which the Company and Leung would seek to litigate out in the Court of First Instance of the High Court, and since both claims arose out of similar facts, it would not be appropriate for the claim to be adjudicated at the Labour Tribunal. Leung therefore counterclaims against the Company for the sum of HK\$522,088.83 in the Court of First Instance Action.

The Board considers that the counterclaim of Leung under the Court of First Instance Action will not have any material impact on the Company, and Chinaway will proceed with its claims against all 4 Defendants. The Court of First Instance Action will soon proceed to discovery as well as other interlocutory processes. The outstanding claim of Mr. Leung for the end of year pay in the sum of HK\$55,000.00 and expenses in the sum of HK\$311,255.43, totaling HK\$366,255.43 would not be ruled at Labour Tribunal and the said claims would be transferred to the Court of First Instance as High Court Action No. 2594 of 2006. The claims in the two actions arise from the same facts.

Save as disclosed, insofar as the Board is aware, no litigation, arbitration or claim of material importance is pending or threatened against any member of the Group as at the date of publication of this report.

#### **FOREIGN EXCHANGE EXPOSURE**

The Group has limited exposure to fluctuation in foreign currencies as most of its transactions are denominated in HK dollars, US dollars and Renminbi. Exchange rates between these currencies with Hong Kong dollars were relatively stable during the year under review. The Group has not entered into any foreign currency forward exchange contract for the purpose of hedging against foreign exchange risks involved in the Group's operations.

#### **PRE-EMPTIVE RIGHTS**

There is no provision for pre-emptive rights under the Company's bye-laws or the laws of Bermuda, being the jurisdiction in which the Company is 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 has purchased, redeemed or sold any of the Company's listed securities during the six months ended 31 March 2007.

**SHARE OPTION SCHEME**

The Company had adopted a share option scheme ( the “Share Option Scheme”) pursuant to the ordinary resolution passed by the shareholders of the Company ( the “Shareholders”) on 12 June 2002. Under the Share Option Scheme, the original scheme mandate limit i.e., the total number of shares in respect of which options may be granted under the Share Option Scheme ( the “Scheme Mandate Limit”) was set at 10% of the shares in the capital of the Company ( the “Shares”) in issue as at the date of adoption of the Share Option Scheme, i.e. 40,000,000 Shares, which represented a maximum number of Shares that might be issued upon the exercise of the options granted under the Share Option Scheme to subscribe for shares in accordance with the terms thereof ( the “Options”) under the Share Option Scheme. Subject to the prior Shareholders’ approval, the Company may, at any time thereafter, refresh the Scheme Mandate Limit to the extent not exceeding 10% of the Shares in issue as at the aforesaid approval.

Pursuant to the ordinary resolutions passed by the Shareholders on 24 March 2006, the Scheme Mandate Limit was refreshed so that the total number of Shares which may fall to be issued upon exercise of all Options to be granted under the Share Option Scheme shall not exceed 115,000,000 Shares, being 10% of the issued share capital of the Company as at 24 March 2006.

Pursuant to the ordinary resolutions passed by the Shareholders on 30 March 2007, the Scheme Mandate Limit was refreshed so that the total number of Shares which may fall to be issued upon exercise of all Options to be granted under the Share Option Scheme shall not exceed 194,800,000 Shares, being 10% of the issued share capital of the Company as at 30 March 2007.

During the period, an aggregate of 114,500,000 Options were granted to the eligible participants on 17 October 2006 and 1 November 2007 respectively. As at 31 March 2007, no Options granted had been exercised and 114,500,000 Options remain outstanding to be exercised.

Post 31 March 2007 and as at the date of publication, an aggregate of further 63,660,000 Options were granted to the eligible participants, an aggregate of 133,628,000 Options had been exercised and 44,532,000 Options remain outstanding to be exercised.

**DIRECTORS' INTERESTS IN THE SHARE CAPITAL**

As at 31 March 2007, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were 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 or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, were as follows:

<b>Name of director</b>	<b>Number or attributable number of shares or underlying shares held or short positions</b>	<b>Beneficial owner</b>	<b>Capacity Interest of controlled corporation</b>	<b>Approximate percentage or attributable percentage of shareholding (%)</b>
Lee Man Fa ( <i>Note 1</i> )	198,242,000 (L)	198,242,000	196,792,000	10.18
Too Shu Wing ( <i>Note 2</i> )	19,480,000 (L)	19,480,000	–	1.00
Yan Wa Tat ( <i>Note 3</i> )	19,480,000 (L)	19,480,000	–	1.00
Tai King Foon ( <i>Note 4</i> )	19,480,000 (L)	19,480,000	–	1.00
Liu Kwok Wah ( <i>Note 5</i> )	1,450,000 (L)	1,450,000	–	0.07
Chan Wai Ming ( <i>Note 6</i> )	1,450,000 (L)	1,450,000	–	0.07
Tsui Pak Hang ( <i>Note 7</i> )	1,450,000 (L)	1,450,000	–	0.07

L: *Long Position*

*Notes:*

1. The 196,792,000 shares referred to above held by Info Fortune Holdings Limited which is wholly owned by Lee Man Fa. The remaining interests in 1,450,000 Shares represent 1,450,000 Shares to be allotted and issued upon the exercise of the share options granted to Lee Man Fa under the Share Option Scheme.
2. These interests in 19,480,000 Shares represent 19,480,000 Shares to be allotted and issued upon the exercise of the share options granted to Too Shu Wing under the Share Option Scheme.
3. These interests in 19,480,000 Shares represent 19,480,000 Shares to be allotted and issued upon the exercise of the share options granted to Yan Wa Tat under the Share Option Scheme.
4. These interests in 19,480,000 Shares represent 19,480,000 Shares to be allotted and issued upon the exercise of the share options granted to Tai King Foon under the Share Option Scheme.
5. These interests in 1,450,000 Shares represent 1,450,000 Shares to be allotted and issued upon the exercise of the share options granted to Liu Kwok Wah under the Share Option Scheme.
6. These interests in 1,450,000 Shares represent 1,450,000 Shares to be allotted and issued upon the exercise of the share options granted to Chan Wai Ming under the Share Option Scheme.
7. These interests in 1,450,000 Shares represent 1,450,000 Shares to be allotted and issued upon the exercise of the share options granted to Tsui Pak Hang under the Share Option Scheme.

Save as disclosed above, as at 31 March 2007, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were 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 or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.



**SUBSTANTIAL SHAREHOLDERS**

As at 31 March 2007, according to the register of interests required to be kept by the Company under Section 336 of the SFO, the following persons, other than the directors or chief executive of the Company, had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

<b>Name of shareholder</b>	<b>Capacity</b>	<b>Number of issued ordinary shares held</b>	<b>Percentage of the issued share capital</b>
Info Fortune Holdings Limited	Beneficial owner (Note)	196,792,000	10.10%
Goldlite International Limited	Beneficial owner	150,000,000	7.70%
Grandtech Management Limited	Beneficial owner	160,544,458	8.24%
Wellington International Invest Limited	Beneficial owner	210,000,000	10.78%
Lam Shu Chung	Beneficial owner	358,000,000	18.38%

*Note:* Info Fortune Holdings Limited is wholly owned by Mr. Lee Man Fa.

Save as disclosed above, the Company had not been notified of any other person (other than a director or chief executive of the Company) who had an interest (whether direct or indirect) in 5% or more of the shares comprised in the relevant share capital or a short position which were required to be recorded in the register kept by the Company pursuant to Section 336 of the SFO as at 31 March 2007.

## **CORPORATE GOVERNANCE**

### **Compliance with the Code on Corporate Governance Practices**

The Company has complied with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules during the period under review, except for the deviations as below:

Under the code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term and subject to re-election. The independent non-executive directors of the Company are not appointed for a specific term of office. However, all independent non-executive directors are subject to retirement by rotation and re-election at annual general meetings in accordance with the bye-laws of the Company.

### **AUDIT COMMITTEE**

The audit committee of the Company comprises three members namely Mr. Chan Wai Ming, Mr. Liu Kwok Wah and Mr. Tsui Pak Hang, the independent non-executive directors of the Company.

The audit committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed with management in respect to the financial reporting matters, including a review of the the unaudited interim accounts of the Group for the period, who are of the opinion that such statements comply with the applicable accounting standards and the Listing Rules and that adequate disclosure have been made.

### **REMUNERATION COMMITTEE**

The Remuneration Committee comprises three members namely Mr. Chan Wai Ming, Mr. Liu Kwok Wah and Mr. Tsui Pak Hang, the independent non-executive directors of the Company.

The Remuneration Committee is to review and determine the remuneration policy and other remuneration related matters of the Directors and the senior management of the Group.

**CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted a code of conduct regarding securities transactions by the directors of the Company on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. The Company, having made specific enquiry of all directors, confirmed that all directors have complied with the required standard of dealings set out therein throughout the six months ended 31 March 2007.

On behalf of the Board

**Too Shu Wing**

*Chairman*

Hong Kong, 26 June 2007