



**Sunny Global Holdings Limited**

**新怡環球控股有限公司**

(Incorporated in Bermuda with limited liability)

Stock Code : 1094

**2nd Interim Report 2007**

The board of directors (the “Board”) of Sunny Global Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the twelve months ended 30 September 2007 together with comparative figures for the corresponding twelve months ended 30 September 2006. This second interim report is presented as a result of a change in the Company’s financial year ended from 30 September to 31 December.

## CONDENSED CONSOLIDATED INCOME STATEMENT

		<b>Twelve months ended 30 September</b>	
	<i>Notes</i>	<b>2007 (Unaudited) HK\$'000</b>	2006 (Audited) HK\$'000
<b>Revenue</b>	2, 3	<b>44,040</b>	26,808
Cost of sales		<b>(39,644)</b>	(22,287)
<b>Gross profit</b>		<b>4,396</b>	4,521
Other income		<b>1,121</b>	4,981
Administrative and other operating expenses		<b>(31,201)</b>	(13,199)
Impairment loss on goodwill		<b>(5,000)</b>	(24,000)
Impairment loss on property, plant and equipment		—	(2,000)
Impairment loss on trade and Other receivables		—	(7,135)
<b>Operating loss</b>		<b>(30,684)</b>	(36,832)
Other financial income		<b>1,872</b>	546
Finance costs		<b>(14)</b>	—
Share of (loss)/profit of associate		<b>(3,407)</b>	3
<b>Loss before income tax</b>	4	<b>(32,233)</b>	(36,283)
Income tax expense	5	—	—
<b>Loss for the period</b>		<b>(32,233)</b>	(36,283)

# CONDENSED CONSOLIDATED INCOME STATEMENT

(Continued)

		Twelve months ended 30 September	
		2007 (Unaudited) <i>HK\$'000</i>	2006 (Audited) <i>HK\$'000</i>
<i>Notes</i>			
<b>Attributable to:</b>			
Equity holders of the Company		<b>(31,580)</b>	(35,926)
Minority interests		<b>(653)</b>	(357)
<b>Loss for the period</b>		<b>(32,233)</b>	(36,283)
		<b><i>HK cents</i></b>	<i>HK cents</i>
<b>Loss per share for loss attributable to equity holders of the Company</b>			
	7		
— Basic		<b>(1.49)</b>	(2.98)
— Diluted		<b>(1.40)</b>	(2.94)

## CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	<b>As at 30 September 2007 (Unaudited) HK\$'000</b>	As at 30 September 2006 (Audited) HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	<b>6,340</b>	4,637
Consideration paid for acquisition of subsidiaries		—	4,500
Interest in an associate		<b>2,786</b>	6,194
Interest in a joint venture		<b>1,053</b>	—
Goodwill		<b>119,949</b>	38,222
		<b>130,128</b>	53,553
<b>Current assets</b>			
Trade receivables, other receivables and deposits	9	<b>13,995</b>	10,035
Loan to a minority shareholder		<b>484</b>	464
Cash at banks		<b>184,974</b>	17,947
		<b>199,453</b>	28,446
<b>Current liabilities</b>			
Trade and other payables	10	<b>7,276</b>	9,601
		<b>192,177</b>	18,845
<b>Net current assets</b>			
		<b>322,305</b>	72,398

# CONDENSED CONSOLIDATED BALANCE SHEET

(Continued)

	<i>Notes</i>	<b>As at 30 September 2007 (Unaudited) HK\$'000</b>	As at 30 September 2006 (Audited) HK\$'000
<b>EQUITY</b>			
<b>Equity attributable to the Company's equity holders</b>			
Share capital	11	<b>318,316</b>	145,000
Accumulated losses		<b>(127,746)</b>	(96,166)
Other reserves		<b>128,646</b>	20,216
		<b>319,216</b>	69,050
<b>Minority interests</b>		<b>3,089</b>	3,348
<b>Total equity</b>		<b>322,305</b>	72,398

# CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the twelve months  
ended 30 September

	<b>2007</b> <b>(Unaudited)</b> <i>HK\$'000</i>	2006 (Audited) <i>HK\$'000</i>
<b>Net cash (used in)/from operating activities</b>	<b>(15,746)</b>	16,078
<b>Net cash used in investing activities</b>	<b>(8,288)</b>	(20,435)
<b>Net cash from financing activities</b>	<b>191,056</b>	2,300
<b>Net increase/(decrease) in cash at banks</b>	<b>167,022</b>	(2,057)
<b>Cash at banks at 1 October 2006</b>	<b>17,947</b>	19,965
<b>Effect of foreign exchange rate changes</b>	<b>5</b>	39
<b>Cash at banks at 30 September 2007</b>	<b>184,974</b>	17,947

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to equity holders of the Company				
	Share capital	Other reserves	Accumulated losses	Minority interests	Total equity
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at 1 October 2005	115,000	17,764	(60,240)	622	73,146
Currency translation	—	152	—	52	204
Net income/(expense) recognised directly in equity	—	(152)	—	52	204
Loss for the period	—	—	(35,926)	(357)	(36,283)
Total recognised income and expense for the period	—	(152)	(35,926)	(305)	(36,079)
Acquisition of subsidiaries	—	—	—	3,031	3,031
New shares issued	30,000	—	—	—	30,000
Warrant issued	—	2,300	—	—	2,300
Balance at 30 September 2006	145,000	20,216	(96,166)	3,348	72,398

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(Continued)*

	Equity attributable to equity holders of the Company				
	Share capital	Other reserves	Accumulated losses	Minority interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 October 2006	<b>145,000</b>	<b>20,216</b>	<b>(96,166)</b>	<b>3,348</b>	<b>72,398</b>
Currency translation	—	<b>85</b>	—	<b>21</b>	<b>106</b>
Net income recognised					
directly in equity	—	<b>85</b>	—	<b>21</b>	<b>106</b>
Loss for the period	—	—	<b>(31,580)</b>	<b>(653)</b>	<b>(16,855)</b>
Total recognised income and expense for the period	—	<b>85</b>	<b>(31,580)</b>	<b>(632)</b>	<b>(16,749)</b>
Acquisition of subsidiaries	—	—	—	<b>373</b>	<b>373</b>
New shares issued	<b>173,316</b>	<b>92,967</b>	—	—	<b>266,283</b>
Granting of share options	—	<b>15,378</b>	—	—	<b>15,378</b>
Balance at 30 September 2007	<b>318,316</b>	<b>128,646</b>	<b>(127,746)</b>	<b>3,089</b>	<b>322,305</b>



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

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

These condensed consolidated financial statements should be read in conjunction with the financial statements for the year ended 30 September 2006 and the first interim condensed financial statements for the six months ended 31 March 2007.

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

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

## 2. REVENUE

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

	<b>Twelve months ended 30 September</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
Revenue — Turnover		
Information technology business		
— Trading of hardware and software	<b>29,526</b>	18,819
— Provision of services	<b>11,208</b>	7,806
General trading	<b>3,306</b>	183
	<b>44,040</b>	26,808

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

## 3. SEGMENT INFORMATION

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

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

### *Primary reporting format — Business segments*

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

2007	Information technology business HK\$'000	Corporate HK\$'000	Others HK'000	Total HK\$'000
<b>By principal activity:</b>				
Sales to external customers	40,734	—	3,306	44,040
Segment results	(4,034)	(23,796)	1,025	(26,805)
Other income				1,121
Bank interest income				1,872
Finance cost				(14)
Impairment loss on goodwill	(5,000)	—	—	(5,000)
Share of loss of an associate	(3,407)	—	—	(3,407)
Loss before income tax				(32,233)
Income tax expense				—
<b>Loss for the period</b>				<b>(32,233)</b>
<b>Segment assets</b>	<b>172,914</b>	<b>153,863</b>	<b>2,804</b>	<b>329,581</b>
<b>Segment liabilities</b>	<b>6,217</b>	<b>500</b>	<b>559</b>	<b>7,276</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

## 3. SEGMENT INFORMATION *(Continued)*

### *Primary reporting format – Business segments (Continued)*

2006	Information technology business <i>HK\$'000</i>	Corporate <i>HK\$'000</i>	Others <i>HK'000</i>	Total <i>HK\$'000</i>
<b>By principal activity:</b>				
Sales to external customers	26,625	—	183	26,808
Segment results	(647)	(8,093)	(62)	(8,678)
Other income				4,981
Bank interest income				546
Impairment loss on property, plant and equipment	—	(2,000)	—	(2,000)
Impairment loss on goodwill	(24,000)	—	—	(24,000)
Impairment loss on trade and other receivables	(4,306)	—	(2,829)	(7,135)
Share of profit of an associate	3	—	—	3
Loss before income tax				(36,283)
Income tax expense				—
<b>Loss for the period</b>				<b>(36,283)</b>
<b>Segment assets</b>	8,579	73,420	—	81,999
<b>Segment liabilities</b>	6,035	3,566	—	9,601

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

## 3. SEGMENT INFORMATION *(Continued)*

### *Secondary reporting format – Geographical segments*

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

	<b>Hong Kong</b>	<b>The People's Republic of China</b>	<b>Australia</b>	<b>Others</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>2007</b>					
Segment revenue:					
Sales to external customers	<b>27,270</b>	<b>6,000</b>	<b>6,946</b>	<b>3,824</b>	<b>44,040</b>
Segment results	<b>(27,039)</b>	<b>(715)</b>	<b>1,358</b>	<b>(409)</b>	<b>(26,805)</b>
Financial income					<b>1,872</b>
Finance costs					<b>(14)</b>
Other revenue					<b>1,121</b>
Impairment loss on goodwill					<b>(5,000)</b>
Share of profit of associate					<b>(3,407)</b>
Loss before income tax					<b>(32,233)</b>
Income tax expense					<b>—</b>
Loss for the period					<b>(32,233)</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

## 3. SEGMENT INFORMATION *(Continued)*

### *Secondary reporting format – Geographical segments (Continued)*

	Hong Kong <i>HK\$'000</i>	The People's Republic of China (the "PRC") <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
2006				
Segment revenue:				
Sales to external customers	6,371	20,254	183	26,808
Segment results	(7,733)	(1,007)	62	(8,678)
Financial income				546
Other revenue				4,981
Impairment loss on property, plant and equipment				(2,000)
Impairment loss on goodwill				(24,000)
Impairment loss on trade and other receivables				(7,135)
Share of profit of an associate				3
Loss before income tax				(36,283)
Income tax expense				—
Loss for the period				(36,283)

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

## 4. LOSS BEFORE INCOME TAX

	Twelve months ended 30 September	
	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Loss before income tax is arrived at after charging:		
Costs of inventories recognised as expense		
— Information technology business	<b>27,899</b>	22,287
— General trading	<b>2,234</b>	—
Depreciation and amortisation on property, plant and equipment		
— owned assets	<b>1,414</b>	756
— leased assets	<b>35</b>	—
Impairment loss on goodwill	<b>5,000</b>	24,000
Rental in respect of land and buildings under operating leases	<b>594</b>	558
Share based payments	<b>15,378</b>	—

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

## 5. INCOME TAX EXPENSE

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

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

## 6. INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend in respect of the twelve months ended 30 September 2007 (period ended 30 September 2006: Nil).

## 7. LOSS PER SHARE

The calculation of basic loss per share is based on the Group's loss attributable to equity holders of the Company for the period of HK\$31,580,000 (2006: HK\$35,926,000) and on weighted average of 2,112,513,330 (2006: 1,204,246,575) ordinary shares in issue during the period.

The calculation of diluted loss per share for current period is based on the Group's loss attributable to equity holders of the Company of HK\$31,580,000 (2006: HK\$35,926,000) and on weighted average of 2,243,529,330 (2006: 1,220,630,137) ordinary shares outstanding during the period, adjusted for the effects of all dilutive potential shares.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

## 8. PROPERTY, PLANT AND EQUIPMENT

### Group

	<b>Equipment and furniture</b> <i>HK\$'000</i>	<b>Motor vehicles</b> <i>HK\$'000</i>	<b>Leasehold improvements</b> <i>HK\$'000</i>	<b>Network equipment</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
Year ended					
30 September 2006					
Opening net book amount	775	29	1,227	33	2,064
Acquisition of subsidiaries	566	—	109	—	675
Disposal of subsidiaries	—	—	(939)	(25)	(964)
Additions	36	—	—	5,500	5,536
Depreciation and amortisation	(423)	(8)	(317)	(8)	(756)
Exchange difference	80	2	—	—	82
Impairment loss	—	—	—	(2,000)	(2,000)
Closing net book amount	1,034	23	80	3,500	4,637
At 30 September 2006					
Cost	1,614	39	109	5,500	7,262
Accumulated depreciation and amortisation	(580)	(16)	(29)	(2,000)	(2,625)
Net book amount	1,034	23	80	3,500	4,637



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

## 8. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

### Group *(Continued)*

	<b>Equipment and furniture</b> <i>HK\$'000</i>	<b>Motor vehicles</b> <i>HK\$'000</i>	<b>Leasehold improvements</b> <i>HK\$'000</i>	<b>Network equipment</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
Period ended					
30 September 2007					
Opening net book amount	1,034	23	80	3,500	4,637
Acquisition of subsidiaries	1,873	—	593	—	2,466
Additions	120	—	615	—	735
Disposals	—	—	(81)	—	(81)
Depreciation and amortisation	(538)	(8)	(203)	(700)	(1,449)
Exchange difference	32	—	—	—	32
Closing net book amount	2,521	15	1,004	2,800	6,340
At 30 September 2007					
Cost	3,987	39	1,354	5,500	10,880
Accumulated depreciation and amortisation	(1,466)	(24)	(350)	(2,700)	(4,540)
Net book amount	2,521	15	1,004	2,800	6,340

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

## 9. TRADE RECEIVABLES, OTHER RECEIVABLES AND DEPOSITS

	<b>As at 30 September 2007 HK\$'000</b>	As at 30 September 2006 HK\$'000
Trade receivables	<b>6,506</b>	5,829
Prepayments and deposits	<b>3,401</b>	527
Other receivables	<b>4,088</b>	3,679
	<b>13,995</b>	10,035

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

	<b>As at 30 September 2007 HK\$'000</b>	As at 30 September 2006 HK\$'000
0-30 days	<b>1,407</b>	3,311
31-60 days	<b>4</b>	2
61-90 days	<b>749</b>	1
91-180 days	<b>1,893</b>	—
181 days or above	<b>2,453</b>	2,515
	<b>6,506</b>	5,829

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

## 10. TRADE AND OTHER PAYABLES

	<b>As at 30 September 2007 HK\$'000</b>	As at 30 September 2006 HK\$'000
Trade payables	<b>563</b>	2,302
Other payables	<b>3,651</b>	—
Accrued expenses	<b>2,943</b>	7,299
Finance lease payable	<b>119</b>	—
	<b>7,276</b>	9,601

At 30 September 2007, the ageing analysis of the trade payables were as follows:

	<b>As at 30 September 2007 HK\$'000</b>	As at 30 September 2006 HK\$'000
0-30 days	<b>215</b>	1,984
31-60 days	<b>115</b>	105
61-90 days	<b>11</b>	10
91-180 days	<b>89</b>	15
181 days or above	<b>133</b>	188
	<b>563</b>	2,302

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

## 11. SHARE CAPITAL

	<b>Number of Shares</b> <i>'000 shares</i>	<b>Normal Value</b> <i>HK\$'000</i>
<b>Authorised:</b>		
At 1 October 2006 and 30 September 2007 ordinary shares of HK\$0.10 each	5,000,000	50,000
<b>Issued and fully paid:</b>		
At 1 October 2006	1,450,000	145,000
Issues of share for acquisition of a subsidiary	358,000	35,800
Issues of shares by placement	120,000	12,000
Issue of share upon exercise of warrants	20,000	2,000
At 31 March 2007	1,948,000	194,800
Issue of shares for acquisition of a subsidiary <i>(Note i)</i>	200,000	20,000
Issue of shares by placements <i>(Note ii)</i>	469,000	46,900
Issue of shares upon exercise of warrants <i>(Note iii)</i>	388,000	38,800
Issue of shares upon exercise of share options <i>(Note iv)</i>	178,158	17,816
At 30 September 2007	3,183,158	318,316

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

## 11. SHARE CAPITAL *(Continued)*

### *Notes:*

- i. On 14 May 2007, the Board announced that Joy Century Holdings Limited ("Joy Century"), a wholly owned subsidiary of the Company, entered into the sale and purchase agreement ("Agreement") dated 10 May 2006 with Mr. Ngai and New Concept Management Limited ("New Concept"), pursuant to which Mr. Ngai and New Concept agreed to sell and Joy Century agreed to purchase 10,000 shares of HK\$1.00 each in the share capital of Interactive Broadband Services Limited ("IBBS"), representing the entire issued share capital of IBBS.

The total consideration for the Sale Shares is HK\$32,800,000 and shall be settled by Joy Century by procuring the Company to allot and issue 200,000,000 Shares ("Consideration Shares") at the Issue Price of HK\$0.164 per Consideration Share, credited as fully paid. The Consideration Shares were allotted to Mr. Ngai and New Concept on 2 June 2007 and the acquisition was completed as at 2 June 2007.

- ii. On 16 July 2007, the Company entered into the placing agreement with Grand Vinco Capital Limited as the placing agent (the "Placing Agent"). Pursuant to which, the Placing Agent has agreed to place, on best efforts basis, to not less than six independent placees (the "Placees") for up to 469,000,000 shares of the Company at a price of HK\$0.235 per placing share. The Subscription agreement was completed on 31 July 2007 and as a result, an aggregate of 469,000,000 shares at a price of HK\$0.235 per share were allotted and issued to the Placees.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

## 11. SHARE CAPITAL *(Continued)*

*Notes: (Continued)*

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

During the twelve months ended 30 September 2007, 210,000,000 Wellington First Warrants had been exercised and 210,000,000 shares of the Company were allotted and issued to the eligible subscribers.

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

## 11. SHARE CAPITAL *(Continued)*

Notes: *(Continued)*

iii. *(Continued)*

During the twelve months ended 30 September 2007, 130,000,000 Wellington Second Warrants had been exercised and 130,000,000 shares of the Company were allotted and issued to the eligible subscribers.

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

During the twelve months ended 30 September 2007, 48,000,000 warrants had been exercised and 48,000,000 shares of the Company were allotted and issued to Rainbow.

iv. During the twelve month ended 30 September, 2007, an aggregate of 178,158,000 share options of the Company granted to the eligible participants had been exercised, procuring the Company to allot and issue 178,158,000 shares of the Company to the eligible participants. Please refer to page 30 for further details.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

## 12. POST BALANCE SHEET EVENTS

- i. On 12 November 2007, the Company announced that it had entered into a warrant placing agreement dated 7 November 2007 with Excalibur Securities Limited, as sole and exclusive placing agent, in relation to procuring not fewer than six places, on a best effort basis, to subscribe for up to 636,000,000 non-listed warrants to be issued by the Company at the issue price of HK\$0.040 per warrant. Each warrant carries the right to subscribe for one new share. The warrant conferring the right to the subscriber to subscribe for the new shares at an initial exercise price of HK\$0.20 per new share for a period of 18 months commencing from the date of issuance of the warrants. The completion of the warrant placing was subject to and conditional upon, among other things, the passing of the necessary resolution(s) by the shareholders at the special general meeting, dated 20 December 2007, approving the warrant placing agreement and all transactions contemplated thereby, including the granting of a specific mandate to the Directors to allot and issue the new shares.
- ii. On 21 November 2007, the Company announced that the Directors proposed to (a) reduce the par value of each issued share of the Company from HK\$0.10 to HK\$0.005 by canceling the paid-up capital to the extent of HK\$0.095 on each share of the Company; (b) reduce the par value of each authorised but unissued share of the Company by canceling the authorised share capital of the Company to the extent of HK\$0.095 on each authorised but unissued share of the Company; and (c) apply the credits arising from the reduction of issued share capital of the Company by transferring the credits to the contributed surplus account of the Company. Conditional upon the completion of the capital reorganization, the Directors further proposed to increase the authorised share capital of the Company from HK\$25,000,000 divided into 2,500,000,000 consolidated shares of the Company to HK\$100,000,000 divided into 10,000,000,000 consolidated shares of the Company by authorizing an additional 7,500,000,000 unissued consolidated shares.
- iii. On 26 November 2007, Golden Portal Holdings Limited ("Golden Portal"), a wholly owned subsidiary of the Company, as vendor, entered into the agreement with Mr. Lam, an independent third party of the Company, as purchaser, in relation to the proposed disposition of one share of HK\$1.0 each in the share capital of Far Wealth Investment Limited ("Far Wealth"), a wholly owned subsidiary of the Company, representing the entire issued share capital of Far Wealth, at a total consideration of HK\$915,400.00. The disposition is due to low return from trading and high operational cost. The disposition was completed in November 2007.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

## 12. POST BALANCE SHEET EVENTS *(Continued)*

- iv. On 4 December 2007, the Company announced that it had entered into an agreement dated 3 December 2007 with Excalibur Securities Limited, as sole and exclusive placing agent, in relation to procuring not fewer than six places, on a best effort basis, to subscribe for up to 636,000,000 non-listed warrants to be issued by the Company at the issue price of HK\$0.040 per warrant. Each warrant carries the right to subscribe for one new share. The warrant conferring the right to the subscriber to subscribe for the new shares at an initial exercise price of HK\$0.20 per new share for a period of 18 months commencing from the date of issuance of the warrants. The completion of the warrant placing was subject to and conditional upon, among other things, the passing of the necessary resolution(s) by the shareholders at the special general meeting, dated 20 December 2007, approving the warrant placing agreement and all transactions contemplated thereby, including the granting of a specific mandate to the Directors to allot and issue the new shares.
- v. On 4 December 2007, the Company announced that 北京天迅視通科技發展有限公司 (Beijing Tianxun Shitong Technology Development Limited, ("Beijing Tianxun")), a company established in the PRC and a non-wholly owned subsidiary of the Company, as vendor, had entered into an agreement dated 3 December 2007 to sell to 北京電信通電信工程有限公司 (Beijing Teletron Telecom Engineering Co. Ltd. ("Beijing Teletron")), as purchaser, the registered and paid up capital of 北京市海澱區有線廣播電視網絡信息有限公司 (Beijing Haidian District Cable Television Broadcasting and Network Information Limited ("Beijing Haidian")) in the sum of RMB12,000,000, for a total consideration of RMB18,000,000 (equivalent to approximately HK\$18,936,000). The completion of the transaction is subject to the fulfillment of the conditions precedent as set out in the announcement therein.
- vi. In November 2007, the cessation of 嘉興易視佳通訊有限公司 (Jia Xing Yi Shi Jia Tong Xun Limited ("Jia Xing Yi Shi Jia")), a 51% owned subsidiary of the Company, was completed. The Board considers that the cessation of this joint venture business will not have material impact on the Group's operations. A loss of approximately RMB100,000 arose as a result of the cessation.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

## 12. POST BALANCE SHEET EVENTS *(Continued)*

- vii. On 6 December 2007, the Company announced that Richy Spring International Limited ("Richy Spring"), a wholly owned subsidiary of the Company, as the purchaser, had entered into a legally binding memorandum of understanding ("MOU") with Wisdom First Limited, an independent third party to the Company, in relation to the possible acquisition of issued share capital of Welford International Industrial Limited ("Welford") or the possible investment by Richy Spring in the issued capital of Welford as contemplated in the MOU.

Welford is incorporated in Hong Kong and is principally engaged in investment holding. On 20 November 2007, Welford entered into the joint venture agreement ("JV Agreement") with Guangdong Zhenrong Energy Limited ("Guangdong Zhenrong"), a state-owned enterprise established in the PRC, and Yan Lung International Limited. Pursuant to the JV Agreement, the parties to the JV Agreement will set up a sino-foreign joint venture company ("JV Company") which will engage in the crude oil, fuel oil and natural gas related business including but not limited to exploitation, production, storage, logistic and sales. The JV Company will also engage in the business of exploitation activity, the operation of oil refinery plant and storehouse. Guangdong Zhenrong will procure the granting of the necessary licenses and approval of the business to be engaged by the JV Company.

- viii. During the twelve months ended 30 September 2007, an aggregate of 194,676,000 share options of the Company were granted to the eligible participants. Out of these, 63,660,000 share option were exercised during the twelve months ended 30 September 2007. Post 30 September 2007 and as at the date of publication, an aggregate of 28,412,000 share options had been exercised and 102,604,000 share options remain outstanding to be exercised.

## MANAGEMENT DISCUSSION AND ANALYSIS

### OPERATING AND FINANCIAL REVIEW

During the twelve months ended 30 September 2007, the Group recorded a turnover of approximately HK\$44.0 million, representing an increase of around 64.3% as compared to the previous period HK\$26.8 million, owing to the contribution of turnover from the subsidiaries newly acquired.

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

	For twelve months ended		For twelve months ended		Percentage
	30 September 2007		30 September 2006		of change
	HK\$'000	%	HK\$'000	%	Yr. to Yr.
IT Business					
— Trading	29,526	67.0	18,819	70.2	56.9
— Services	11,208	25.5	7,806	29.1	43.6
General trading	3,306	7.5	183	—	1,706
<b>TOTAL</b>	<b>44,040</b>	<b>100</b>	<b>26,808</b>	<b>100</b>	<b>64.3</b>

The gross profit margin decreased from 16.8% to 10% in reflection of the increase in competition in the IT business.

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

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

The Group has recorded a loss attributable to shareholders amounted to approximately HK\$31.6 million or a loss of HK\$1.49 cents per share because it has not yet to achieve the optimal economies of scale in the IT sector.

## **NEW BUSINESS**

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

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

In June 2007, the Company acquired the entire share capital of Interactive Broadband Services Limited (“Interactive Broadband”). Interactive Broadband was incorporated on 16 December 1998 and commenced its business activities on 16 December 1998. Details of this acquisition were disclosed in the Company’s announcement dated 14 May 2007.

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

## **OUTLOOK**

Currently, the Group has participated in the IT business which is under a competitive landscape with suppressed profit margin. The Group is planning to reallocate the resources from high capital expenditure business to stable income business such as IT service and product trading.

The Group has entered into a MOU with Wisdom First Limited on 6 December 2007 for the possible acquisition and investment in Welford International Industrial Ltd (“Welford”). Welford entered into the joint venture agreement with Guangdong Zhenrong Energy Limited for crude oil, fuel oil and natural gas related business.

It is expected that the possible acquisition and investment in Welford will be a good opportunity for the Group to be involved in the energy market in the PRC.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2007, the Group maintained cash and bank balances of approximately HK\$185 million (30 September 2006: HK\$17.9 million) without any borrowings (30 September 2006: nil).

The gearing ratio of the Group as of 30 September 2007 was nil (30 September 2006: nil). As of 30 September 2007, the Group's working capital (net current assets) and current ratio were approximately HK\$192.2 million (30 September 2006: HK\$18.8 million) and 27.4x (30 September 2006: 3.0x) respectively. In term of the quality of current assets, over 76% of current assets were cash at banks whereas the Group is expected to preserve a healthy liquidity position. The existing available cash and bank balances are considered sufficient to adequate liquidity and capital resources for the Group's operating requirements.

## PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

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

## LITIGATION

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

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

## **LITIGATION** *(Continued)*

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

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

The Board considers that the counterclaim of Leung under the Court of First Instance Action will not have any material impact on the Company, and Chinaway will proceed with its claims against all 4 Defendants. The Court of First Instance Action will soon proceed to discovery as well as other interlocutory processes.

Save as disclosed, insofar as the Board is aware, no member of the Group is engaged in any litigation, arbitration or claim of material importance. Further, insofar as the Board is aware, no litigation, arbitration or claim of material importance is pending or threatened against any member of the Enlarged Group as at the Latest Practicable Date.

## **FOREIGN EXCHANGE EXPOSURE**

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

## **PRE-EMPTIVE RIGHTS**

There is no provision for pre-emptive rights under the Company's bye-laws or the laws of Bermuda, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the twelve months ended 30 September 2007.

## **SHARE OPTION SCHEME**

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

## **SHARE OPTION SCHEME** *(Continued)*

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

Subsequently, 114,500,000 share options were granted and 114,498,000 share options were exercised during the twelve months period ended 30 September 2007.

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

During the twelve months ended 30 September 2007, an aggregate of 194,676,000 share options of the Company were granted to the eligible participants. Out of these, 63,660,000 share option were exercised during the twelve months ended 30 September 2007. As at 30 September, 2007, there was 131,016,000 share options were issues and outstanding.



## DIRECTORS' INTERESTS IN THE SHARE CAPITAL

As at 30 September 2007, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, were as follows:

Name of director	Number or attributable number of shares or underlying shares held or short positions	Beneficial owner	Capacity Interest of controlled corporation	Approximate percentage or attributable percentage of shareholding (%)
Lam Shu Chung (Note 1)	386,412,000(L)	386,412,000	—	12.14
Wong Kam Fat Tony (Note 2)	253,412,000(L)	253,412,000	—	7.96
Yip Kwan, Ben (Note 3)	28,412,000(L)	28,412,000	—	0.89
Too Shu Wing (Note 4)	5,000,000(L)	5,000,000	—	0.16
Chan Chun Wai (Note 5)	2,840,000(L)	2,840,000	—	0.09
Au Tin Fung (Note 6)	2,840,000(L)	2,840,000	—	0.09

L: Long Position

## DIRECTORS' INTERESTS IN THE SHARE CAPITAL

*(Continued)*

Notes:

1. Lam Shu Chung is holding a total of 358,000,000 underlying shares of the Company. The remaining interests in 28,412,000 Shares represent 28,412,000 Shares to be allotted and issued upon the exercise of the share options granted to Lam Shu Chung under the Share Option Scheme.
2. Wong Kam Fat Tony is holding a total of 225,000,000 underlying shares of the Company. The remaining interests in 28,412,000 Shares represent 28,412,000 Shares to be allotted and issued upon the exercise of the share options granted to Wong Kam Fat Tony under the Share Option Scheme.
3. These interests in 28,412,000 Shares represent 28,412,000 Shares to be allotted and issued upon the exercise of the share options granted to Yip Kwan, Ben, under the Share Option Scheme.
4. Too Shu Wing is holding a total of 5,000,000 underlying shares of the Company.
5. These interests in 2,840,000 Shares represent 2,840,000 Shares to be allotted and issued upon the exercise of the share options granted to Chan Chun Wai under the Share Option Scheme.
6. These interests in 2,840,000 Shares represent 2,840,000 Shares to be allotted and issued upon the exercise of the share options granted to Au Tin Fung under the Share Option Scheme.

Save as disclosed above, as at 30 September 2007, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

## SUBSTANTIAL SHAREHOLDERS

As at 30 September 2007, according to the register of interests required to be kept by the Company under Section 336 of the SFO, the following persons, other than the directors or chief executive of the Company, had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

<b>Name of shareholder</b>	<b>Capacity</b>	<b>Number of shares interested</b>	<b>Percentage of the issued share capital</b>
Lam Shu Chung	Beneficial owner	386,412,000	12.14%
Wong Kam Fat Tony	Beneficial owner	253,412,000	7.96%
Grandtech Management Limited	Beneficial owner	160,544,258	5.04%
Lee Man Fa	Beneficial owner	181,188,000	5.69%
Info Fortune Holdings Limited	Beneficial owner ( <i>Note</i> )	165,288,000	5.19%

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

Save as disclosed above, the Company had not been notified of any other person (other than a director or chief executive of the Company) who had an interest (whether direct or indirect) in 5% or more of the shares comprised in the relevant share capital or a short position which were required to be recorded in the register kept by the Company pursuant to Section 336 of the SFO as at 30 September 2007.

## **CORPORATE GOVERNANCE**

### **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES**

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

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

### **AUDIT COMMITTEE**

The audit committee of the Company comprises of four members namely Mr. Au Tin Fung, Mr. Chan Chun Wai, Mr. Tsui Pak Hang, and Ms. So Wai Yee, Betty, the independent non-executive directors of the Company.

The audit committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed with management in respect to the financial reporting matters, including a review of the unaudited interim accounts of the Group for the twelve months period ended 30 September 2007, who are of the opinion that such statements comply with the applicable accounting standards and the Listing Rules and that adequate disclosure have been made.

### **REMUNERATION COMMITTEE**

The Remuneration Committee comprises of four members namely Mr. Au Tin Fung, Mr. Chan Chun Wai, Mr. Tsui Pak Hang, and Ms. So Wai Yee, Betty, the independent non-executive directors of the Company.

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

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

The Company has adopted a code of conduct regarding securities transactions by the directors of the Company on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. The Company, having made specific enquiry of all directors, confirmed that all directors have complied with the required standard of dealings set out therein throughout the twelve months ended 30 September 2007.

On behalf of the Board

**Li Chun Tak**

*Executive Director & Chief Executive Officer*

Hong Kong, 21 December 2007