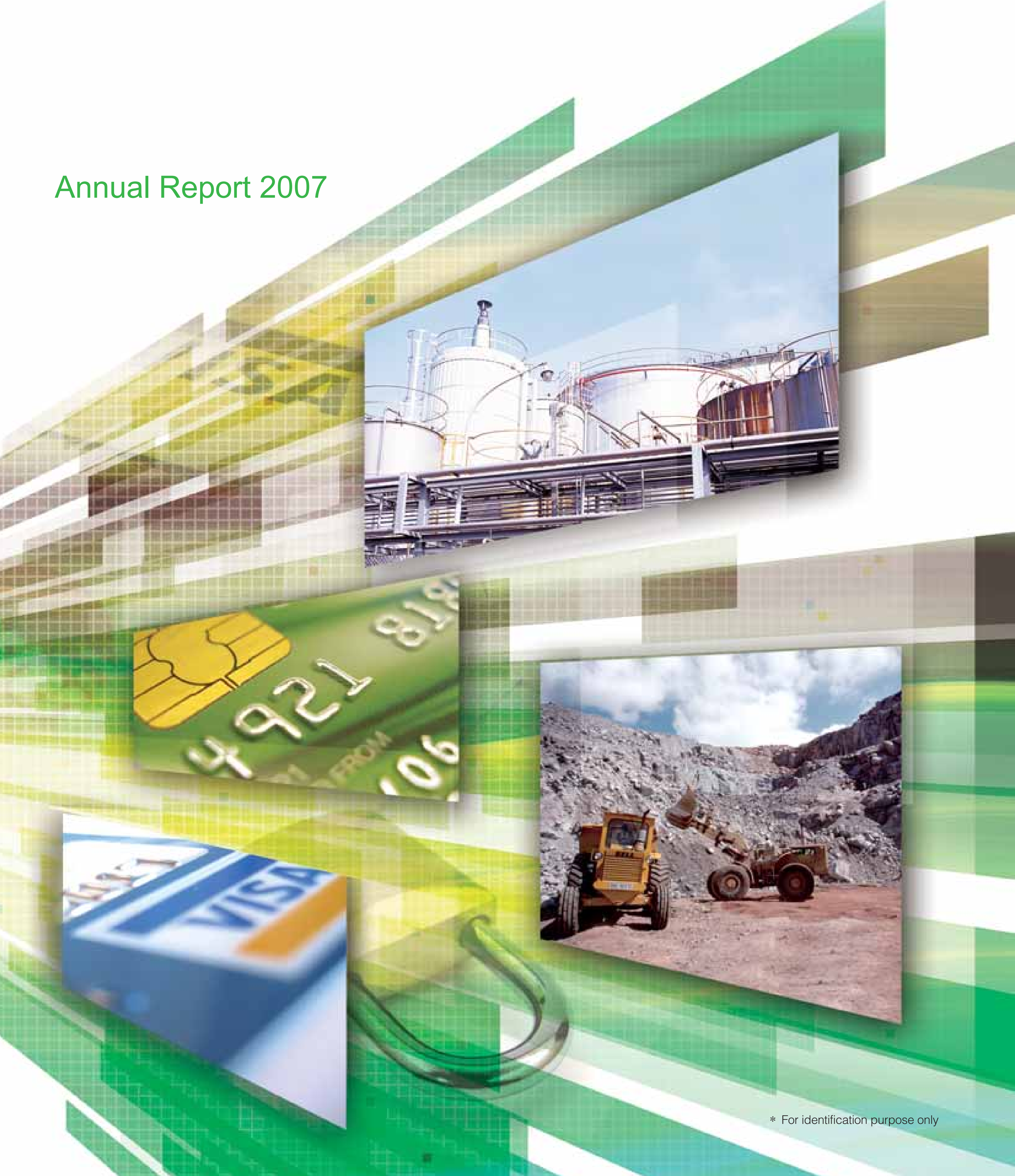
智富能源金融(集團)有限公司*

Smart Rich Energy Finance (Holdings) Ltd.

(Incorporated in Bermuda with limited liability)

Stock Code: 1051

Annual Report 2007



* For identification purpose only

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Corporate Information

Directors

Executive Directors

Mr. Wong Kam Fu *(Chairman)*
Mr. Tam Wai Keung, Billy *(Vice President)*
Mr. Lew Mon Hung
Mr. Wong Hong Loong
Mr. Sin Chi Keung, Mega
Mr. Edward Patrick Jacobson

Non-Executive Directors

Mr. Frank Douglas Magnus
Mr. Tang Yantian

Independent Non-Executive Directors

Mr. Wong Che Man, Eddy
Mr. Tang King Fai
Mr. Dai Zhongcheng

Audit Committee

Mr. Wong Che Man, Eddy *(Chairman)*
Mr. Tang King Fai
Mr. Dai Zhongcheng

Remuneration Committee

Mr. Wong Che Man, Eddy *(Chairman)*
Mr. Tang King Fai
Mr. Dai Zhongcheng

Auditors

SHINEWING (HK) CPA Limited
Certified Public Accountants

Legal Advisors

Hong Kong:	Kirkpatrick & Lockhart
	Preston Gates Ellis
Bermuda:	Appleby Hunter Bailhache

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China (Asia) Limited
Bank of China (Hong Kong) Limited

Share Registrars

Hong Kong

Union Registrars Limited
Rooms 1901–2
Fook Lee Commercial Centre
Town Place
33 Lockhart Road
Wanchai
Hong Kong

Bermuda

Butterfield Corporate Services Limited
Rosebank Centre
14 Bermudiana Road
Pembroke
Bermuda

Registered Office

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Head Office and Principal Place of Business

Suite 1606–7, 16/F
Great Eagle Centre
23 Harbour Road
Wanchai
Hong Kong

Website

http://www.creditcarddna.com

Biographical Details of Directors and Senior Management

Executive Directors

Wong Kam Fu, aged 61, was appointed as the Chairman and executive director of the Company on 13 June 2000. Mr. K.F. Wong has extensive experience and connections in the electronic industry. He achieved numerous awards including the "Hong Kong Young Industrialist Awards 1990" and the 3rd and 4th "World Genius Convention" in 1989 (Golden Award) and 1990 (Silver Award) respectively and his inventions won extensive public recognition. From January 1996 to June 1999, he was the Chairman of Hong Kong Radio Paging Association. Due to his distinguished achievements in the paging industry and his contributions to China affairs, he was appointed "Hong Kong Affairs Adviser" in April 1995. In November 1996, he was appointed as member for the First Election Committee for Hong Kong Special Administrative Region. Mr. K.F. Wong has been engaged in the telecommunications and internet related business for over 20 years.

Mr. K.F. Wong is interested in 533,501,089 shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance, representing approximately 14.26% of the issued share capital of the Company as at the date of this report. Mr. K.F. Wong is the father of Mr. Wong Hong Loong, an executive director of the Company, and is also the sole director and beneficial owner of Sheung Hai Developments Limited, a substantial shareholder of the Company.

Tam Wai Keung, Billy, aged 44, was appointed as an executive director and vice president of the Company on 26 January 2006. Mr. Tam had been the chairman and executive director of China Financial Industry Investment Fund Limited, a company listed on the Stock Exchange of Hong Kong Limited, and the founder and the chief executive officer of iLink Holdings Limited, which was listed on the Growth Enterprises Market of the Stock Exchange of Hong Kong Limited but was privatized in December 2003. Mr. Tam is also a director and technical consultant for a nationwide digital TV project in the People's Republic of China. Mr. Tam graduated with a bachelor degree in electrical engineering from Seattle University, United States.

Lew Mon Hung, aged 58, was appointed as an executive director of the Company on 7 January 2002. Mr. Lew is currently the chief consultant of Core Pacific – Yamaichi International (HK) Ltd. and a director of the Mirror Post Cultural Enterprise Co. Ltd. He also had been director, chief executive and chief consultant of various financial institutions. Mr. Lew has extensive experience in corporate financing and takeovers activities and has established good relationship and connection with both financial and political sectors in Hong Kong. In January 2006, Mr. Lew was appointed the 2006 part-time member of the Government of the HKSAR Central Policy unit.

Wong Hong Loong, aged 29, was appointed as an executive director of the Company on 24 June 2004. He obtained a bachelor degree in Mathematics from the University of Toronto in 2003. Mr. H.L. Wong has extensive experience in marketing and business management. Mr. H.L. Wong is the son of Mr. K.F. Wong, the Chairman of the Company.

Biographical Details of Directors and Senior Management

Sin Chi Keung, Mega, aged 43, was appointed as an executive director of the Company on 26 January 2006. Mr. Sin is at present the director of NetX Limited which is a company engaged in on-line advertising business. Mega had been worked as a director in a company which business is to provide tailor-made corporate level on-line advertising solutions to corporations of different ranks and involved in the overall business development strategies covers the varieties of through-the-line activities in the brand name building and creatively formulating marketing strategies to achieve corporate objectives. Mega holds a bachelor's degree in Business from La Trobe University, Bendigo, Australia.

Edward Patrick Jacobson, aged 58, was appointed as an executive director of the Company on 3 January 2007. Mr. Jacobson is a petroleum geophysicist with 35 years of experience in petroleum exploration principally in European North Sea, South East Asia, South America and Australia. He is at present the executive director and chief executive officer of Carnarvon Petroleum Limited ("Carnarvon"), a Perth based company listed on the Australian Stock Exchange. Carnarvon's principal activity is oil and gas exploration and production. Mr. Jacobson joined as an executive director of Carnarvon since 5 December 2005 and was appointed as chief executive officer on 19 December 2005.

Prior to joining Carnarvon, Mr. Jacobson was a co-founder of Discovery Petroleum Limited and more recently since 1996, a co-founder and technical director of Tap Oil Limited which grew to a market capitalization of over US$400 million under his technical leadership. Mr. Jacobson is a member of the Petroleum Exploration Society of Australia and member of Australian Institute of Geophysicists.

Non-Executive Directors

Frank Douglas Magnus, aged 62, was appointed as a non-executive director of the Company on 3 January 2007. Mr. Magnus is an expert in securities market. He is the founder of Greenwich Equities Pty Ltd. (a company in Perth which changed the company name to Grosvenor Equities Pty Ltd.). He joined Montagu Partners (later to become Montagu Stockbrokers Pty Ltd.) from 1994 to 2001 and had been the Chairman and Managing Director from October 1994 to 1999 and a practitioner member (master stockbroking) of the Securities and Derivatives Industry Association in 2001.

Mr. Magnus is the co-founder, director, chief executive officer and president of Global Oil Corporation (incorporated in Bahamas) and he had involvement in a lot of petroleum projects including: 1997 Seed Capital provider Tap Oil Limited; 1997 Director Seed Capital provider Coastal Oil and Gas NL; 1992 Director Seed Capital provider Dandaragan Trust NL (Taken over by Coastal Oil and Gas NL in 1997); 1990 Director Seed Capital provider Cataby Resources NL (Taken over by Coastal Oil and Gas NL in 1997); 1989 Seed Capital provider Discovery Petroluem NL (Taken over by Premier Oil in 2000) and 1986 Director Seed Capital provider Turkey Oil NL.

Biographical Details of Directors and Senior Management

Tang Yantian, aged 56, was appointed as a non-executive director of the Company on 3 January 2007. Mr. Y. Tang has 28 years of varied technical and management roles in project development, international market activities, project financing, project management contracting in the fields of infrastructure projects, geo-thermal power project, thermal power project, hydro-power project, environmental protection and oil development projects in China and United States of America.

Mr. Y. Tang is at present the executive director and the Chief Executive Officer of Sino Prosper Holding Limited, a listed company on the main board of the Hong Kong Stock Exchange. He is also the vice president and co-founder of Global Oil Corp ("GOC"). GOC had an oil development project in Jilin Province of China. The project was farmed out to Mcrobes Energy Inc. which is an American company and GOC owns the shares in the project. Mr. Y. Tang got a master degree in Computer Science in Queens College of City University of New York.

Independent Non-Executive Directors

Wong Che Man, Eddy, aged 47, was appointed as an independent non-executive director of the Company on 24 June 2004. Mr. Wong is at present the sole proprietor of Eddy Wong & Co CPA. He is a fellow member of the Chartered Association of Certified Accountants and a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Wong is also at present an independent non-executive director of Sun Hing Vision Group Holdings Limited, a company listed on the Main Board of the Stock Exchange.

Tang King Fai, aged 43, was appointed as an independent non-executive director of the Company with effect from 22 May 2006. Mr. Tang graduated with a Bachelor of Arts degree in Broadcast Journalism from the University of Washington in the United States. Mr. Tang was the executive director and compliance officer of iLink Holdings Limited which was listed on the Growth Enterprises Market of the Stock Exchange of Hong Kong Limited and this company was privatized in December 2003. Mr. Tang has over 18 years of media, research and marketing experience gained from senior positions at Asia Television Limited and at KTSF-TV, San Francisco, the United States. He was also the anchorman and principal reporter of Asia Television Limited.

Dai Zhongcheng, aged 45, was appointed as a non-executive director of the Company on 12 June 2007. Mr. Dai graduated with a Bachelor of Engineering degree from the Gansu University of Technology in the People's Republic of China ("PRC"). Mr. Dai is currently the Bureau Chief of the Development Department of Shenzhen Investment Holding Corporation. He is also an economist and a guest professor of the Training Centre, the General Office of the National People's Congress. He has been involved in the financial industry and assets and capital market in PRC for more than 20 years.

Senior Management

Kwan Kei Chor, aged 41, joined the Company as the Financial Controller on 7 August 2006 and was also appointed as the Company Secretary of the Company on 22 May 2007. Mr. Kwan is a member of the Hong Kong Institute of Certified Public Accountants and he has extensive financial and management experience in listed companies.

Chairman's Statement

Our Company is undergoing great changes since the year 2006. Although e-banking and e-commerce security enhancement solutions are still our core business, we tapped into the oil and gas exploitation business from the beginning of 2006. We continued with this strategy in the year 2007 and have expanded our energy business by increasing our investment in Madagascar Petroleum International Limited from 21% to 35.5% in July 2007 and by entering into a framework agreement for the proposed acquisition of 51% of a Mongolian company, Satellite Geological Survey Co., Ltd. ("SGS") on 10 October 2007. It was noted that SGS will be granted certain concession rights by the Mongolian Government on the exploration and exportation of natural resources, essentially oil and gas, in certain blocks lie in the south of Mongolia. We have confidence that the energy business will contribute considerable returns to our shareholders in the near future.

Following our diversification strategy, our Company is exploring the possibility of entering into other business segments, such as internet and telecommunication sectors. Our management team together with myself are also well experienced in internet and telecommunication business and we are in the initial stage to structure any possible acquisition plans. As a Company of the 21st century, we have to think and act innovatively while at the same time protecting the interest of our shareholders. We deeply believe that we have the caliber and professional knowledge to go ahead with this mission.

The forthcoming year will be a year of challenge. With the support of our shareholders and potential investors and the dedication of our staff, I have confidence that we would have fruitful results for the coming years.

Wong Kam Fu
Chairman

Hong Kong, 22 October 2007

Management Discussion and Analysis

Results

For the year ended 30 June 2007, the Group's turnover amounted to approximately HK$6.84 million, comparing to HK$3.97 million reported in the preceding year. It was an increase of approximately 72.3%. Loss attributable to shareholders for the year was HK$43.51 million, compared to loss of HK$83.19 million in year 2006, representing a decrease of 47.7%. The loss was mainly due to the recognized impairment loss in respect of the intangible asset – patents and technology amounting to HK$10.47 million and the additional operating expenses incurred for business expansion in the year.

Business Review

During the year under review, financial information services (WINFCS) marketed via Star Financial brand, and DNA security service and epayment platform service (DNAPAY) enabled by patented DNA technology, were still the Group's core business segments, while the Group diversified its business scope into the oil and gas exploitation industry.

During the year ended 30 June 2007, the Group's financial information service (WINFCS) recorded a turnover of HK$2.85 million (2006: HK$2.53 million) which accounted for 41.7% of the total turnover. A loss of HK$1.08 million was incurred in this division of business, an increase of 20.0% when compared with a loss of HK$0.9 million in the year 2006.

Due to a healthy growth in China and Hong Kong, the DNA security service and DNAPAY service contributed to approximately 57.9% of the Group's total turnover, amounting to approximately HK$3.96 million compared with HK$1.41 million in the year 2006, an increase of 180.9%. A loss of HK$5.41 million was incurred in this division of business, a decrease of 42.6% when compared with a loss of HK$9.43 million in the year 2006.

Net Asset Value

As at 30 June 2007, the Group's total net asset amounted to HK$301.08 million, represented an increase of 72.6% comparing to HK$174.41 million as at 30 June 2006.

Liquidity and Financial Resources

The Group recorded a net cash inflow of approximately HK$22.47 million during the year. At 30 June 2007, cash and bank balances of the Group amounted to approximately HK$24.94 million (2006: HK$2.98 million). The Group did not have any bank or other borrowings as at the year end date (2006: HK$1.94 million).

The Group conducted most of its business in Renminbi, United States dollars and Hong Kong dollars so that it does not have any significant exposure to foreign exchange fluctuation.

The Group's gearing ratio, expressed as the percentage of the Group's total borrowings over shareholders' equity, was nil at 30 June 2007 (2006: 1.1%) as the Group did not have any borrowings as at the year end date.

Management Discussion and Analysis

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

On 25 July 2007, Dorson Group Limited, a wholly owned subsidiary of the Company, has acquired 96.66% of the entire issued share capital of Dormer Group Limited ("Dormer") (the "Acquisition"). Dormer holds 15% interest in Madagascar Petroleum International Limited ("MPIL") in which the Company has 21% indirect interest prior to the Acquisition. Following the Acquisition, the Group has a total integrated interest of 35.5% in MPIL.

Save as disclosed above, there were no material acquisitions or disposals of subsidiaries and associated companies during the year.

Business Outlook

Carrying a mobile phone has become almost as common as carrying a wallet. This creates tremendous business opportunities for us, who are providing proprietary solutions and services based on mobile phone popularities. DNA project with Bank of China has been successfully launched in December 2006. We are working on to launch new DNA services with different partners to enhance existing services and enable new services, such as DNA Pay, a unique mobile payment solution. By riding on the next wave of technology and services innovations, our patented DNA technology gives us an absolute competitive edge in the market place.

DNA Marketing Services, delivered through a Web-based SMS marketing system, continue to grow. It allows mass promotion messages to be delivered via mobile SMS. We expect this service will constantly contribute to the revenue stream.

DNA Mobile Email Services, enabled by DNA technology, will be launched together with Hutchison Global Communications in Q4 2007. The Group has identified a huge potential market for mobile email services. Targeting mass market, it will address the ever-increasing needs of mobile email for any mobile users with or without data services enabled. We believe we can quickly penetrate market and gain significant market share in this market segment.

Financial information service industry is growing positively. We are revamping the whole services offerings adopting the latest technology to cope with fast changing market place. Our customer base is increasing since feature enriched new software and services were launched in April 2007. Since then, the service portal – 128128.com, has received great attentions and drive significant traffic to the portal.

Targeting end-users and corporations in Hong Kong and mainland China, we aim to become the leading player by providing an integrated financial information service platform. We expect financial information services will constantly contribute to the Group's revenue stream.

As approved in the Special General Meeting of Shareholders held on 25 July 2007, the Company increased its shareholding in MPIL from 21% to 35.5%. MPIL is an investment holding company incorporated in June 2005 and entered into the oil and gas product sharing agreement on 7 October 2005 with Office Des Mines Et Des Industries Strategiques of the Republic of Madagascar of approximately 20,100 square kilometres in the Republic of Madagascar for oil and gas exploitation and operation.

Management Discussion and Analysis

As announced on 25 May 2007 and 29 August 2007, the Company entered into the agreement with Templeton Global Limited ("Templeton Global") for grant of option to purchase potential oil assets. Templeton Global is a company incorporated in the British Virgin Islands with limited liability and its sole asset is 100% interest in Sinoreach Limited. Sinoreach Limited, which is a company incorporated in the British Virgin Islands with limited liability, owns the sole asset of 60% interest in Кен-Ай-Ойл-Кызылорда ("KAOK"). KAOK, which is a limited liability company formed under the laws of Kazakhstan, holds 100% of mineral right to develop certain oil fields with an area size of 42.2 square kilometre in Akytubinsk, Kazakhstan with an estimated reserves in excess of 30 million barrels of oil. The mineral right held by KAOK is an oil exploitation and operation agreement dated 15 October 2004 and made between the National Office for Energy and Mining of Republic of Kazakhstan and KAOK for a maximum of 9 years. The option period after extension will be expired on 31 October 2007.

On 10 October 2007, the Company entered into a framework agreement with Mr. Zorigt and Mr. Chuluunbat (the "Vendors") in relation to the proposed acquisition of 51% equity interest in Satellite Geological Survey Co., Limited ("SGS"). From the information provided by the Vendors, the Government of Mongolia will grant certain concession rights to SGS on the exploration and exportation of natural resources, essentially oil and gas, in relation to Blocks VII, IX, XN, XS and XXVI (the "Blocks") lie in the south of Mongolia. The Vendors advised the Company that the total depression area of the Blocks is approximately 100,000 km^2 and pursuant to the preliminary evaluation of the Vendors, the total oil resources of the Blocks may amount to 1 billion tonne. The Company and the Vendors shall enter into a definitive agreement on or before 31 January 2008.

The Company will continue searching for other energy projects which may create value for its shareholders.

Human Resources

As at 30 June 2007, the Group had 29 and 46 employees in Hong Kong and Mainland China respectively. Employees are remunerated at a competitive level and are rewarded according to their performance. Our Group's remuneration packages include medical scheme, group insurance, mandatory provident fund and performance bonus.

According to the share option scheme adopted by the Company on 30 July 2004, share options may be granted to directors and eligible employees of the Group to subscribe for shares in the Company in accordance with the terms and conditions stipulated therein.

Directors' Report

The Board is pleased to present their report and the audited financial statements for the year ended 30 June 2007.

Principal Activities

The Company acts as an investment holding company. The principal activities of the Company's subsidiaries and the Group's jointly controlled entity as at 30 June 2007 are set out in notes 37 and 15 to the financial statements.

Results

The results of the Group for the year ended 30 June 2007 are set out in the consolidated income statements on page 27 of the annual report.

The Board did not recommend the payment of a dividend during the year.

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 86 of the annual report.

Share Capital, Share Options and Convertible Note

During the year, the Company through a private placement of shares, issued and allotted 479,000,000 shares in the Company of HK$0.01 each at the price of HK$0.245 per share.

As a result of the exercise of the options to subscribe for shares in the Company, the Company further issued and allotted a total number of 265,999,996 shares of HK$0.01 each at exercise prices from HK$0.132 to HK$0.348 per share, details of which are set out in note 28 to the financial statements.

Details of the movements in the share capital, share options and convertible note of the Company during the year are set out in notes 27, 28 and 29 to the financial statements respectively.

Property, Plant and Equipment

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

Subsidiaries and Jointly Controlled Entity

Particulars of the Company's subsidiaries and the Group's jointly controlled entity as at 30 June 2007 are set out in notes 37 and 15 to the financial statements.

Directors' Report

Directors

The directors of the Company during the year and up to the date of this report are:

Executive Directors:

Wong Kam Fu *(Chairman)*	
Tam Wai Keung, Billy *(Vice President)*	
Lew Mon Hung	
Wong Hong Loong	
Sin Chi Keung, Mega	
Edward Patrick Jacobson	(appointed on 3 January 2007)
Yi Xing Wu	(resigned on 26 August 2006)

Non-Executive Directors:

Frank Douglas Magnus	(appointed on 3 January 2007)
Tang Yantian	(appointed on 3 January 2007)

Independent Non-Executive Directors:

Wong Che Man, Eddy	
Tang King Fai	
Dai Zhongcheng	(appointed on 12 June 2007)
Ha Ping	(resigned on 26 May 2007)

In accordance with clause 99 of the Company's Bye-laws, Mr. Wong Kam Fu, Mr. Lew Mon Hung and Mr. Wong Hong Loong will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

In accordance with clause 102(B) of the Company's Bye-laws, Mr. Edward Patrick Jacobson, Mr. Frank Douglas Magnus and Mr. Tang Yantian, being the newly appointed directors will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The term of office of each independent non-executive director is the period from the date of appointment up to his retirement by rotation as required by the Company's Bye-laws.

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

Purchase, Sale or Redemption of the Company's Listed Securities

The Company has not redeemed any of its securities during the year ended 30 June 2007. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's securities during the year.

Directors' Interests in Securities

At 30 June 2007, the interests of the directors and their respective associates in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO), or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long position in shares and underlying shares of the Company

	Number of shares held				Approximate percentage (including underlying shares)
Name of director	Personal interest	Corporate interest	Share options	Total interest	of issued share capital
Wong Kam Fu	49,471,666	483,029,423 *(Note)*	Nil	532,501,089	16.94%
Tam Wai Keung, Billy	52,833,333	Nil	Nil	52,833,333	1.68%
Lew Mon Hung	8,666,666	Nil	Nil	8,666,666	0.28%
Wong Hong Loong	7,500,000	Nil	Nil	7,500,000	0.24%
Sin Chi Keung, Mega	Nil	Nil	833,333	833,333	0.027%
Edward Patrick Jacobson	Nil	Nil	8,000,000	8,000,000	0.25%
Frank Douglas Magnus	Nil	Nil	8,000,000	8,000,000	0.25%
Tang Yantian	Nil	Nil	8,000,000	8,000,000	0.25%
Wong Che Man, Eddy	100,000	Nil	333,333	433,333	0.014%
Tang King Fai	600,000	Nil	Nil	600,000	0.019%

Note: 372,404,423 and 110,625,000 shares are held by Sheung Hai Developments Limited ("Sheung Hai") and Alpha Logistics Group Limited ("Alpha Logistics") respectively and Sheung Hai and Alpha Logistics are wholly-owned by Mr. Wong Kam Fu. By virtue of SFO, Mr. Wong Kam Fu is deemed to have interest in all of the 483,029,423 shares.

Other than as disclosed above, none of the directors nor their associates had any interests or short positions in any shares, underlying shares, convertible notes or debentures of the Company or any of its associated corporations as at 30 June 2007.

Share Option

Particulars of the share option scheme of the Company are set out in note 28 to the financial statements.

Details of the movements in the share options during the year ended 30 June 2007 were as follows:

Name or category of participants	Date of grant	Exercisable period	Exercise price HK$	Outstanding as at 01.07.2006	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as at 30.06.2007	Market value per share at date of grant of options HK$	Option value per share HK$
(a) **Directors**											
Wong Kam Fu	18.10.2004	18.10.2004 – 17.10.2006	0.4020	16,666,666	–	–	–	(16,666,666)	–	0.3960	0.1211
	07.02.2006	07.02.2006 – 06.02.2008	0.3480	16,666,666	–	(16,666,666)	–	–	–	0.3420	0.0930
Lew Mon Hung	18.10.2004	18.10.2004 – 17.10.2006	0.4020	16,666,666	–	–	–	(16,666,666)	–	0.3960	0.1211
	07.02.2006	07.02.2006 – 06.02.2008	0.3480	16,666,666	–	(16,666,666)	–	–	–	0.3420	0.0930
	03.01.2007	03.01.2007 – 02.01.2009	0.1520	–	7,000,000	(7,000,000)	–	–	–	0.1520	0.0542
Tam Wai Keung, Billy	07.02.2006	07.02.2006 – 06.02.2008	0.3480	3,333,333	–	(3,333,333)	–	–	–	0.3420	0.0930
	03.01.2007	03.01.2007 – 02.01.2009	0.1520	–	5,000,000	(5,000,000)	–	–	–	0.1520	0.0542
Yi Xing Wu *(Note 1)*	02.11.2005	02.11.2005 – 01.11.2007	0.2820	1,666,666	–	–	(1,666,666)	–	–	0.2820	0.0502
Wong Hong Loong	18.10.2004	18.10.2004 – 17.10.2006	0.4020	8,333,333	–	–	–	(8,333,333)	–	0.3960	0.1211
	07.02.2006	07.02.2006 – 06.02.2008	0.3480	10,500,000	–	(10,500,000)	–	–	–	0.3420	0.0930
	03.01.2007	03.01.2007 – 02.01.2009	0.1520	–	12,500,000	(12,500,000)	–	–	–	0.1520	0.0542
Sin Chi Keung, Mega	07.02.2006	07.02.2006 – 06.02.2008	0.3480	833,333	–	–	–	–	833,333	0.3420	0.0930
	03.01.2007	03.01.2007 – 02.01.2009	0.1520	–	2,000,000	(2,000,000)	–	–	–	0.1520	0.0542
Ha Ping *(Note 2)*	04.11.2004	04.11.2004 – 03.11.2006	0.3600	166,666	–	–	–	(166,666)	–	0.3600	0.1094
	07.02.2006	07.02.2006 – 06.02.2008	0.3480	333,333	–	–	(333,333)	–	–	0.3420	0.0930
	03.01.2007	03.01.2007 – 02.01.2009	0.1520	–	2,000,000	–	(2,000,000)	–	–	0.1520	0.0542
Wong Che Man, Eddy	04.11.2004	04.11.2004 – 03.11.2006	0.3600	166,666	–	–	–	(166,666)	–	0.3600	0.1094
	07.02.2006	07.02.2006 – 06.02.2008	0.3480	333,333	–	–	–	–	333,333	0.3420	0.0930
	03.01.2007	03.01.2007 – 02.01.2009	0.1520	–	2,000,000	(2,000,000)	–	–	–	0.1520	0.0542
Tang King Fai	03.01.2007	03.01.2007 – 02.01.2009	0.1520	–	2,000,000	(2,000,000)	–	–	–	0.1520	0.0542
Frank Douglas Magnus	03.01.2007	03.01.2007 – 02.01.2009	0.1520	–	8,000,000	–	–	–	8,000,000	0.1520	0.0542
Edward Patrick Jacobson	03.01.2007	03.01.2007 – 02.01.2009	0.1520	–	8,000,000	–	–	–	8,000,000	0.1520	0.0542
Tang Yantian	03.01.2007	03.01.2007 – 02.01.2009	0.1520	–	8,000,000	–	–	–	8,000,000	0.1520	0.0542
Total for directors				92,333,327	56,500,000	(77,666,665)	(3,999,999)	(41,999,997)	25,166,666		

Notes:

1. Mr. Yi Xing Wu resigned as a director of the Company on 26 August 2006.
2. Ms. Ha Ping resigned as a director of the Company on 26 May 2007.

Share Option (Continued)

Name or category of participants	Date of grant	Exercisable period	Exercise price HK$	Outstanding as at 01.07.2006	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as at 30.06.2007	Market value per share at date of grant of options HK$	Option value per share HK$
(b) **Employees**	04.11.2004	04.11.2004 – 03.11.2006	0.3600	6,913,328	–	–	(2,166,665)	(4,746,663)	–	0.3600	0.1094
	21.01.2005	21.01.2005 – 20.01.2007	0.4080	3,333,333	–	–	–	(3,333,333)	–	0.4080	0.1249
	07.02.2006	07.02.2006 – 06.02.2008	0.3480	3,201,665	–	–	(3,201,665)	–	–	0.3420	0.0930
	28.12.2006	28.12.2006 – 27.12.2008	0.1320	–	165,000,000	(165,000,000)	–	–	–	0.1320	0.0440
Total for employees				13,448,326	165,000,000	(165,000,000)	(5,368,330)	(8,079,996)	–		
(c) **Others**	09.11.2005	01.04.2006 – 08.12.2007	0.3480	3,333,332	–	(3,333,332)	–	–	–	0.3420	0.0511
	10.11.2005	10.11.2005 – 09.11.2006	0.3600	7,499,998	–	–	–	(7,499,998)	–	0.3480	0.0392
	25.11.2005	25.11.2005 – 24.11.2006	0.3600	2,499,999	–	–	–	(2,499,999)	–	0.3480	0.0424
	28.11.2005	28.11.2005 – 27.11.2006	0.3600	333,333	–	–	–	(333,333)	–	0.3480	0.0419
	01.12.2005	01.12.2005 – 30.11.2006	0.3600	3,333,332	–	–	–	(3,333,332)	–	0.3540	0.0474
	07.02.2006	07.02.2006 – 06.02.2008	0.3480	1,999,999	–	(1,999,999)	–	–	–	0.3420	0.0930
	05.02.2007	05.02.2007 – 04.02.2008	0.1530	–	18,000,000	(18,000,000)	–	–	–	0.1520	0.0537
	02.04.2007	29.05.2007 – 28.05.2008	0.2280	–	400,000	–	–	–	400,000	0.2280	0.0661
Total for others				18,999,993	18,400,000	(23,333,331)	–	(13,666,662)	400,000		
Total for Scheme				124,781,646	239,900,000	(265,999,996)	(9,368,329)	(63,746,655)	25,566,666		

Valuation of share option

The valuation of share options is set out in note 28 to the financial statements.

Retirement Benefit Scheme

Details of the Group's retirement benefit scheme for the year ended 30 June 2007 are set out in note 33 to the financial statements.

Directors' and Chief Executive's Rights to Acquire Shares or Debentures

Save as disclosed in the section headed "Directors' Interests in Securities" disclosed above, at no time during the year was the Company or its subsidiaries or jointly controlled entity a party to any arrangement that enabled any director to acquire benefits by means of the acquisition of shares in or debentures of the Company or of any other body corporate.

Save as disclosed above, none of the directors or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company or had exercised any such right during the year.

Directors' Interests in Contracts of Significance

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

Directors' Interest in Competing Business

During the year up to the date hereof, none of the directors of the Company, or any of their respective associates (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules")) had any material interest in a business that competes or may compete with the business of the Group.

Independent Non-executive Directors

The Company has received from each of its independent non-executive directors' written confirmation of their independence pursuant to Rule 3.13 of the Listing Rules.

Discloseable Interests and Short Positions of Persons Other than Directors and Chief Executive

As at 30 June 2007, the register required to be kept under Section 336 of the SFO showed that the following persons and their associates had notified the Company of their relevant interests in the issued share capital of the Company:

Long positions in shares and underlying shares of the Company

Name of shareholders	Capacity	Number of Shares and underlying Shares held	Approximate percentage (%)
Sheung Hai *(Note 1)*	Beneficial owner	372,404,423	11.84%
China Sound Limited *(Note 2)*	Beneficial owner	303,333,333	9.65%
Yi Xing Wu *(Note 2)*	Interest of a controlled corporation and beneficial owner	305,698,333	9.72%

Notes:

1. Mr. Wong Kam Fu, a director of the Company, is the ultimate beneficial owner of Sheung Hai. Under Part XV of the SFO, Mr. Wong Kam Fu is deemed to have interest in the shares of the Company held by Sheung Hai.

2. Mr. Yi Xing Wu is the ultimate beneficial owner of China Sound Limited. Under Part XV of the SFO, Mr. Yi Xing Wu is deemed to have interest in the shares of the Company held by China Sound Limited.

Other than as disclosed above, the Company has not been notified by any other person, other than the directors or chief executive of the Company, who has interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as at 30 June 2007.

Model Code

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors. Having made specific enquiry of all directors, the Company confirmed that all directors have complied with the required standard set out in the Model Code throughout the year under review.

Donations

During the year, the Group made charitable donations totalling HK$37,000.

Major Customers and Suppliers

For the year ended 30 June 2007, the five largest customers accounted for approximately 58% of the Group's turnover and the largest customer included therein amounted to approximately 35%. Purchases from the five largest suppliers accounted for approximately 62% of the total purchase for the year and purchases from the largest supplier included therein amounted to approximately 39%.

At no time during the year, were any of the directors, their associates or the shareholders of the Company, which to the knowledge of the directors own more than 5% of the Company's issued share capital, have any interests in the above customers or suppliers.

Pre-emptive Rights

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

Public Float

From information publicly available to the Company and within the knowledge of the directors, the Company has maintained the prescribed public float under the Listing Rules at all times during the year under review and as at the date of this report.

Corporate Governance

The information set out in pages 18 to 23 and information incorporated by reference, if any, constitutes the Corporate Governance Report of the Company.

Post Balance Sheet Events

Details of significant post balance sheet events are set out in note 34 to the financial statements.

Audit Committee

The Company has established an audit committee with written terms of reference based upon the recommendations set out in "A Guide for Effective Audit Committee" published by the Hong Kong Institute of Certified Public Accountants and the code provisions set out in the Corporate Governance Code. The duties of the audit committee include reviewing the Company's annual reports and interim reports and providing advice and comments thereon to the directors. The audit committee is also responsible for reviewing and supervising the financial reporting and internal control procedures of the Group.

As at the date of this report, the audit committee comprises three independent non-executive directors, namely, Mr. Wong Che Man, Eddy, Mr. Tang King Fai and Mr. Dai Zhongcheng, with Mr. Wong Che Man, Eddy being the chairman of the committee. The audited financial statements of the Company for the year ended 30 June 2007 have been reviewed by the audit committee.

Auditors

Deloitte Touche Tohmatsu, Certified Public Accountants, had resigned as auditors of the Company with effect from 18 May 2005 and Ho and Ho & Company have been appointed as new auditors of the Company with effect from the same date to fill the causal vacancy.

As Ho and Ho & Company have joined with SHINEWING Certified Public Accountants in China and established SHINEWING (HK) CPA Limited. Ho and Ho & Company had resigned as auditors of the Company with effect from 20 December 2005 and SHINEWING (HK) CPA Limited have been appointed as new auditors of the Company with effect from the same date to fill the causal vacancy.

The accounts for the year ended 30 June 2007 and 30 June 2006 have been audited by SHINEWING (HK) CPA Limited who will retire and, being eligible, offer themselves for re-appointment in the forthcoming annual general meeting. A resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Wong Kam Fu
Chairman

Hong Kong, 22 October 2007

Corporate Governance Report

The Group is committed to maintain a high standard of corporate governance and enhance its transparency so as to protect the shareholders' interest in general. The Group will continue to raise the standard to formalize the best practices of corporate governance as far as we could.

The Company has adopted the code provisions set out in the Code of Corporate Governance Practices (the "Corporate Governance Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code of corporate governance practices.

Board of Directors

As at 30 June 2007, the Board consisted of 6 executive directors, namely Mr. Wong Kam Fu (Chairman), Mr. Tam Wai Keung, Billy (Vice President), Mr. Lew Mon Hung, Mr. Wong Hong Loong, Mr. Sin Chi Keung, Mega and Mr. Edward Patrick Jacobson; two non-executive directors, namely Mr. Frank Douglas Magnus and Mr. Tang Yantian and 3 independent non-executive directors ("INED(s)") (collectively the "Directors"), namely Mr. Wong Che Man, Eddy, Mr. Tang King Fai and Mr. Dai Zhongcheng. There is no financial, business, family or other material/relevant relationship between the Directors, except that Mr. Wong Hong Loong is the son of Mr. Wong Kam Fu.

The principal functions of the Board are to supervise the management of the business and affairs; to approve the strategic plans, investment and funding decisions; to review the Group's financial performance and operative initiatives. The role of INEDs is to bring an independent and objective view to the Board's deliberations and decisions. Since one of INEDs has appropriate professional qualifications, or accounting or related financial management expertise so that they are of sufficient caliber and number for their views to carry weight. Thus, the Board considers the current board size as adequate for its present operations. The Company has received from each of the INEDs, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the INEDs are independent.

The Board will conduct meeting on a regular basis and on an ad hoc basis, as required by business needs. The Bye-laws of the Company allows board meetings to be conducted by way of telephone or videoconference. The Board held a total of ten full board meetings during the year and up to the date of this report. The attendance of the Directors at meetings of the Board and Board Committees are disclosed below in this report. The INEDs may take independent professional advice at the Company's expense in carrying out their functions.

The Board is supplied with relevant information by the senior management pertaining to matters to be brought before the Board for decision as well as reports relating to operational and financial performance of the Group before each regular board meeting. At least 14 days notice of a regular board meeting is given to all directors to give them the opportunity to attend. Board papers are dispatched to the directors at least 3 days before the meeting to ensure that they have sufficient time to review the papers and be adequately prepared for the meeting.

The post of Chairman and the Vice President (in the case of the Company, Vice President serves as the role of chief executive officer) are separate and are not held by the same individual to ensure their independence, accountability and responsibility. The Chairman, Mr. Wong Kam Fu, is responsible for overseeing the function of the Board and formulating overall strategies and policies of the Company. The Vice President, Mr. Tam Wai Keung, Billy, supported by other members and the senior management, is responsible for managing the Group's business, implementing major strategies, making day-to-day decisions and coordinating overall business operations. The day-to-day running of the Company is delegated to the management, with divisional heads responsible for different aspects of the business.

As the full Board is responsible for selection and approval of candidates for appointment as executive director to the board by reference to the qualification, ability and working experience of the candidates, therefore the Company has not established a Nomination Committee for the time being.

On 26 May 2007, Ms. Ha Ping resigned as an INED, members of the audit committee and remuneration committee of the Company. On 12 June 2007, Mr. Dai Zhongcheng was appointed by the Board as an INED, members of the audit committee and remuneration committee of the Company to fill the casual vacancy. For the period 26 May 2007 to 11 June 2007, the Company had only two INEDs and therefore could not strictly comply with Rules 3.10(1) and 3.21 of the Listing Rules.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies contained in Appendix 10 of the Listing Rules (the "Model Code") as the code of conduct regarding directors' securities transactions.

Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code throughout the year under review.

Directors' Responsibility for the Financial Statements

The Directors acknowledge their responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and in presenting the interim and annual financial statements, and announcements to shareholders, the Directors aim to present a balanced and understandable assessment of the Group position and prospects.

Audit Committee

The Audit Committee consists of three INEDs, namely Mr. Wong Che Man, Eddy, Mr. Tang King Fai and Mr. Dai Zhongcheng. Mr. Wong is the Chairman of the Audit Committee and applies his professional qualifications in accounting and financial management expertise in directing the Audit Committee. In accordance with the terms of reference of the Audit Committee, the Audit Committee met at least twice a year to review the interim results and the final results of the Company. The terms of reference of the Committee are aligned with the recommendations set out in "A Guide For Effective Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants and the code provisions set out in the Corporate Governance Code.

The major duties of the Audit Committee include:

- to consider and recommend the appointment, re-appointment and removal of external auditor;

- to approve the remuneration and terms of engagement of external auditor, any questions of resignation or dismissal of that auditor;

- to review and monitor external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

- to discuss with external auditor the nature and scope of the audit and reporting obligations before the audit commences;

- to develop and implement policy on the engagement of an external auditor to supply non-audit services and to make recommendation of any measures for improvements to be taken;

- to review the interim and annual financial statements and the interim and annual reports before submission to the Board, focusing particularly on:

  (i) any changes in accounting policies and practices;

  (ii) major judgmental areas;

  (iii) significant adjustments resulting from audit;

  (iv) the going concern assumptions and any qualifications;

  (v) compliance with accounting principles and standards; and

  (vi) compliance with the Listing Rules and other legal requirements in relation to financial reporting;

- to review the Group's financial controls, internal control and risk management system and ensure that the management has discharged its duty to have an effective internal control system;

- to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response;

- to review the external auditor's management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response and to ensure that the Board will provide a timely response to the issues raised; and

- to review the Group's financial and accounting policies and practices.

Remuneration Committee

The Remuneration Committee comprises 3 members, namely Mr. Wong Che Man, Eddy, Mr. Tang King Fai and Mr. Dai Zhongcheng, all of them are INEDs, and is chaired by Mr. Wong Che Man, Eddy. The Remuneration Committee reviews and determines the policy for the remuneration of directors and senior management.

The roles and duties of the Remuneration Committee include:

- to conduct regular review of the remuneration policy of the Group's Directors and senior management;

- to make recommendations to the Board on the policy and structure of the remuneration of the Company's Directors and senior management and on establishment of a formal and transparent procedure for developing remuneration policy;

- to make recommendations to the Board on remuneration packages of the Company's Directors;

- to determine remuneration packages of senior management proposed by the Vice President of the Company that will attract, motivate and retain the competent staff;

- to review the proposals for the award of share options to executive directors and senior management based on their performance and contribution to the Company from time to time;

- to recommend the Board of the structure of long-term incentive plans for executive directors and certain senior management.

The following table shows the attendance of Directors at meetings of the Board and the above committees during the year and up to the date of this report:

Meetings (number)	**Board** *(10)*	**Audit Committee** *(5)*	**Remuneration Committee** *(1)*	**Attendance Rate**
Executive Directors				
Wong Kam Fu	10(10)	N/A	N/A	100%
Tam Wai Keung, Billy	9(10)	N/A	N/A	90%
Lew Mon Hung	9(10)	N/A	N/A	90%
Wong Hong Loong	10(10)	N/A	N/A	100%
Sin Chi Keung, Mega	10(10)	N/A	N/A	100%
Edward Patrick Jacobson *(appointed on 3 January 2007)*	0(7)	N/A	N/A	0%
Yi Xing Wu *(resigned on 26 August 2006)*	N/A	N/A	N/A	N/A
Non-executive Directors				
Frank Douglas Magnus *(appointed on 3 January 2007)*	0(7)	N/A	N/A	0%
Tang Yantian *(appointed on 3 January 2007)*	1(7)	N/A	N/A	14%
Independent Non-executive Directors				
Wong Che Man, Eddy	9(10)	5(5)	1(1)	94%
Tang King Fai	10(10)	5(5)	1(1)	100%
Dai Zhongcheng *(appointed on 12 June 2007)*	1(5)	0(1)	1(1)	29%
Ha Ping *(resigned on 26 May 2007)*	3(4)	3(4)	N/A	75%

External Auditors

For the year ended 30 June 2007, the amount of audit fees payable to the auditors of the Company, SHINEWING (HK) CPA Limited, is approximately HK$600,000 (2005: HK$590,000). The annual financial statements for the years ended 30 June 2006 and 2007 have been audited by SHINEWING (HK) CPA Limited.

The Audit Committee holds meetings with the external auditors to discuss the scope of their audit and confirm their independence and objectivity.

Internal Control and Risk Management

The Board has overall responsibilities for maintaining sound and effective internal control system of the Group. The Group's system of internal control includes a defined management structure with limits of authority, is designed to help the achievement of business objectives, safeguard assets against unauthorized use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant legislation and regulations. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives.

The Board, through the Audit Committee, has conducted annually reviews of the effectiveness of the Group's system of internal control. The Board is satisfied that the Group has fully complied with the code provisions ("Code Provision(s)") of the Corporate Governance Code on internal controls during the year under review although an internal audit function has not been set up in the internal control system of the Group.

Investor Relations

The Company continues to promote and enhance investor relations and communications with its investors. An intensive communication channel has been maintained with the media, analysis and fund managers.

Communication with Shareholders

To foster effective communications with its shareholders, the Company provides extensive information in its annual report, press release and also disseminates information relating to the Group and its business electronically through its website at www.creditcarddna.com.

The Company regards annual general meetings ("AGM") as an important event as it provides an important opportunity for direct communications between the Board and the Company's shareholders. All Directors and senior management will make an effort to attend. External auditors are also available at the AGM to address shareholders' queries. All shareholders will be given at least 21 days' notice of the AGM and they are encouraged to attend the AGM and other shareholders' meetings.

Code of Conduct

The Company has employee handbook setting out rules and regulations of the Company and ethical conduct for all employees of the Group. The employees at all levels are expected to conduct themselves in an honest, diligent and responsible manner.

Corporate Governance Code

In the opinion of the Directors, throughout the year ended 30 June 2007, the Company has applied the principles of the Corporate Governance Code and complied with all the applicable code provisions thereof, except that the existing INEDs were not appointed for a specific term as required under the Code Provision A.4.1 but are subject to retirement by rotation in accordance with the Bye-laws of the Company.

Report of the Auditors

信永中和
ShineWing

SHINEWING (HK) CPA Limited
16/F., United Centre
95 Queensway, Hong Kong

To the shareholders of
Smart Rich Energy Finance (Holdings) Limited
(Incorporated in Bermuda with limited liability)

We were engaged to audit the consolidated financial statements of Smart Rich Energy Finance (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 27 to 85, which comprise the consolidated balance sheet as at 30 June 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 Company's directors are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, 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 for the limitation in the scope of our work as explained below, 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. However, because of the matters described in the basis for disclaimer of opinion paragraphs, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of opinion

Included in the consolidated balance sheet at 30 June 2007 was an available-for-sale investment stated at cost of HK$140,020,000 in respect of the 21% equity interest in Madagascar Petroleum International Limited ("MPIL"). As disclosed in note 16 to the consolidated financial statements, MPIL is directly held by two subsidiaries, Hopestar Group Limited ("Hopestar") and Dorson Group Limited ("Dorson"). MPIL is an investment holding company and entered into the oil and gas product sharing agreement with The National Office for Mining and Strategic Industries of the Republic of Madagascar in respect of an onshore block of land ("Block 2104") in the Republic of Madagascar for oil and gas exploitation and operation. MPIL is eligible to obtain the mining titles required for exploration, exploitation and transportation for the available crude oil and available associated natural gas on Block 2104 (the "Mining Titles"). However, we were unable to obtain sufficient documentary evidence to satisfy ourselves as to assess whether any impairment is required to be recognized in respect of the carrying amount of the available-for-sale investment. In addition, we were unable to obtain sufficient evidence to satisfy ourselves as to assess whether MPIL obtained the Mining Titles, commenced any significant business operations and the Group has any long term liability and commitment in respect of the investments in Hopestar, Dorson or MPIL as at 30 June 2007.

Included in the consolidated balance sheet at 30 June 2007 was a deposit paid for acquisition of a subsidiary of approximately HK$100,000,000. As disclosed in note 18 to the consolidated financial statements, the deposit was paid to Udaya Holdings Limited ("Udaya") for the acquisition of 96.66% equity interests in Dormer Group Limited ("Dormer") and the sole asset held by Dormer is the 15% equity interests in MPIL. Further to the limited evidence in relation to MPIL as mentioned above, we were unable to obtain the sufficient information to satisfy ourselves as to assess whether any impairment is required to be recognized in respect of the deposit paid for the acquisition of a subisidary.

Moreover, as disclosed in note 16 to the consolidated financial statements, the board of directors of MPIL comprises of three directors, one of whom was nominated by the Company. However, the directors of the Company are of the opinion that a substantial or majority ownership is held by another investor who actually precludes them from having significant influence in MPIL. Therefore, the investment in MPIL is regarded as available-for-sale investment.

In the absence of the sufficient reliable evidence, we were unable to assess whether the classification of interests in MPIL as available-for-sale investment in the consolidated balance sheet was appropriate or not.

There were no other satisfactory audit procedures that we could adopt to satisfy ourselves as to the matters set out above. Any adjustments found to be necessary in respect of the matters set out above would have a consequential significant effect on the net assets of the Group at 30 June 2007 and the loss of the Group for the year then ended.

Disclaimer of opinion: disclaimer on view given by consolidated financial statements

Because of the significance of the matters described in basis for disclaimer of opinion paragraph, we do not express an opinion on the consolidated financial statements as to whether the consolidated financial statements give a true and fair view of the state of the Group's affairs as at 30 June 2007 and of its loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards. In all other respects, in our opinion the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

SHINEWING (HK) CPA Limited
Certified Public Accountants

Ip Yu Chak
Practising Certificate Number : P04798

Hong Kong
22 October 2007

Consolidated Income Statement

For the year ended 30 June 2007

	Notes	2007 HK$'000	2006 HK$'000
Turnover	(6)	**6,838**	3,974
Cost of sales		**(4,868)**	(3,418)
Gross profit		**1,970**	556
Other operating income		**1,456**	2,291
Distribution costs		**(1,237)**	(1,406)
Administrative expenses		**(42,939)**	(44,095)
Share-based payment expenses		**(11,324)**	(5,989)
Finance costs	(7)	**(466)**	(121)
Gain on disposal of partial interest in a jointly controlled entity		**920**	–
Gain attributable to financial assets at fair value through profit or loss	(8)	**1,819**	3,149
Gain on disposal of available-for-sale investments		**11,242**	–
Share of loss of a jointly controlled entity		**(784)**	(450)
Impairment loss recognised in respect of an intangible asset		**(10,472)**	(37,128)
Loss before income tax	(9)	**(49,815)**	(83,193)
Income tax	(10)	**6,263**	–
Loss for the year		**(43,552)**	(83,193)
Attributable to:			
– Equity holders of the Company		**(43,506)**	(83,193)
– Minority interests		**(46)**	–
		(43,552)	(83,193)
Loss per share			
Basic	(11)	**(1.72) cents**	(3.91) cents

Consolidated Balance Sheet

As at 30 June 2007

	Notes	2007 HK$'000	2006 HK$'000
Non-current assets			
Property, plant and equipment	(13)	**3,082**	3,095
Intangible asset	(14)	**–**	10,472
Interest in a jointly controlled entity	(15)	**598**	406
Available-for-sale investments	(16)	**140,020**	140,020
Deposits paid for acquisition of properties	(17)	**10,104**	9,340
Deposit paid for the acquisition of a subsidiary	(18)	**100,000**	–
		253,804	163,333
Current assets			
Temporary payments	(19)	**7,838**	–
Deposit paid for the acquisition of an available-for-sale investment	(20)	**3,000**	–
Debtors, deposits and prepayments	(21)	**2,502**	1,813
Amount due from a jointly controlled entity	(15)	**–**	700
Available-for-sale investments	(16)	**–**	10,435
Financial assets at fair value through profit or loss	(22)	**6,338**	2,836
Pledged bank deposits	(23)	**7,076**	5,263
Bank balances and cash		**24,937**	2,983
		51,691	24,030
Current liabilities			
Other creditors and accrued charges	(24)	**2,871**	3,201
Provision for taxation		**1,545**	–
Bank borrowings	(25)	**–**	1,943
		4,416	5,144
Net current assets		**47,275**	18,886
Total assets less current liabilities		**301,079**	182,219
Non-current liability			
Deferred taxation	(26)	**–**	7,808
Net assets		**301,079**	174,411

Consolidated Balance Sheet (Continued)

As at 30 June 2007

	Note	2007 HK$'000	2006 HK$'000
Capital and reserves			
Share capital	(27)	**31,443**	23,993
Reserves		**269,579**	150,418
Equity attributable to equity holders of the Company		**301,022**	174,411
Minority interests		**57**	–
Total equity		**301,079**	174,411

The consolidated financial statements on pages 27 to 85 were approved and authorized for issue by the Board of Directors on 22 October 2007 and are signed on its behalf by:

Wong Kam Fu
Director

Tam Wai Keung, Billy
Director

Consolidated Statement of Changes in Equity

For the year ended 30 June 2007

	Attributable to equity holders of the Company											
	Share capital	Share premium	Capital redemption reserve	Other reserve	Contributed surplus	Equity component of convertible note reserve	Share-based compensation reserve	Exchange translation reserve	Accumulated losses	Total	Minority interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 July 2005	108,203	298,056	–	–	–	4,340	1,129	(68)	(369,594)	42,066	–	42,066
Changes in fair value of available-for-sale investments	–	–	–	2,679	–	–	–	–	–	2,679	–	2,679
Exchange difference arising on translation of the Group	–	–	–	–	–	–	–	68	–	68	–	68
Loss for the year	–	–	–	–	–	–	–	–	(83,193)	(83,193)	–	(83,193)
Total recognized income and expenses for the year	–	–	–	2,679	–	–	–	68	(83,193)	(80,446)	–	(80,446)
Issue of shares during the year	21,200	106,000	–	–	–	–	–	–	–	127,200	–	127,200
Issue of shares for acquisition of subsidiaries	14,929	69,091	–	–	–	–	–	–	–	84,020	–	84,020
Issue of shares upon exercise of share options	433	2,477	–	–	–	–	(317)	–	–	2,593	–	2,593
Repurchase of shares	(807)	(2,991)	807	–	–	–	–	–	–	(2,991)	–	(2,991)
Recognition of equity settled share-based payment	–	–	–	–	–	–	5,989	–	–	5,989	–	5,989
Redemption of convertible note	–	–	–	–	–	(4,340)	–	–	320	(4,020)	–	(4,020)
Capital reduction	(119,965)	–	–	–	119,965	–	–	–	–	–	–	–
Elimination of accumulated losses of the Company	–	–	–	–	(119,965)	–	–	–	119,965	–	–	–
Cancellation of share options	–	–	–	–	–	–	(101)	–	101	–	–	–
At 30 June 2006	23,993	472,633	807	2,679	–	–	6,700	–	(332,401)	174,411	–	174,411

	Attributable to equity holders of the Company											
	Share capital	Share premium	Capital redemption reserve	Other reserve	Contributed surplus	Equity component of convertible note reserve	Share-based compensation reserve	Exchange translation reserve	Accumulated losses	Total	Minority interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 July 2006	23,993	472,633	807	2,679	–	–	6,700	–	(332,401)	174,411	–	174,411
Transfer to profit or loss on disposal of available-for-sale investments	–	–	–	(2,679)	–	–	–	–	–	(2,679)	–	(2,679)
Exchange difference arising on translation of												
– the Group	–	–	–	–	–	–	–	(498)	–	(498)	–	(498)
– the jointly controlled entity	–	–	–	–	–	–	–	49	–	49	–	49
Loss for the year	–	–	–	–	–	–	–	–	(43,506)	(43,506)	(46)	(43,552)
Total recognized income and expenses for the year	–	–	–	(2,679)	–	–	–	(449)	(43,506)	(46,634)	(46)	(46,680)
Capital injection from a minority shareholder of a newly incorporated subsidiary	–	–	–	–	–	–	–	–	–	–	103	103
Issue of shares during the year	4,790	112,565	–	–	–	–	–	–	–	117,355	–	117,355
Issue of shares upon exercise of share options	2,660	59,410	–	–	–	–	(14,630)	–	–	47,440	–	47,440
Transaction costs attributable to issue of new shares	–	(2,874)	–	–	–	–	–	–	–	(2,874)	–	(2,874)
Recognition of equity settled share-based payment	–	–	–	–	–	–	11,324	–	–	11,324	–	11,324
Cancellation of share options	–	–	–	–	–	–	(1,957)	–	1,957	–	–	–
At 30 June 2007	**31,443**	**641,734**	**807**	**–**	**–**	**–**	**1,437**	**(449)**	**(373,950)**	**301,022**	**57**	**301,079**

Consolidated Cash Flow Statement

For the year ended 30 June 2007

	2007 *HK$'000*	2006 *HK$'000*
Operating activities		
Loss before income tax	**(49,815)**	(83,193)
Adjustments for:		
Share of loss of a jointly controlled entity	**784**	450
Interest income	**(1,072)**	(1,272)
Dividend income	**(16)**	(9)
Interest expenses	**466**	121
Depreciation	**1,084**	1,492
Bad debts written off	**–**	497
Allowance for bad and doubtful debts	**1,510**	–
Share-based payment expenses	**11,324**	5,989
Gain attributable to financial assets at fair value through profit or loss	**(1,819)**	(3,149)
Gain on disposal of available-for-sale investments	**(11,242)**	–
Loss on disposal of property, plant and equipment	**16**	38
Gain on redemption of convertible note	**–**	(944)
Gain on disposal of partial interest in a jointly controlled entity	**(920)**	–
Impairment loss recognised in respect of an intangible asset	**10,472**	37,128
Operating cashflows before movements in working capital	**(39,228)**	(42,852)
(Increase)/decrease in debtors, deposits and prepayments	**(2,199)**	119
(Decrease)/increase in other creditors and accrued charges	**(330)**	1,021
Net cash used in operating activities	**(41,757)**	(41,712)

Consolidated Cash Flow Statement (Continued)

For the year ended 30 June 2007

	Note	2007 HK$'000	2006 HK$'000
Investing activities			
Increase in deposits paid for acquisition of a subsidiary		(100,000)	–
Proceeds from disposal of available-for-sale investments		18,998	–
Purchase of financial asset at fair value through profit or loss		(8,895)	(61,466)
Increase in temporary payments		(7,838)	–
Proceeds from disposal of financial asset at fair value through profit or loss		7,212	61,850
Increase in deposits paid for acquisition of an available-for-sale investment		(3,000)	–
Interest received		1,072	1,272
Purchase of property, plant and equipment		(1,066)	(2,165)
Increase in pledged bank deposits		(1,813)	(5,263)
Capital contribution to a jointly controlled entity		(1,008)	–
Proceeds from partial disposal of a jointly controlled entity		1,001	–
Increase in deposits paid for acquisition of properties		(764)	(9,340)
Repayment from a jointly controlled entity		700	–
Dividend received		16	9
Acquisition of subsidiaries	(31)	–	(56,000)
Purchase of available-for-sale investments		–	(7,756)
Advance to a jointly controlled entity		–	(476)
Proceeds from disposal of property, plant and equipment		–	35
Net cash used in investing activities		(95,385)	(79,300)
Financing activities			
Net proceeds from issue of shares by placement		114,481	127,200
Redemption of convertible note		–	(15,900)
Payment on repurchase of shares		–	(2,991)
Proceeds from issue of shares on exercise of share options		47,440	2,593
New bank borrowings raised		–	1,943
Repayment of bank borrowings		(1,943)	–
Capital injection from a minority shareholder		103	–
Interest paid		(466)	(113)
Net cash from financing activities		159,615	112,732
Net increase/(decrease) in cash and cash equivalents		22,473	(8,280)
Cash and cash equivalents at beginning of the year		2,983	11,229
Effect of foreign currency rate changes		(519)	34
Cash and cash equivalents at end of the year, representing by bank balances and cash		24,937	2,983

1. General

The Company is incorporated and registered as an exempted company in Bermuda with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The address of the registered office and principal place of business of the Company are disclosed in the section of "Corporate Information" to the annual report.

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

The Company acts as an investment holding company. The principal activities of its subsidiaries and jointly controlled entity are stated in notes 37 and 15, respectively.

2. Adoption of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current year, the Company and its subsidiaries (collectively referred to as the "Group") has adopted all of the new and revised standards, amendments and interpretations ("new HKFRSs") issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for the Group's financial year beginning on 1 July 2006. The adoption of these new and revised standards and interpretations has no material effect on how the results for the current or prior accounting year have been prepared and presented. Accordingly, no prior year adjustment has been required.

The Group has not early adopted the following standards or interpretations that have been issued but are not yet effective. The Group has commenced considering the potential impact of these new HKFRSs but is not yet in a position to determine whether these new HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

Hong Kong Accounting Standard ("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) - Interpretation ("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 Asset, Minimum Funding Requirements and their Interaction[5]

2. Adoption of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

[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.

3. Basis of Preparation and Summary of Significant Accounting Policies

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are stated at their fair values as explained in the accounting policies set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment losses.

3. Basis of Preparation and Summary of Significant Accounting Policies (Continued)

Interest in a jointly controlled entity

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

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post acquisition changes in the Group's share of the profit or loss and of changes in equity of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognizing its share of further losses. An additional share of losses is provided for and a liability is recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

When a group entity transacts with a jointly controlled entity of the Group, unrealized profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity, except to the extent that unrealized losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognized.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is provided to write off the costs of the property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

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

3. Basis of Preparation and Summary of Significant Accounting Policies (Continued)

Intangible assets

Intangible assets acquired separately

Intangible asset represents the cost of acquisition of patents and technology for the provision of credit card security device and digital network authorization services.

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses below).

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated income statement when the asset is derecognized.

Impairment

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

Intangible assets with finite useful lives are tested for impairment when there is an indication that an asset may be impaired (see the accounting policies in respect of impairment losses for tangible and intangible assets below).

3. Basis of Preparation and Summary of Significant Accounting Policies (Continued)

Financial instruments

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

Financial assets

The Group's financial assets are classified into 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 recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. 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 as 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 recognized directly in profit or loss in the period in which they arise.

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 debtors, deposits and prepayments, pledged bank deposits and bank balances) are carried at amortized cost using the effective interest method, less any identified impairment losses. An impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent years when an increase in the assets recoverable amount can be related objectively to an event occurring after the impairment was recognized, 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 recognized.

3. Basis of Preparation and Summary of Significant Accounting Policies (Continued)

Financial instruments (Continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognized in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognized in equity is removed from equity and recognized in profit or loss. Any impairment losses on available-for-sale financial assets are recognized in profit or loss. Impairment losses on available-for-sale equity investments will not reverse in profit or loss 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 and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognized in profit or loss 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 a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

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

3. Basis of Preparation and Summary of Significant Accounting Policies (Continued)

Financial instruments (Continued)

Other financial liabilities

Other financial liabilities including other creditors and accrued charges and bank borrowings are subsequently measured at amortized 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.

Derivative financial instruments

Derivatives are initially recognized at fair value at the date of a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognized in profit or loss immediately.

Derecognition

Financial assets are derecognized 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 recognized in profit or loss.

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

Impairment losses (other than intangible assets with indefinite useful lives (see the accounting policies in respect of intangible assets above))

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

3. Basis of Preparation and Summary of Significant Accounting Policies (Continued)

Impairment losses (other than intangible assets with indefinite useful lives (see the accounting policies in respect of intangible assets above)) (Continued)

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

Foreign currencies

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 recognized 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 recognized in equity in the consolidated financial statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in equity, in which cases, the exchange differences are also recognized 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 Group (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 recognized as a separate component of equity (the exchange translation reserve). Such exchange differences are recognized in profit or loss in the period in which the foreign operation is disposed of.

3. Basis of Preparation and Summary of Significant Accounting Policies (Continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts and sales related taxes, proceeds from sales of financial assets at fair value through profit or loss / available-for-sale investments, interest income and dividend income.

Service income is recognized when services are rendered.

Proceeds from sale of financial assets at fair value through profit or loss / available-for-sale investment are recognized on a trade date basis when the risks and rewards of ownership are transferred and title has passed.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognized when the shareholders' rights to receive payment have been established.

Equity settled share-based payment transactions

Share options granted to directors and employees of the Company

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share-based compensation reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The effect of the change in estimate, if any, is recognized in profit or loss with a corresponding adjustment to share-based compensation reserve.

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

3. Basis of Preparation and Summary of Significant Accounting Policies (Continued)

Taxation

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

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

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

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

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

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

3. Basis of Preparation and Summary of Significant Accounting Policies (Continued)

Retirement benefit scheme

The retirement benefit scheme contributions relating to the mandatory provident fund scheme charged to the consolidated income statement represent contributions payable to the scheme by the Group at rates specified in the rules of the scheme.

The amount of contributions payable to pension scheme in jurisdictions other than Hong Kong is charged to the consolidated income statement as an expense when employees have rendered services entitling them to the contributions.

Leasing

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.

The Group as lessee

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

Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

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

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 the estimated residual value. 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 estimates, such differences from the original estimates will impact the depreciation charges in the year in which the estimates change.

Estimated impairment of assets

At each balance sheet date, the Group reviews internal and external sources of information to identify indications that the following assets may be impaired, an impairment loss previously recognized no longer exists or may have decreased:

– property, plant and equipment;
– intangible assets;
– interests in subsidiaries;
– available-for-sale investments;
– deposit paid for acquisition of an available-for-sale investment;
– deposit paid for acquisition of a subsidiary; and
– temporary payments.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment. An impairment loss is recognized in the consolidated income statement whenever the carrying amount of an asset exceeds its recoverable amounts.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

Estimated impairment of assets (Continued)

The sources utilized to identify indications of impairment are often subjective in nature and the Group is required to use judgement in applying such information to its business. The Group's interpretation of this information has a direct impact on whether an impairment assessment is performed as at any given balance sheet date.

If an indication of impairment is identified, such information is further subject to an exercise that requires the Group to estimate the recoverable value, representing the greater of the asset's fair value less cost to sell or its value in use. Depending on the Group's assessment of the overall materiality of the asset under review and complexity of deriving reasonable estimates of the recoverable value, the Group may perform such assessment utilizing internal resources or the Group may engage external advisors to counsel the Group in making this assessment. Regardless of the resources utilized, the Group is required to make many assumptions to make this assessment, including the utilization of such asset, the cash flows to be generated, appropriate market discount rates and the projected market and regulatory conditions. Changes in any of these assumptions could result in a material change to future estimates of the recoverable value of any asset.

Share-based payment expenses

The share-based payment expense is subject to the limitations of the Black-Scholes-Merton Option Pricing Model and the uncertainty in estimates used by management in the assumptions. The estimates include limited early exercise behaviour, expected interval and frequency of open exercise periods in the share option life, and other relevant parameters of the share option model.

Allowance for bad and doubtful debts

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

5. Financial Risk Management Objectives and Policies

The Group's major financial instruments include equity investments, debtors, deposits and prepayments, pledged bank deposits, bank balances, other creditors and accrued charges. Details of these financial instruments are disclosed in respective notes. The risk associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Fair value

The fair values of financial assets and financial liabilities reported in the balance sheets of the Group and the Company approximate their carrying amounts due to their immediate or short-term maturities.

Currency risk

The Group has certain investments in operations in the People's Republic of China (the "PRC"), whose assets and liabilities are denominated in Renminbi. Renminbi is not a freely convertibly currency in the international market and its exchange rate is determined by the People's Bank of China.

Credit risk

The carrying amounts of debtors and deposits included in the consolidated balance sheet represent the Group's maximum exposure to credit risk in relation to its financial assets. No other financial assets carrying a significant exposure to credit risk. The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's interest bearing bank borrowings.

6. Turnover and Segment Information

Turnover represents the net amounts received and receivable for the followings:

	2007	2006
	HK$'000	*HK$'000*
Provision of financial information services	**2,848**	2,526
Provision of credit card security device and digital network authorization services	**3,963**	1,414
Others	**27**	34
	6,838	3,974

6. Turnover and Segment Information (Continued)

(a) Business segments

For management purposes, the Group is currently organized into two (2006: two) operating divisions as detailed above. These divisions are the basis on which the Group reports its primary segment information. An analysis of the Group's turnover and contributions to operating results and segmental assets and liabilities by business segments is as follows:

For the year ended 30 June

	Provision of financial information services		Provision of credit card security device and digital network authorization services		Others		Total	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
TURNOVER								
External sales	**2,848**	2,526	**3,963**	1,414	**27**	34	**6,838**	3,974
SEGMENT RESULT	**(1,076)**	(902)	**(5,412)**	(9,425)	**(443)**	(859)	**(6,931)**	(11,186)
Unallocated corporate expenses							**(45,143)**	(37,457)
Finance costs							**(466)**	(121)
Gain attributable to financial assets at fair value through profit or loss							**1,819**	3,149
Gain on disposal of available-for-sale investments							**11,242**	–
Gain on disposal of partial interest in a jointly controlled entity							**920**	–
Share of loss of a jointly controlled entity							**(784)**	(450)
Impairment loss recognised in respect of an intangible asset							**(10,472)**	(37,128)
Loss before income tax							**(49,815)**	(83,193)
Income tax							**6,263**	–
Loss for the year							**(43,552)**	(83,193)

6. Turnover and Segment Information (Continued)

(a) Business segments (Continued)

At 30 June

	Provision of financial information services		Provision of credit card security device and digital network authorization services		Others		Total	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
ASSETS								
Segment assets	**848**	579	**29,894**	29,527	**40**	161	**30,782**	30,267
Interest in a jointly controlled entity							**598**	1,106
Available-for-sale investments							**140,020**	150,455
Temporary payments							**7,838**	–
Deposit paid for the acquisition of a subsidiary							**100,000**	–
Deposit paid for the acquisition of an available-for-sale investment							**3,000**	–
Unallocated corporate assets							**23,257**	5,535
Total assets							**305,495**	187,363
LIABILITIES								
Segment liabilities	**1,294**	925	**1,542**	3,200	**18**	–	**2,854**	4,125
Unallocated corporate liabilities							**1,562**	8,827
Total liabilities							**4,416**	12,952

6. Turnover and Segment Information (Continued)

(a) Business segments (Continued)

For the year ended 30 June

	Provision of financial information services		Provision of credit card security device and digital network authorization services		Others		Total	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
OTHER INFORMATION								
Capital additions	**117**	90	**240**	981	**–**	–	**357**	1,071
Unallocated capital expenditure							**709**	1,094
							1,066	2,165
Depreciation	**34**	19	**478**	426	**47**	90	**559**	535
Unallocated depreciation							**525**	957
							1,084	1,492
Unallocated impairment loss recognised in respect of an intangible asset							**10,472**	37,128
Bad debts written off	**–**	–	**–**	497	**–**	–	**–**	497
Allowance for bad and doubtful debts	**–**	–	**500**	–	**–**	–	**500**	–
Unallocated allowance for bad and doubtful debts							**1,010**	–
Unallocated share-based payment expenses							**11,324**	5,989
Loss on disposal of property, plant and equipment	**–**	–	**–**	38	**–**	–	**–**	38
Unallocated loss on disposal of property, plant and equipment							**16**	–

6. Turnover and Segment Information (Continued)

(b) Geographical segments

The following provides an analysis of the Group's turnover and contribution to loss from operations by geographical markets, irrespective of the origin of the services:

	Turnover		Contribution to loss from operations	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**5,756**	3,208	**(46,644)**	(43,127)
PRC	**1,082**	766	**(5,430)**	(5,516)
	6,838	3,974	**(52,074)**	(48,643)

The following is an analysis of the carrying amount of segment assets and capital additions analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Capital additions	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**293,691**	184,206	**706**	2,016
PRC	**11,804**	3,157	**360**	149
	305,495	187,363	**1,066**	2,165

7. Finance Costs

	2007	2006
	HK$'000	HK$'000
Interest expenses on:		
– convertible note	–	104
– bank borrowings	466	17
	466	121

8. Gain attributable to Financial Assets at Fair Value through Profit or Loss

	2007	2006
	HK$'000	HK$'000
Gain on disposal of financial assets at fair value through profit or loss	1,058	3,325
Changes in fair value of financial asset at fair value through profit or loss	761	(176)
	1,819	3,149

9. Loss before Income Tax

	2007 HK$'000	2006 HK$'000
Loss before income tax has been arrived at after charging/(crediting):		
Staff costs:		
Directors' remuneration (excluding share-based payment expenses)	**12,145**	19,240
Other staff costs	**8,316**	10,996
Contributions to retirement benefit scheme (excluding directors)	**605**	679
Share-based payment expenses	**10,331**	5,060
Total staff costs	**31,397**	35,975
Auditors' remuneration	**600**	590
Depreciation	**1,084**	1,492
Bad debts written off	**–**	497
Allowance for bad and doubtful debts	**1,510**	–
Operating lease charged on rented premises	**2,501**	2,784
Share-based payment expenses (excluding staff costs)	**993**	929
Loss on disposal of property, plant and equipment	**16**	38
Dividend income	**(16)**	(9)
Gain on redemption of convertible note	**–**	(944)
Interest income	**(1,072)**	(1,272)
Exchange (gain)/loss	**(368)**	61

10. Income Tax

	2007 HK$'000	2006 HK$'000
Income tax comprises:		
Provision for Hong Kong Profits Tax for the year	**(1,545)**	–
Deferred taxation *(note 26)*	**7,808**	–
	6,263	–

10. Income Tax (Continued)

Hong Kong Profits Tax is calculated at 17.5% on the estimated assessable profit for the year ended 30 June 2007.

No provision for Hong Kong Profits Tax has been made as the Group did not have any assessable profit in Hong Kong for the year ended 30 June 2006.

No provision for taxation in other jurisdictions for both years has been made in the consolidated financial statements as neither the Company nor any of its subsidiaries had any assessable profits subject to tax in other jurisdictions.

The tax credit for the years can be reconciled to the loss for the year per the consolidated income statement as follows:

	2007	2006
	HK$'000	*HK$'000*
Loss before income tax	**(49,815)**	(83,193)
Tax at Hong Kong Profits Tax rate of 17.5% (2006: 17.5%)	**(8,717)**	(14,559)
Tax effect of expenses not deductible for tax purpose	**2,311**	13,674
Tax effect of income not taxable for tax purpose	**(790)**	(855)
Tax effect of tax losses not recognized	**791**	1,771
Tax effect of other deferred tax assets not recognized	**–**	(157)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**142**	126
Tax credit for the year	**(6,263)**	–

11. Loss Per Share

The calculation of the basic loss per share is based on the loss attributable to equity holders of the Company of approximately HK$43,506,000 (2006: HK$83,193,000) and on the weighted average number of 2,531,963,617 (2006: 2,128,120,533) ordinary shares in issue during the year.

No diluted loss per share has been presented for the two years ended 30 June 2007 and 2006 as the share options outstanding during both years had an anti-dilutive effect on the basic loss per share for both years.

12. Directors' Remuneration and Employees' Remuneration

(a) Directors' remuneration

The emoluments paid or payable to each of the 13 (2006: 13) directors were as follows:

For the year ended 30 June 2007

		Other emoluments					
	Fees	Salaries and other emoluments	Discretionary bonus	Contributions to retirement benefit scheme	Housing allowance	Share-based payments	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors							
Wong Kam Fu	–	4,800	200	12	–	–	5,012
Tam Wai Keung, Billy	–	840	33	12	–	271	1,156
Lew Mon Hung	–	–	5,269	12	–	380	5,661
Yi Xing Wu *(Note 1)*	–	55	–	2	–	–	57
Sin Chi Keung, Mega	–	240	9	12	–	108	369
Wong Hong Loong	–	480	20	12	–	678	1,190
Edward Patrick Jacobson *(Note 2)*	–	–	–	–	–	434	434
Non-executive directors							
Frank Douglas Magnus *(Note 2)*	–	–	–	–	–	434	434
Tang Yantian *(Note 2)*	–	–	–	–	–	434	434
Independent non-executive directors							
Wong Che Man, Eddy	80	–	–	–	–	108	188
Ha Ping *(Note 3)*	27	–	–	–	–	108	135
Tang King Fai	30	–	–	–	–	108	138
Dai Zhongcheng *(Note 4)*	–	–	–	–	–	–	–
	137	6,415	5,531	62	–	3,063	15,208

Notes:

1. Resigned on 26 August 2006.
2. Appointed on 3 January 2007.
3. Resigned on 26 May 2007.
4. Appointed on 12 June 2007.

12. Directors' Remuneration and Employees' Remuneration (Continued)

(a) Directors' remuneration (Continued)

For the year ended 30 June 2006

		Other emoluments					
	Fees	Salaries and other emoluments	Discretionary bonus	Contributions to retirement benefit scheme	Housing allowance	Share-based payments	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors							
Wong Kam Fu	–	4,800	200	12	–	1,550	6,562
Wong Hoi Keung *(Note 1)*	–	1,763	71	8	92	–	1,934
Tam Wai Keung, Billy *(Note 2)*	–	364	–	6	–	310	680
Lew Mon Hung	–	–	10,960	12	–	1,550	12,522
Yi Xing Wu *(Note 3)*	–	240	15	8	–	84	347
Sin Chi Keung, Mega *(Note 2)*	–	104	–	5	–	77	186
Wong Hong Loong	–	450	16	12	–	976	1,454
Song Xiao Hai *(Note 4)*	–	–	–	–	–	–	–
Independent non-executive directors							
Wong Che Man, Eddy	60	–	–	–	–	31	91
Ha Ping	30	–	–	–	–	31	61
Cheng Kong Ming *(Note 5)*	3	–	–	–	–	–	3
Yu King Wah *(Note 6)*	9	–	–	–	–	31	40
Tang King Fai *(Note 7)*	–	–	–	–	–	–	–
	102	7,721	11,262	63	92	4,640	23,880

Notes:

1. Resigned on 24 January 2006.
2. Appointed on 26 January 2006.
3. Appointed on 2 November 2005 and resigned on 26 August 2006.
4. Resigned on 13 April 2006.
5. Resigned on 2 November 2005.
6. Appointed on 2 November 2005 and resigned on 23 February 2006.
7. Appointed on 22 May 2006.

12. Directors' Remuneration and Employees' Remuneration (Continued)

(a) Directors' remuneration (Continued)

No director waived any emoluments in any of the years ended 30 June 2007 and 2006.

The remuneration of directors is determined by the remuneration committee having regard to the performance of individuals and market trends.

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, two (2006: four) were executive directors of the Company whose emoluments are set out above. The emolument of the remaining three (2006: one) highest paid individuals for the year ended 30 June 2007 and 2006 are as follows:

	2007	2006
	HK$'000	*HK$'000*
Salaries and other emoluments, discretionary bonus and other benefits	**868**	664
Share-based payment expenses	**3,039**	155
Contributions to retirement benefit scheme	**35**	12
	3,942	831

The emoluments of the three (2006: one) highest paid employees fall in the following bands:

	No. of individual	
	2007	2006
Nil to HK$1,000,000	**–**	1
HK$1,000,001 to HK$1,500,000	**3**	–
	3	1

(c) During both years, no emoluments have been paid by the Group to any directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

13. Property, Plant and Equipment

	Leasehold improvement HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST				
At 1 July 2005	587	4,789	388	5,764
Exchange alignment	15	40	–	55
Additions	42	665	1,458	2,165
Disposal	–	(165)	–	(165)
At 30 June 2006 and 1 July 2006	644	5,329	1,846	7,819
Exchange alignment	11	31	–	42
Additions	126	940	–	1,066
Disposal	–	(239)	–	(239)
At 30 June 2007	**781**	**6,061**	**1,846**	**8,688**
ACCUMULATED DEPRECIATION				
At 1 July 2005	154	2,890	259	3,303
Exchange alignment	4	17	–	21
Charge for the year	167	1,016	309	1,492
Eliminated on disposal	–	(92)	–	(92)
At 30 June 2006 and 1 July 2006	325	3,831	568	4,724
Exchange alignment	4	17	–	21
Charge for the year	145	570	369	1,084
Eliminated on disposal	–	(223)	–	(223)
At 30 June 2007	**474**	**4,195**	**937**	**5,606**
NET CARRYING VALUE				
At 30 June 2007	**307**	**1,866**	**909**	**3,082**
At 30 June 2006	319	1,498	1,278	3,095

13. Property, Plant and Equipment (Continued)

The above items of property, plant and equipment are depreciated on a straight-line basis after taking into account their estimated residual value, at the following rates per annum:

Leasehold improvement	10% to 50% or over the terms of the leases whichever is shorter
Furniture, fixtures and equipment	20%
Motor vehicles	20%

14. Intangible Asset

	Patents and technology *HK$'000*
COST	
At 1 July 2005, 30 June 2006 and 2007	**85,884**
ACCUMULATED AMORTIZATION AND IMPAIRMENT LOSS	
At 1 July 2005	38,284
Impairment loss recognized in the consolidated income statement	37,128
At 30 June 2006 and 1 July 2006	75,412
Impairment loss recognized in the consolidated income statement *(Note)*	10,472
At 30 June 2007	**85,884**
CARRYING VALUE	
At 30 June 2007	**–**
At 30 June 2006	10,472

Note: The directors of the Company had reviewed the carrying value of the Group's intangible assets as at 30 June 2007 with reference to the valuation carried out by BMI Appraisals Limited, a professional valuer independent to the Group. The recoverable amount of the intangible assets has been determined based on the value-in-use basis. Accordingly, an impairment loss of approximately HK$10,472,000 had been recognized in the consolidated income statement for the year ended 30 June 2007.

15. Interest in a Jointly Controlled Entity

	2007	2006
	HK$'000	*HK$'000*
Cost of investment in an unlisted jointly controlled entity	**1,832**	935
Share of post acquisition losses	**(1,234)**	(529)
	598	406
Amount due from a jointly controlled entity	**–**	700

The amount due from a jointly controlled entity was unsecured, non-interest bearing and fully repaid during the year ended 30 June 2007. The fair value of the amount due from a jointly controlled entity was approximated to the corresponding carrying amount.

During the year ended 30 June 2007, the Group disposed of 10% of the equity interest in a jointly controlled entity owned by the Group for a consideration of approximately HK$1,001,000, resulting in a gain on disposal of HK$920,000.

Details of the Group's jointly controlled entity as at 30 June 2007 are as follows:

Name of jointly controlled entity	Form of business structure	Place of incorporation and operations	Class of equity held	Registered capital	Effective percentage of equity interests held by the Group	Voting rights held by the Group	Principal activity
					%	%	
北京一卡通電子支付科技有限公司 Beijing Superpass e-payment Co. Limited *(Note)*	Incorporated	PRC	Registered capital	RMB4,580,000 (2006: RMB2,000,000)	40	50	Provision of electronic payment platform

Note: The English name is for identification purpose only.

15. Interest in a Jointly Controlled Entity (Continued)

Extracts of the results and financial position of Beijing Superpass e-payment Co. Limited based on the unaudited management accounts as at 30 June 2007, prepared under accounting principles generally accepted in Hong Kong are as follows:

	2007	2006
	HK$'000	*HK$'000*
Turnover	**–**	–
Loss for the year	**1,960**	899
Group's share of loss of a jointly controlled entity	**784**	450

	2007	2006
	HK$'000	*HK$'000*
Total assets	**3,512**	1,550
Total liabilities	**(2,017)**	(738)
Net assets attributable to venturers	**1,495**	812
Group's share of net assets of a jointly controlled entity	**598**	406

16. Available-for-sale Investments

	2007	2006
	HK$'000	*HK$'000*
Unlisted equity securities, at cost *(Notes a, b and c)*	**143,440**	143,440
Less: Impairment loss recognized *(Note b)*	**(3,420)**	(3,420)
	140,020	140,020
Unlisted investments in unit trust, at fair value *(Note d)*	**–**	10,435
	140,020	150,455
Less: Amount shown under current assets	**–**	(10,435)
Amount shown under non-current assets	**140,020**	140,020

16. Available-for-sale Investments (Continued)

Notes:

(a) The unlisted equity securities represent investments in private entities including W-Phone, Inc. incorporated in the United States of America, and Madagascar Petroleum International Limited ("MPIL") incorporated in the British Virgin Islands ("BVI").

(b) The unlisted investment in W-Phone, Inc. are measured at cost less accumulated impairment losses at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that the fair value cannot be measured reliably.

(c) The unlisted investment represents 21% equity interest in MPIL, held by two wholly-owned subsidiaries of the Company namely Hopestar Group Limited ("Hopestar") and Dorson Group Limited ("Dorson"). The board of directors of MPIL comprises of three directors, one of whom was nominated by the Company. However, the directors of the Company are of the opinion that a substantial or majority ownership is held by another investor who actually precludes them from having significant influence in MPIL. Therefore, the investment in MPIL is regarded as available-for-sale investment and is measured at cost less accumulated impairment losses at the balance sheet date.

To the best knowledge of directors, MPIL is an investment holding company incorporated in June 2005 and has not commenced any significant business operations other than the entering into the oil and gas product sharing agreement (the "Product Sharing Agreement") on 7 October 2005 with Office Des Mines Nationales Et Des Industries Strategiques ("OMNIS"), the English translation being "The National Office for Mining and Strategic Industries" of the Republic of Madagascar and the service agreement (the "Service Agreement") with China National Petroleum Company in respect of an onshore block of land ("Block 2104") of approximately 20,100 square kilometers in the Republic of Madagascar for oil and gas exploitation and operation.

Pursuant to the Product Sharing Agreement, MPIL has the rights of exploitation and operation in respect of Block 2104 and the right for 45% to 73% (the actual percentage depends on the rate of daily crude oil production in the Block 2104 and the more barrels per day Block 2104 produces, the lower percentage of profit that MPIL can share) of the product (or the profit thereof) sharing for a minimum term of 25 years commencing from 7 October 2005. MPIL would be responsible for the arrangement of the required capital commitment, human resources and equipment for the project development of oil and gas in Block 2104 whereas OMNIS would be entitled to the benefit under the product sharing arrangement on the basis of the pre-agreed ratio under the Product Sharing Agreement. Pursuant to the Service Agreement, BGP Inc will provide exploration and data collection, processing and analyzing services to MPIL regarding the Block 2104. The board of directors of MPIL comprises of 3 directors, one of whom was nominated by the Company. Based on the information disclosed by the management of MPIL and the vendor to the Company, MPIL did not have any long term liability as at the announcement date on 26 June 2007 (save for the commitment, cost and expenses incurred and to be incurred pursuant to the Product Sharing Agreement and the Service Agreement). No audited or unaudited financial statements have been prepared. Based on the information disclosed by the Vendor to the Purchaser, MPIL has neither recorded any net profits or loss (both before and after taxation and extraordinary items) nor incurred any material liability prior to the balance sheet date.

(d) The unlisted investments represent investments in unit trust established in Cayman Islands with the maturity date on February 2007. During the year ended 30 June 2007, the unit trust has been fully redeemed at a consideration of approximately HK$18,998,000.

17. Deposits Paid for Acquisition of Properties

The amounts were paid as deposits for the acquisition of properties as offices in Beijing. In the opinion of the directors, the deposits are non-refundable and therefore classified as non-current assets.

18. Deposit Paid for the Acquisition of a Subsidiary

On 12 June 2007, Dorson, a wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement (the "Original Acquisition Agreement") with Udaya Holdings Limited ("Udaya"), an independent third party. The Original Acquisition Agreement was later amended and supplemented by two supplemental agreements dated 14 June 2007 and 26 June 2007 (collectively referred to as "Acquisition Agreements") respectively. Pursuant to the Acquisition Agreements, Dorson would acquire 9,666 shares of US$1 each in the share capital of Dormer Group Limited ("Dormer"), which represents 96.66% of the entire issued share capital of Dormer at a consideration of HK$354,960,000.

Dormer is a limited company incorporated in the BVI. Save for the paid up capital of US$10,000 and its interest in 150 shares of US$1 each in MPIL, representing 15% of the entire issued share capital of MPIL, Dormer does not have any material assets or liabilities as at the date of the Original Acquisition Agreements. To the best knowledge of the directors, Dormer has not commenced any business operations, no audited or unaudited financial statements have been prepared. Dormer has neither recorded any net profits or loss nor incurred any material liability prior to the date of the Original Acquisitions Agreement. Upon completion of the acquisition, Dormer would become a subsidiary of the Company and the effective interest in MPIL held by the Group would be increased from 21% to approximately of 35.5%.

Up to the balance sheet date, the Group has paid the amount of HK$100,000,000 as deposits for acquisition of Dormer. Subsequent to the balance sheet date, the Company has allotted 413,896,104 shares of HK$0.01 each at HK$0.616 per share totally HK$254,960,000 to Udaya for the completion of acquisition.

19. Temporary Payments

On 22 May 2007, the Group entered into an agreement for the option to purchase potential oil assets ("Potential Assets") with Templeton Global Limited ("Templeton Global"). Pursuant to the agreement, the Group was granted with an option ("Purchase Option") to purchase the Potential Assets.

The Potential Assets principally comprise a 60% interest in Кен-Ай-Ойл-Кызылорда ("KAOK"), a limited liability company formed under the laws of Kazakhstan. KAOK holds 100% of the mineral right to develop certain oil fields with an area size of 42.2 square kilometer in Aktyubinsk, Kazakhstan which has estimated reserves in excess of 30 million barrels of oil. The mineral right held by KAOK is an oil exploitation and operation agreement dated 15 October 2004 and made between the National Office for Energy and Mining of the Republic of Kazakhstan and the KAOK for a maximum term of 9 years.

The consideration payable for the Purchase Option is a nominal amount of US$100 (equivalent to approximately HK$780). The Company may elect to exercise the Purchase Option by giving notice in writing to Templeton Global from 22 May 2007 to 31 October 2007 (the "Exercise Period"). During the Exercise Period, the Group was entitled to conduct due diligence investigations in respect of the Potential Assets. In order to ensure that the Group acts expeditiously regarding the review and assessment of the acquisition of Potential Assets, the Group had placed a deposit of US$1 million (equivalent to approximately HK$7,837,000) with Templeton Global. The deposit would be repayable to the Group if the Group elected not to pursue the acquisition.

If the Group elects to exercise the Purchase Option, the purchase price payable by the Group to Templeton Global should be an amount equal to but not exceeding US$18 million subject to adjustment for cash and debt.

In addition, an independent consultant has been appointed for the transaction. The consideration for the service rendered amounted to US$1 million (the "Service Fee"). Both parties have agreed in writing that the Service Fee would be payable by the Group if it failed to enter into a formal sale and purchase agreement with Templeton Global in respect to the acquisition of the Potential Assets on or before 31 October 2007. Otherwise, the Service fee would be payable by Templeton Global.

20. Deposit Paid for the Acquisition of an Available-for-sale Investment

On the 25 September 2006, a wholly-owned subsidiary of the Company entered into a sale and purchase agreement with an independent third party to acquire 10% of the entire registered capital of 廣州易聯商業服務有限公司, a limited liability company incorporated under the laws of the PRC, at the consideration of RMB3,000,000 (equivalent to approximately HK$3,000,000). The consideration has been fully paid as at 30 June 2007.

As of the date of approval of the consolidated financial statements, the Group was still in the process of obtaining the legal title of the relevant investment.

21. Debtors, Deposits and Prepayments

The Group allows an average credit period of 60 days to its trade customers. Included in debtors, deposits and prepayments are trade debtors with the following ageing analysis:

	2007	2006
	HK$'000	*HK$'000*
0-60 days	**550**	598
61-90 days	**510**	1
Over 90 days	**296**	1
Trade debtors	**1,356**	600
Other debtors, deposits and prepayments	**2,656**	1,213
	4,012	1,813
Less: Allowance for bad and doubtful debts	**(1,510)**	–
	2,502	1,813

The fair value of the Group's debtors, deposits and prepayments was approximated to the corresponding carrying amount.

22. Financial Assets at Fair Value through Profit or Loss

	2007	2006
	HK$'000	*HK$'000*
Listed equity securities held for trading, at fair value	**6,338**	1,230
Unlisted investment in investment fund, at fair value	**–**	1,606
	6,338	2,836
Market value of listed securities	**6,338**	1,230

23. Pledged Bank Deposits

Included in the pledged bank deposits, there was approximately HK$6,918,000 (2006: HK$5,110,000) pledged to a bank to secure the general banking facilities granted to a subsidiary. The remaining amount of HK$158,000 (2006: HK$153,000) was pledged to a bank to secure a merchant account of a subsidiary.

The deposits carry fixed interest rate ranging from 2.8125% to 5.1000% per annum (2006: 3.4125% to 5.035% per annum). The carrying amount of the pledged bank deposits approximated to their fair value.

24. Other Creditors and Accrued Charges

	2007	2006
	HK$'000	*HK$'000*
Other creditors and accrued charges	**2,871**	3,201

The fair value of the Group's other creditors and accrued charges approximated to the corresponding carrying amount.

25. Bank Borrowings

	2007	2006
	HK$'000	*HK$'000*
Secured bank loans	**–**	1,943

The above amounts bear interest at prevailing market rates and are repayable as follows:

	2007	2006
	HK$'000	*HK$'000*
On demand or within one year	**–**	1,943

At 30 June 2006, the Group had floating rate borrowings of approximately HK$1,943,000. The floating rate borrowings as at 30 June 2006 carry interest at 90% of the benchmark lending rate of the People's Bank of China and has been fully settled during the year ended 30 June 2007.

The Group's borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	RMB'000
As at 30 June 2006	2,000

At the balance sheet dates, the Group has the following undrawn borrowing facilities:

	2007	2006
	HK$'000	*HK$'000*
Floating rate		
– expiring within one year	**7,000**	2,914

At 30 June 2007, the general banking facilities granted to a subsidiary were secured by the pledged bank deposits of HK$6,918,000 (note 23).

At 30 June 2006, the bank loans were secured by the pledged bank deposits of HK$5,110,000 (note 23).

The directors of the Company consider that the carrying amount of the bank borrowings approximated their fair value.

26. Deferred Taxation

The movement for the year in deferred tax liabilities in relation to an intangible asset was as follows:

	HK$'000
At 1 July 2005 and 30 June 2006	7,808
Credit to consolidated income statement for the year	(7,808)
At 30 June 2007	**–**

At the balance sheet date, the Group has estimated the unused tax losses of approximately HK$178,903,000 (2006: HK$174,385,000) available for offset against future profits. No deferred tax asset has been recognized in respect of the unused tax losses due to the unpredictability of future profits stream.

27. Share Capital

	Number of shares	**Value** *HK$'000*
Authorized:		
Ordinary shares of HK$0.01 each at 1 July 2005, 30 June 2006 and 30 June 2007	60,000,000,000	600,000
Issued and fully paid		
Ordinary shares of HK$0.01 each at 1 July 2005	10,820,340,165	108,203
Issue of new shares of HK$0.01 each	2,120,000,000	21,200
Issue of new shares to acquire two subsidiaries of HK$0.01 each	1,492,925,926	14,929
Exercise of share options	43,320,000	433
Repurchase of shares	(80,700,000)	(807)
Consolidation of every 6 shares into 1 share	(11,996,571,742)	–
Capital reduction	–	(119,965)
Ordinary shares of HK$0.01 each at 30 June 2006 and 1 July 2006	2,399,314,349	23,993
Issue of new shares of HK$0.01 each *(note a)*	479,000,000	4,790
Exercise of share options *(note b)*	265,999,996	2,660
Ordinary shares of HK$0.01 each at 30 June 2007	**3,144,314,345**	**31,443**

27. Share Capital (Continued)

The movements in the ordinary share capital for the year ended 30 June 2007 are as follows:

(a) On 26 April 2007, 479,000,000 shares of HK$0.01 each were issued and allotted to the independent third parties at a price of HK$0.245 per share.

(b) During the year, 165,000,000, 30,500,000, 18,000,000 and 52,499,996 shares options were exercised by the directors, employees and consultants of the Company at subscription prices of HK$0.132, HK$0.152, HK$0.153 and HK$0.348 respectively for a total consideration of approximately HK$47,440,000 resulting in the issue of 265,999,996 new shares of HK$0.01 each.

All the new ordinary shares issued during the year ended 30 June 2007 ranked pari passu in all respects with the then existing ordinary shares of the Company.

28. Share-based Payment Transactions

The Company's share option scheme was adopted pursuant to a resolution passed on 30 July 2004 (the "2004 Scheme"), for the purpose of providing incentives or rewards to directors, employees, invested entities, suppliers and customers of the Group and entities that provide research, development or technological support or other services to the Group, any shareholders of any members of the Group or any invested entities or any holders of any securities issued by any members of the Group or any invested entities, and will expire on 29 July 2014. Under the 2004 Scheme, the Board of Directors of the Company may grant options to eligible employees, including executive directors of the Company or any subsidiaries, to subscribe for shares in the Company.

The maximum number of shares of the Company which may be issued upon exercise of all options granted under the 2004 Scheme or any other share option scheme adopted by the Company must not in aggregate exceed 30% of its issued share capital from time to time. The total number of shares which may be issued upon exercise of all options to be granted under the 2004 Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the shares in issue unless it is approved by shareholders in a general meeting of the Company. The maximum number of shares issuable under the options to each eligible participant in any 12-month period is limited to 1% of the shares in issue unless it is approved by shareholder in a general meeting of the Company. Any grant of options under the 2004 Scheme to a director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by independent non-executive directors (excluding any independent non-executive director who is the grantee of the options). Any share options granted to a substantial shareholder or an independent non-executive director of the Company or to any of their respective associates, in excess of 0.1% of the shares in issue and with an aggregate value (based on the closing price of the shares at the date of grant) in excess of HK$5 million, in any 12-month period, are subject to shareholders' approval in a general meeting of the Company.

At 30 June 2007, the number of shares of the Company in respect of which options had remained outstanding under the 2004 Scheme of the Company was 25,566,666 (2006: 124,781,646), representing 0.81% (2006: 5.2%) of the shares of the Company in issue at that date.

28. Share-based Payment Transactions (Continued)

Total consideration received during the year from eligible participants for taking up the options granted during the year is HK$21 (2006: HK$28).

Options granted must be taken up within 28 days of the date of grant, upon payment of HK$1 per each share option granted. The exercise period of the share options granted under the 2004 Scheme shall be determined by the Board of Directors when such options are granted, provided that such period shall not end more than 10 years from the date of grant.

The exercise price is determined by the Board of Directors of the Company, and will not be less than the highest of the closing price of the Company's shares at the date of grant, the average closing price of the Company's shares for the five trading days immediately preceding the date of grant and the nominal value of the Company's shares.

(a) The following table disclosed movements of the Company's share options for year ended 30 June 2007:

	Date of grant	Exercise price per share *HK$*	Outstanding at 1 July 2006	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Outstanding at 30 June 2007
Directors	18.10.2004	0.402	41,666,665	–	–	(41,666,665)	–
	04.11.2004	0.360	333,332	–	–	(333,332)	–
	02.11.2005	0.282	1,666,666	–	–	(1,666,666)	–
	07.02.2006	0.348	48,666,664	–	(47,166,665)	(333,333)	1,166,666
	03.01.2007	0.152	–	56,500,000	(30,500,000)	(2,000,000)	24,000,000
Employees of the Group	04.11.2004	0.360	6,913,328	–	–	(6,913,328)	–
	21.01.2005	0.408	3,333,333	–	–	(3,333,333)	–
	07.02.2006	0.348	3,201,665	–	–	(3,201,665)	–
	28.12.2006	0.132	–	165,000,000	(165,000,000)	–	–
Others	09.11.2005	0.348	3,333,332	–	(3,333,332)	–	–
	10.11.2005	0.360	7,499,998	–	–	(7,499,998)	–
	25.11.2005	0.360	2,499,999	–	–	(2,499,999)	–
	28.11.2005	0.360	333,333	–	–	(333,333)	–
	01.12.2005	0.360	3,333,332	–	–	(3,333,332)	–
	07.02.2006	0.348	1,999,999	–	(1,999,999)	–	–
	05.02.2007	0.153	–	18,000,000	(18,000,000)	–	–
	02.04.2007	0.228	–	400,000	–	–	400,000
			124,781,646	239,900,000	(265,999,996)	(73,114,984)	25,566,666
Exercisable at the end of the year							25,566,666

28. Share-based Payment Transactions (Continued)

(a) (Continued)

The following table disclosed movements of the Company's share options for year ended 30 June 2006:

	Date of grant	Exercise price per share *HK$*	Outstanding at 1 July 2005	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Outstanding at 30 June 2006
Directors	18.10.2004	0.402	70,666,664	–	–	(28,999,999)	41,666,665
	04.11.2004	0.360	499,998	–	–	(166,666)	333,332
	02.11.2005	0.282	–	1,666,666	–	–	1,666,666
	07.02.2006	0.348	–	48,999,997	–	(333,333)	48,666,664
Employees of the Group	04.11.2004	0.360	12,834,990	–	(5,921,662)	–	6,913,328
	21.01.2005	0.408	3,333,333	–	–	–	3,333,333
	03.11.2005	0.294	–	1,833,333	–	(1,833,333)	–
	07.02.2006	0.348	–	3,666,665	(465,000)	–	3,201,665
Others	04.11.2004	0.360	833,333	–	(833,333)	–	–
	09.11.2005	0.348	–	3,333,332	–	–	3,333,332
	10.11.2005	0.360	–	9,166,664	–	(1,666,666)	7,499,998
	25.11.2005	0.360	–	2,499,999	–	–	2,499,999
	28.11.2005	0.360	–	333,333	–	–	333,333
	01.12.2005	0.360	–	3,333,332	–	–	3,333,332
	07.02.2006	0.348	–	1,999,999	–	–	1,999,999
			88,168,318	76,833,320	(7,219,995)	(32,999,997)	124,781,646
Exercisable at the end of the year							124,781,646

28. Share-based Payment Transactions (Continued)

(b) Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2007		2006	
	Number of share options	**Weighted average exercise price**	Number of share options *(Note)*	Weighted average exercise price *(Note)*
		HK$		*HK$*
2004 Scheme				
Outstanding at beginning of the year	**124,781,646**	**0.3688**	88,168,318	0.3955
Granted during the year	**239,900,000**	**0.1384**	76,833,320	0.3477
Exercised during the year	**265,999,996**	**0.1783**	7,219,995	0.3592
Cancelled/lapsed during the year	**73,114,984**	**0.3781**	32,999,997	0.3931
Outstanding at end of the year	**25,566,666**	**0.1621**	124,781,646	0.3688
Exercisable at end of the year	**25,566,666**	**0.1621**	124,781,646	0.3688

Note:

By a resolution passed at the special general meeting of the company held on 29 March 2006, the issued share capital of the Company had been consolidated for every six ordinary shares of HK$0.01 each into one ordinary share of HK$0.06 each. The Consolidated Shares were reduced from HK$0.06 each to HK$0.01 each by canceling the issued share capital to the extent of HK$0.05 paid up on each of the issued Consolidated Shares. Due to the share consolidation, the exercise price per share and the number of share options brought forward from previous year have been adjusted to reflect the effect of the share consolidation during the year ended 30 June 2006.

(c) In respect of the share options exercised during the years, the weighted average share price at the dates of exercise is HK$0.3342 (2006: HK$0.4242).

28. Share-based Payment Transactions (Continued)

(d) During the year ended 30 June 2007, options were granted at the following dates and the respective estimated fair values are as follows:

	Date of grant			
	28.12.2006	03.01.2007	05.02.2007	02.04.2007
No. of share options granted	165,000,000	56,500,000	18,000,000	400,000
Estimated fair values of share options granted *(HK$'000)*	7,267	3,064	966	27

During the year ended 30 June 2006, options were granted at the following dates and the respective estimated fair values are as follows:

	Date of grant							
	02.11.2005	03.11.2005	09.11.2005	10.11.2005	25.11.2005	28.11.2005	01.12.2005	07.02.2006
No. of share options granted	1,666,666	1,833,333	3,333,332	9,166,664	2,499,999	333,333	3,333,332	54,666,661
Estimated fair values of share options granted *(HK$'000)*	84	78	170	295	106	14	158	5,084

(e) The fair values of the share options were valued by LCH (Asia-Pacific) Surveyors Limited, an independent professional valuer by using Black-Scholes-Merton Option Pricing Model. The inputs into the model during the year ended 30 June 2007 were as follow:

	Date of grant			
	28.12.2006	03.01.2007	05.02.2007	02.04.2007
Variables				
Closing share price at date of grant	0.132	0.152	0.152	0.228
Exercise price *(HK$)*	0.132	0.152	0.153	0.228
Risk free rate *(i)*	3.48%	3.57%	4.05%	3.57%
Expected volatility *(ii)*	92%	89.44%	88.59%	95.18%
Expiration of the option	1 year	1 year	1 year	0.58 year
Expected dividend yield *(iii)*	0%	0%	0%	0%

28. Share-based Payment Transactions (Continued)

(e) (Continued)

The inputs into the model during the year ended 30 June 2006 were as follow:

	Date of grant							
	02.11.2005	**03.11.2005**	**09.11.2005**	**10.11.2005**	**25.11.2005**	**28.11.2005**	**01.12.2005**	**07.02.2006**
Variables								
Closing share price at date of grant	0.282	0.294	0.342	0.348	0.348	0.348	0.354	0.342
Exercise price *(HK$)*	0.282	0.294	0.348	0.360	0.360	0.360	0.360	0.348
Risk free rate *(i)*	4.093%	4.137%	4.174%	3.999%	3.833%	3.825%	3.844%	3.84%
Expected volatility *(ii)*	55.88%	55.86%	55.98%	55.93%	55.55%	55.54%	55.54%	67.4%
Expiration of the option	1 year	1 year	1 year	0.66 year	0.66 year	0.66 year	0.66 year	1 year
Expected dividend yield *(iii)*	0%	0%	0%	0%	0%	0%	0%	0%

(i) The applicable risk-free rate was the yield from 6 months to 1 year Hong Kong Monetary Authority exchange fund bills quoted at the respective grant date.

(ii) The historical volatility rate of the share price of the Company was determined with reference to the 180 days historical share prices of the Company before the respective grant date.

(iii) The expected dividend yield was based on historical dividend payment record of the Group.

The Group recognized the total expenses of approximately HK$11,324,000 for the year ended 30 June 2007 (2006: approximately HK$5,989,000) in relation to share options granted by the Company.

29. Convertible Note

	2007 HK$'000	2006 HK$'000
Liability component at the beginning of the year	–	12,824
Interest charged to finance costs	–	104
Interest paid	–	(104)
	–	12,824
Less: redemption during the year	–	(12,824)
Liability at the end of the year	–	–

On 11 June 2004, the Company issued a convertible note in the amount of HK$69,000,000 to Alpha Logistics Group Limited ("Alpha Logistics"). The convertible note bears interest at 2% per annum which are payable semi-annually in arrears and the holder of the convertible note has the option to convert the convertible note into ordinary shares of the Company, subject to adjustment, at any time from 11 June 2004 to 10 June 2007. Interest expenses on the note is calculated using the effective interest method by applying the effective interest rate of 6.67% per semi-annum to the liability component.

In accordance with HKAS 32, the fair value of the liability component of the note was calculated using a market interest rate for an equivalent non-convertible note. The residual amount, representing the value of equity conversion component, is included in shareholders' equity component of convertible note reserve.

On 27 October 2005, the Company early redeemed the convertible note with the consideration of HK$15,900,000. A gain of HK$944,000 and HK$320,000 were attributed to the liability and equity elements respectively, of which HK$944,000 was credited to consolidated income statement and HK$320,000 was credited to accumulated losses on the redemption date.

30. Major Non-cash Transactions

No major non-cash transaction occurred during the year ended 30 June 2007.

During the year ended 30 June 2006, the Group had the following major non-cash transactions:

1. The consideration for acquisition of 100% interests in Hopestar was partly settled by the Company's issue of 567,000,000 ordinary shares at HK$0.06 per share, totaling HK$34,020,000.

2. The consideration for acquisition of 100% interests in Dorson was partly settled by the Company's issue of 925,925,926 ordinary shares at HK$0.054 per share, totaling HK$50,000,000.

31. Acquisition of Subsidiaries

There was no acquisition of subsidiary during the year ended 30 June 2007.

The Group acquired two subsidiaries namely Hopestar and Dorson with 100% of the issued share capital on 22 February 2006 and 24 March 2006 for considerations of HK$40,020,000 and HK$100,000,000 respectively. This acquisition of subsidiaries has been accounted for using the purchase method. At the acquisition date, Hopestar and Dorson's sole assets are holding 10.5% equity interests respectively in MPIL. Accordingly, the Group effectively held 21% equity interests in MPIL and which was considered as available-for-sale investment of the Group. Details of which were set out in note 16.

In the opinion of the directors, the fair value of the identifiable assets and liabilities of the subsidiaries acquired during the year ended 30 June 2006 have no significant difference from their respective carrying amounts. The net asset acquired in the transaction, and the identified asset arising, are as follows:

	Acquirees' carrying amount
	HK$
Net assets acquired:	
Available-for-sale investment	140,020,078
Other payable	(78)
	140,020,000
Consideration is satisfied by:	
Cash	56,000,000
Shares issued *(Note)*	84,020,000
	140,020,000

Hopestar and Dorson did not contribute any revenue nor profit to the Group for the period between the date of acquisition and the balance sheet date as at 30 June 2006.

The outflow of cash and cash equivalents in respect of the purchase of subsidiaries were HK$56,000,000.

Note: As part of the consideration for the acquisition of Hopestar and Dorson, 1,492,925,926 ordinary shares of the Company with par value of HK$0.01 each were issued. The fair value of the ordinary shares of the Company, determined using the published price available at the date of the acquisition, amounted to HK$84,207,000.

32. Commitments

At the balance sheet date, the Group had the following commitments, so far as not provided for in the consolidated financial statements, in respect of:

(a) Capital commitments:

	2007 HK$'000	2006 HK$'000
Authorized and contracted for		
– acquisition of interest in subsidiaries	**255,742**	–
– acquisition of property, plant and equipment	**–**	1,039
– additional investment in the interest in jointly controlled entity	**–**	1,002

(b) Operating lease commitments for future minimum lease payments under non-cancellable operating leases in respect of land and buildings which fall due as follows:

	2007 HK$'000	2006 HK$'000
Within one year	**1,553**	840
In the second to fifth year inclusive	**432**	–
	1,985	840

Operating lease payments represent rentals payable by the Group for certain of its office properties and warehouse. Leases are negotiated for terms ranging from one to two years.

(c) Operating lease commitments for future minimum lease payment under non-cancellable operating leases of a jointly controlled entity in respect of land and buildings which fall due as follows:

	2007 HK$'000	2006 HK$'000
Within one year	**133**	61

Operating lease payments represent rentals payable by a jointly controlled entity of the Group for certain of its office premises. Leases are negotiated for a one-year term.

33. Retirement Benefits Scheme

The Group participates in a pension scheme, which was registered under the Mandatory Provident Fund Schemes Ordinance (the "MPF Ordinance"), for all its employees in Hong Kong. The scheme is a defined contribution scheme effective from December 2000 and is funded by contributions from employer and employees according to the provisions of the MPF Ordinance. During the year under review, the total amount contributed by the Group to the scheme and charged to the consolidated income statement was HK$267,000 (2006: HK$329,000) and no contributions were forfeited.

The employees in the subsidiaries in the PRC are members of the state-sponsored pension scheme operated by the government in the PRC. The subsidiaries in the PRC are required to contribute a certain percentage of their payroll to the pension scheme to fund the benefits. The only obligation of the Group with respect to the pension scheme is to make the required contributions under the scheme. During the year, the total amount contributed by the Group to the scheme and charged to the consolidated income statement was HK$400,000 (2006: HK$413,000).

34. Post Balance Sheet Events

(a) On 17 July 2007 and 19 July 2007, the Company announced that it had entered into two placing agreements (the "Placing Agreements II") to two placees. Pursuant to the Placing Agreements II, the Company agreed to issue a total of 81,800,000 shares of HK$0.01 each at a price of HK$0.63 each. The net proceeds received by the Company amounted to approximately HK$51 million and were all used for the existing investments in the oil and gas investment of the Group in relation to MPIL and KAOK.

(b) As mentioned in note 18 to the financial statements, Dorson agreed to purchase and Udaya agreed to sell 9,666 shares of US$1 each in the share capital of Dormer. On 30 July 2007, the Company has allotted 413,896,104 shares of HK$0.01 each at HK$0.616 per share to Udaya for the completion of acquisition and Dormer became a 96.66% owned subsidiary of the Company.

(c) On 12 September 2007, the Company announced that it had entered into two placing agreements (the "Placing Agreements III") to two placees. Pursuant to the Placing Agreements III, the Company agreed to issue a total of 100,000,000 shares of HK$0.01 each at a price of HK$0.47 each. The net proceeds received by the Company amounted to approximately HK$45.5 million and were all used for the general working capital of the Group.

34. Post Balance Sheet Events (Continued)

(d) On 10 October 2007, a wholly owned subsidiary of the Company had entered into the framework agreement (the "Framework Agreement") with M. Dashzeveg Zorigt ("Mr. Zorigt") and Mr. O. Chuluunbat ("Mr. Chuluunbat") (collectively the "Vendors") in relation to the proposed acquisition of 51% equity interest in Satellite Geological Survery Co., Ltd. ("SGS").

SGS is incorporated under the laws of Mongolia. From the information provided by the Vendors, the Government of Mongolia will grant certain concession rights to SGS on the exploration and exportation of natural resources, especially oil and gas, in relation to Blocks VII, IX, XN, XS and XXVI lie in the south of Mongolia (the "Concessions"). Except for the Concessions, SGS has no other assets or liabilities.

The consideration of the proposed acquisition is US$30,000,000 and shall be satisfied by the issuance of 375,000,000 new shares of the Company issued at the price of HK$0.62 per share.

Details of the acquisition are set out in the announcement dated 15 October 2007.

35. Related Party Transactions

During the year, the Group entered into the following transactions with related parties:

(a) Key management personnel compensation

	2007	2006
	HK$'000	*HK$'000*
Salaries, bonus and other benefits	**13,181**	21,496
Share-based payments	**3,240**	4,805
Contributions to retirement benefit scheme	**87**	111
	16,508	26,412

(b) Details of the balance with a jointly controlled entity are set out in the consolidated balance sheet and note 15.

(c) During the year ended 30 June 2006, the Group paid interest expenses on convertible note of approximately HK$104,000 to Alpha Logistics Group Limited, a company wholly owned by the director, Wong Kam Fu.

36. Balance Sheet of the Company

As at 30 June 2007

	Notes	2007 HK$'000	2006 HK$'000
Non-current assets			
Property, plant and equipment		**68**	168
Interests in subsidiaries		**140,020**	140,020
		140,088	140,188
Current assets			
Other debtors, deposits and prepayments		**116**	56
Financial asset at fair value through profit or loss		**–**	1,606
Bank balances and cash		**11,020**	465
		11,136	2,127
Current liability			
Other creditors and accrued charges		**862**	960
Net current assets		**10,274**	1,167
Total assets less current liability		**150,362**	141,355
Non-current liability			
Amounts due to subsidiaries	*(a)*	**71,295**	29,848
Net assets		**79,067**	111,507
Capital and reserves			
Share capital		**31,443**	23,993
Reserves	*(b)*	**47,624**	87,514
Equity attributable to equity holders of the Company		**79,067**	111,507

36. Balance Sheet of the Company (Continued)

(a) Amounts due to subsidiaries

The amounts due to subsidiaries are unsecured, non-interest bearing and have no fixed repayable terms.

(b) Reserves

	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Equity component of convertible note reserve HK$'000	Share-based compensation reserve HK$'000 (Note 28)	Accumulated losses HK$'000	Total HK$'000
At 1 July 2005	298,056	–	93,289	4,340	1,129	(431,202)	(34,388)
Issue of shares during the year	106,000	–	–	–	–	–	106,000
Issues of shares for acquisition of subsidiaries	69,091	–	–	–	–	–	69,091
Exercise of share options	2,477	–	–	–	(317)	–	2,160
Recognition of equity settled shared-based payment	–	–	–	–	5,989	–	5,989
Repurchase of shares	(2,991)	807	–	–	–	–	(2,184)
Redemption of convertible notes	–	–	–	(4,340)	–	320	(4,020)
Cancellation of share options	–	–	–	–	(101)	101	–
Capital reduction	–	–	119,965	–	–	–	119,965
Elimination of accumulated losses of the Company	–	–	(119,965)	–	–	119,965	–
Loss for the year	–	–	–	–	–	(175,099)	(175,099)
At 30 June 2006 and 1 July 2006	472,633	807	93,289	–	6,700	(485,915)	87,514
Issue of shares during the year	112,565	–	–	–	–	–	112,565
Issue of shares upon exercise of share options	59,410	–	–	–	(14,630)	–	44,780
Transaction costs attributable to issue of new shares	(2,874)	–	–	–	–	–	(2,874)
Recognition of equity settled share-based payment	–	–	–	–	11,324	–	11,324
Cancellation of share options	–	–	–	–	(1,957)	1,957	–
Loss for the year	–	–	–	–	–	(205,685)	(205,685)
At 30 June 2007	**641,734**	**807**	**93,289**	**–**	**1,437**	**(689,643)**	**47,624**

36. Balance Sheet of the Company (Continued)

(b) Reserves (Continued)

The contributed surplus of the Company includes (i) the difference between the consolidated shareholders' funds of the subsidiaries at the date at which they were acquired by the Company, and the nominal amount of the Company's shares issued for the acquisition at the time of the group reorganization prior to the listing of the Company's shares in 1994; and (ii) the surplus arising from the group reorganization in 1998.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In the opinion of the directors, no reserves are available for distribution to shareholders at 30 June 2007 and 2006.

37. Principal Subsidiaries

Details of the principal subsidiaries held by the Company as at 30 June 2007 are as follows:

Name of subsidiary	Place of incorporation and operations	Class of shares/ equity held	Nominal value of issued and fully paid/ registered capital	Effective percentage of equity interests/ voting rights held by the Company Directly %	Indirectly %	Principal activities
Credit Card DNA Security System Limited	Hong Kong	Ordinary	HK$1	100	–	Investment holding
Star Cyberpower V.F. Limited	BVI	Ordinary	US$1	–	100	Investment holding
Star Cyber DNA Limited	BVI	Ordinary	US$1	–	100	Investment holding
Star Mobile DNA Payment Gateway Limited	Hong Kong	Ordinary	HK$2	–	100	Provision of credit card security device and digital network authorization services
天碼軟件開發（深圳）有限公司 Credit Card DNA Security System (Shenzhen) Limited *(Note (i))*	PRC	Registered capital	US$1,000,000	–	100	Provision of credit card security device and digital network authorization services
Starstruck Group Limited	BVI	Ordinary	US$1	–	100	Investment holding
Star Financial Limited (formerly known as Star Internet Financial Information Services Limited)	Hong Kong	Ordinary	HK$200	–	100	Provision of financial information services

37. Principal Subsidiaries (Continued)

Details of the Company's subsidiaries held by the Company as at 30 June 2007 are as follows:

Name of subsidiary	Place of incorporation and operations	Class of shares/ equity held	Nominal value of issued and fully paid/ registered capital	Effective percentage of equity interests/ voting rights held by the Company Directly %	Indirectly %	Principal activities
Supreme Zone Limited	Hong Kong	Ordinary	HK$10,000	–	100	Provision of SMS personalized gateway services
Star Cyberpower Limited	BVI	Ordinary	US$1	–	100	Investment holding
China Eastern Investments Limited	BVI	Ordinary	US$1	–	100	Investment holding
Star Cyberpower Management Limited	Hong Kong	Ordinary	HK$10,000	100	–	Provision of management services
Ming Yuen Assets Limited	BVI	Ordinary	US$10	–	100	Holding of a patent and technology
Star EPS.com Limited	BVI	Ordinary	US$1	–	100	Investment holding
星光易辦事科技（深圳）有限公司 Star EPS.com (Shenzhen) Limited *(Note (i))*	PRC	Registered capital	US$150,000	–	100	Provision of e-business solution and e-commerce platform
Star EPS.com (HK) Limited	Hong Kong	Ordinary	HK$1	–	100	Electronic commerce
Hopestar Group Limited	BVI	Ordinary	US$100	100	–	Investment holding
Dorson Group Limited	BVI	Ordinary	US$100	100	–	Investment holding

37. Principal Subsidiaries (Continued)

Name of subsidiary	Place of incorporation and operations	Class of shares/ equity held	Nominal value of issued and fully paid/ registered capital	Effective percentage of equity interests/ voting rights held by the Company Directly %	Indirectly %	Principal activities
Emailcallyou.com Limited	Hong Kong	Ordinary	HK$1	–	100	Provision of email service
Hong Kong 4 Networks (Holdings) Limited *(Note (ii))*	Hong Kong	Ordinary	HK$1	100	–	Investment holding
Ocean Hill Limited	BVI	Ordinary	US$1	100	–	Investment holding
香港好易聯投資集團有限公司	Hong Kong	Ordinary	HK$1	–	100	Investment holding
On Ming Limited *(Note (iii))*	Hong Kong	Ordinary	HK$1	–	100	Inactive
深圳支付通商務服務有限公司 Shenzhen Payment Express Business Services Limited *(Note (iv))*	PRC	Registered capital	HK$2,000,000 *(Note (iv))*	–	90	Provision of credit card security device and digital network authorization services

Notes:

(i) It is a wholly-owned foreign enterprise established in the PRC and the English name is for identification purpose only.

(ii) The name of the Company was changed from HK 4 Networks (Holdings) Limited to Hong Kong 4 Networks (Holdings) Limited on 6 February 2007.

(iii) Subsequent to the year ended 30 June 2007, the name of the Company was changed from On Ming Limited to 128128.com Limited on 16 July 2007.

(iv) It is a sino-foreign equity joint venture registered under the PRC law and the English name is for identification purpose only. The total registered capital of Shenzhen Payment Express Business Services Limited was HK$2,000,000 which are required to be fully paid up by 27 September 2007. As at 30 June 2007, the paid up capital amounted to approximately HK$1,120,000.

None of the subsidiaries of the Group had any debt securities outstanding at the balance sheet date or at any time during the year.

Five-year Financial Summary

Results

	For the year ended 30 June				
	2007	*2006*	*2005*	*2004*	*2003*
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	**6,838**	3,974	3,332	3,270	11,176
Loss before taxation	**(49,815)**	(83,193)	(71,410)	(35,787)	(60,957)
Income tax	**6,263**	–	–	74	–
Loss before minority interests	**(43,552)**	(83,193)	(71,410)	(35,713)	(60,957)
Loss attributable to minority interests	**46**	–	–	–	1,380
Loss attributable to equity holders of the Company	**(43,506)**	(83,193)	(71,410)	(35,713)	(59,577)

Assets and Liabilities

	As at 30 June				
	2007	2006	2005	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (restated)	*HK$'000*
Total assets	**305,495**	187,363	64,870	106,538	47,291
Total liabilities	**(4,416)**	(12,952)	(22,804)	(23,173)	(57,132)
Total equity	**301,079**	174,411	42,066	83,365	(9,841)
Minority interests	**(57)**	–	–	–	–
Equity/(capital deficiency) attributable to equity holders of the Company	**301,022**	174,411	42,066	83,365	(9,841)