

**Sunny Global Holdings Limited**

**新怡環球控股有限公司**

(incorporated in Bermuda with limited liability)

Stock Code : 1094



**INTERIM REPORT 2008**

## INTERIM RESULTS

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 six months ended 30 June 2008 together with comparative figures for the corresponding six months ended 31 March 2007.

### CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended	
		30 June 2008 (Unaudited) HK\$'000	31 March 2007 (Unaudited) HK\$'000
<b>Revenue</b>	2, 3	<b>57,004</b>	24,394
Cost of sales		<b>(53,655)</b>	(22,631)
<b>Gross profit</b>		<b>3,349</b>	1,763
Other income		<b>527</b>	1,101
Administrative and other operating expenses		<b>(19,064)</b>	(7,073)
Equity settled share-based payment expense		<b>(45,579)</b>	—
Impairment loss on goodwill		<b>—</b>	(5,000)
<b>Operating loss</b>		<b>(60,767)</b>	(9,209)
Other financial income		<b>666</b>	312
Finance costs		<b>(2)</b>	—
Share of profit of associate		<b>—</b>	410
<b>Loss before income tax</b>	4	<b>(60,103)</b>	(8,487)
Income tax expense	5	<b>(2,186)</b>	—
<b>Loss for the period</b>		<b>(62,289)</b>	(8,487)

**CONDENSED CONSOLIDATED INCOME STATEMENT***(Continued)*

		<b>Six months ended</b>	
		<b>30 June 2008 (Unaudited) HK\$'000</b>	31 March 2007 (Unaudited) HK\$'000
<i>Notes</i>			
<b>Attributable to:</b>			
Equity holders of the Company		<b>(61,435)</b>	(8,313)
Minority interests		<b>(854)</b>	(174)
<b>Loss for the period</b>		<b>(62,289)</b>	(8,487)
		<b>HK cents</b>	HK cents
<b>Loss per share for loss attributable to equity holders of the Company</b>			
	7		
— Basic		<b>(3.60)</b>	(1.38)
— Diluted		<b>(2.23)</b>	(1.01)

**CONDENSED CONSOLIDATED BALANCE SHEET**

	<i>Notes</i>	<b>As at 30 June 2008 (Unaudited) HK\$'000</b>	As at 31 December 2007 (Audited) HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	<b>3,188</b>	3,479
Goodwill		<b>365,874</b>	14,505
Available-for-sale investments		<b>12,871</b>	27,583
Deposit for acquisition of subsidiaries		<b>—</b>	35,000
		<b>381,933</b>	80,567
<b>Current assets</b>			
Trade receivables, other receivables and deposits	9	<b>142,652</b>	19,091
Bills receivable		<b>26,883</b>	—
Pledged deposits		<b>15,083</b>	15,021
Bank balances and cash		<b>74,498</b>	118,213
		<b>259,116</b>	152,325
<b>Current liabilities</b>			
Trade and other payables	10	<b>3,505</b>	7,817
Bills payable		<b>13,581</b>	—
Receipt in advance		<b>5,650</b>	1,027
Tax payable		<b>—</b>	1,735
Obligation under finance lease		<b>29</b>	85
Amount due to a minority shareholder		<b>15,236</b>	—
Convertible bonds		<b>13,132</b>	—
Bank overdraft		<b>—</b>	18
		<b>51,133</b>	10,682
<b>Net current assets</b>		<b>207,983</b>	141,643
<b>Net assets</b>		<b>589,916</b>	222,210

**CONDENSED CONSOLIDATED BALANCE SHEET** *(Continued)*

	<i>Notes</i>	<b>As at 30 June 2008 (Unaudited) HK\$'000</b>	As at 31 December 2007 (Audited) HK\$'000
<b>EQUITY</b>			
<b>Equity attributable to the Company's equity holders</b>			
Share capital	11	<b>20,080</b>	321,157
Accumulated losses		<b>(309,081)</b>	(247,646)
Other reserves		<b>872,336</b>	141,690
		<b>583,335</b>	215,201
<b>Minority interests</b>		<b>6,581</b>	7,009
<b>Total equity</b>		<b>589,916</b>	222,210

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended	
	<b>30 June 2008 (Unaudited) HK\$'000</b>	31 March 2007 (Unaudited) HK\$'000
<b>Net cash used in operating activities</b>	<b>(74,667)</b>	(8,982)
<b>Net cash used in investing activities</b>	<b>(10,657)</b>	(43)
<b>Net cash from financing activities</b>	<b>41,070</b>	19,100
<b>Effect of foreign exchange rate changes</b>	<b>539</b>	0
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(43,715)</b>	10,075
<b>Cash and cash equivalents at beginning of period</b>	<b>118,213</b>	17,947
<b>Cash and cash equivalents at end of period</b>	<b>74,498</b>	28,022
<b>Analysis of cash and cash equivalents at end of period</b>		
<b>Bank balances and cash</b>	<b>74,498</b>	28,022

**CONDENSED CONSOLIDATED STATEMENT OF  
CHANGES IN EQUITY**

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

**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 January 2008	321,157	141,690	(247,646)	7,009	222,210
Currency translation	—	611	—	426	1,037
Change in value of available- for-sale investments	—	(25,581)	—	—	(25,581)
Net income/(expense) recognised directly in equity	—	(24,970)	—	426	(24,544)
Loss for the period	—	—	(61,435)	(854)	(62,289)
Total recognised income and expense for the period	—	(24,970)	(61,435)	(428)	(86,833)
Capital reduction	(305,099)	305,099	—	—	—
New shares issued	4,022	377,122	—	—	381,144
Convertible bonds issued	—	3,068	—	—	3,068
Warrants issued	—	25,440	—	—	25,440
Equity settled share-based Payment transactions	—	45,579	—	—	45,579
Share issue expenses	—	(692)	—	—	(692)
Balance at 30 June 2008	20,080	872,336	(309,081)	6,581	589,916



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

These condensed consolidated financial statements should be read in conjunction with the financial statements for the period ended 31 December 2007.

The accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the period ended 31 December 2007.

In the current interim period, the Group has applied, for the first time, a number of new interpretations issued by HKICPA, which are effective for the Group's financial year beginning on 1 January 2008. The adoption of these new interpretations had no material effect on how the results and financial position of the Group for the current and/or prior accounting periods. Accordingly, no prior period adjustment has been required.

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

HKAS 1 (Revised)	Presentation of Financial Statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>3</sup>
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on obligation <sup>1</sup>
HKFRS 2 (Amendment)	Vesting conditions and cancellation <sup>1</sup>
HKFRS 3 (Revised)	Business Combinations <sup>3</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC) — Int 13	Customer Loyalty Programmes <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2008

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2009

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

### 1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The directors of the Company anticipate that the application of these new standards, amendments or interpretations will have no material impact on the results and the financial position of the Group, except that the effects of the application of HKFRS 3 (Revised) and HKAS 27 (Revised) are not reasonably estimate.

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

### 2. REVENUE

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

	<b>Six months ended</b>	
	<b>30 June 2008</b> <b>HK\$'000</b>	31 March 2007 HK\$'000
Revenue — Turnover		
Information technology business		
— Trading of hardware and software	<b>12,325</b>	15,217
— Provision of services	<b>8,051</b>	9,177
Energy trading	<b>26,883</b>	—
General trading	<b>9,745</b>	—
	<b>57,004</b>	24,394

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:

	Energy Trading HK\$'000	Information technology business HK\$'000	General Trading HK\$'000	Corporate HK\$'000	Total HK\$'000
<b>Six months ended</b>					
<b>30 June 2008</b>					
<b>By principal activity:</b>					
Sales to external customers	26,883	20,376	9,745	—	57,004
Segment results	<b>(22,780)</b>	<b>(1,118)</b>	<b>(446)</b>	<b>(39,186)</b>	<b>(61,294)</b>
Other income					527
Financial income					666
Finance cost					(2)
Loss before income tax					<b>(60,103)</b>
Income tax expense					<b>(2,186)</b>
<b>Loss for the period</b>					<b>(62,289)</b>
<b>Segment assets</b>	<b>137,191</b>	<b>437,057</b>	<b>930</b>	<b>65,871</b>	<b>641,049</b>
<b>Segment liabilities</b>	<b>13,466</b>	<b>18,805</b>	<b>174</b>	<b>18,688</b>	<b>51,133</b>

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

### 3. SEGMENT INFORMATION *(Continued)*

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

	Information technology business HK\$'000	Corporate HK\$'000	Total HK\$'000
Six months ended 31 March 2007			
<b>By principal activity:</b>			
Sales to external customers	24,394	—	24,394
<b>Segment results</b>	<b>(6,269)</b>	<b>(4,041)</b>	<b>(10,310)</b>
Financial income			312
Other revenue			1,101
Share of profit of an Associate	410	—	410
Loss before income tax			(8,487)
Income tax expense			—
<b>Loss for the period</b>			<b>(8,487)</b>
<b>Segment assets</b>	<b>114,657</b>	<b>8,950</b>	<b>123,607</b>
<b>Segment liabilities</b>	<b>6,163</b>	<b>500</b>	<b>6,663</b>

**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:

	Hong Kong HK\$'000	The People's Republic of China (the "PRC") HK\$'000	USA HK\$'000	Others HK\$'000	Total HK\$'000
<b>Six months ended</b>					
<b>30 June 2008</b>					
Segment revenue:					
Sales to external customers —	24,328	27,573	4,992	111	57,004
Segment results	(34,406)	(27,558)	649	21	(61,294)
Other revenue					527
Financial income					666
Finance costs					(2)
Loss before income tax					(60,103)
Income tax expense					(2,186)
Loss for the period					(62,289)

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

### 3. SEGMENT INFORMATION *(Continued)*

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

	The People's Republic of China (the "PRC") HK\$'000	Others HK\$'000	Total HK\$'000
Six months ended 31 March 2007			
Segment revenue:			
Sales to external customers —	20,592	3,802	24,394
Segment results	(6,562)	(3,748)	(10,310)
Financial income			312
Other revenue			1,101
Share of profit of an associate			410
Loss before income tax			(8,487)
Income tax expense			—
Loss for the period			(8,487)

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS** *(Continued)***4. LOSS BEFORE INCOME TAX**

	<b>Six months ended</b>	
	<b>30 June 2008</b> <b>HK\$'000</b>	31 March 2007 HK\$'000
Loss before income tax is arrived at after charging:		
Costs of inventories recognised as expense		
– Information technology business	<b>12,187</b>	18,195
– Energy trading	<b>13,581</b>	–
– General trading	<b>9,436</b>	–
Depreciation and amortisation on property, plant and equipment		
– owned assets	<b>432</b>	496
– leased assets	<b>40</b>	–
Impairment loss on goodwill	–	5,000
Rental in respect of land and buildings under operating leases	<b>751</b>	352
Staff costs		
– Salaries and allowances	<b>5,441</b>	2,436
– Retirement scheme contributions	<b>99</b>	117
– Equity settled share-based payment expenses	<b>45,579</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.

The provision for PRC income tax has been provided in the financial statements as determined in accordance with the relevant income tax rules and regulations in the PRC for those subsidiaries established in the PRC.

### **6. INTERIM DIVIDEND**

The Board has resolved not to declare any interim dividend in respect of the six months ended 30 June 2008 (six months ended 31 March 2007: 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\$61,435,000 (period ended 31 March 2007: HK\$8,313,000) and on weighted average of 1,707,254,010 (period ended 31 March 2007: 602,123,288) 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\$61,435,000 (period ended 31 March 2007: HK\$8,313,000) and on weighted average of 2,755,816,010 (period ended 31 March 2007: 821,516,000) 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>	<b>Motor vehicles</b>	<b>Leasehold improvements</b>	<b>Network equipment</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Six months ended					
31 March 2007					
Opening net book amount	1,034	23	80	3,500	4,637
Acquisition of subsidiaries	1,492	—	593	—	2,085
Additions	9	—	34	—	43
Disposals	—	—	(80)	—	(80)
Depreciation and amortisation	(139)	(4)	(3)	(350)	(496)
Exchange difference	10	—	—	—	10
Closing net book amount	2,406	19	624	3,150	6,199
<hr/>					
At 31 March 2007					
Cost	3,496	39	774	5,500	9,809
Accumulated depreciation and amortisation	(1,090)	(20)	(150)	(2,350)	(3,610)
<hr/>					
Net book amount	2,406	19	624	3,150	6,199
<hr/>					
Six months ended					
30 June 2008					
Opening net book amount	1,632	803	1,044	—	3,479
Additions	158	—	9	—	167
Depreciation and amortisation	(270)	(80)	(122)	—	(472)
Exchange difference	14	—	—	—	14
Closing net book amount	1,534	723	931	—	3,188
<hr/>					
At 30 June 2008					
Cost	2,705	803	1,218	—	4,726
Accumulated depreciation and amortisation	(1,171)	(80)	(287)	—	(1,538)
<hr/>					
Net book amount	1,534	723	931	—	3,188
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## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 9. TRADE RECEIVABLES, OTHER RECEIVABLES AND DEPOSITS

	<b>As at 30 June 2008 HK\$'000</b>	As at 31 December 2007 HK\$'000
Trade receivables	<b>3,036</b>	6,820
Prepayments and deposits	<b>78,317</b>	1,126
Other receivables	<b>61,299</b>	11,145
	<b>142,652</b>	19,091

The Group's policy is to allow an average credit period of 30 to 90 days to its trade customers. At 30 June 2008, the ageing analysis of the trade receivables were as follows:

	<b>As at 30 June 2008 HK\$'000</b>	As at 31 December 2007 HK\$'000
0-30 days	<b>1,316</b>	4,097
31-60 days	<b>684</b>	205
61-90 days	<b>410</b>	204
91-180 days	<b>25</b>	568
181-365 days	<b>601</b>	1,746
	<b>3,036</b>	6,820

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS** *(Continued)***10. TRADE AND OTHER PAYABLES**

	<b>As at 30 June 2008 HK\$'000</b>	As at 31 December 2007 HK\$'000
Trade payables	<b>1,055</b>	867
Accruals and other payables	<b>2,450</b>	6,950
	<b>3,505</b>	7,817

At 30 June 2008, the ageing analysis of the trade payables were as follows:

	<b>As at 30 June 2008 HK\$'000</b>	As at 31 December 2007 HK\$'000
0-30 days	<b>505</b>	352
31-60 days	<b>417</b>	366
61-90 days	—	11
91-180 days	—	5
181-365 days	—	—
Over 365 days	<b>133</b>	133
	<b>1,055</b>	867

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS** *(Continued)***11. SHARE CAPITAL**

	<b>Number of Shares</b> '000 shares	<b>Nominal Value</b> HK\$'000
<b>Authorised:</b>		
At 1 January 2008		
Ordinary shares of HK\$0.10 each	5,000,000	500,000
Reduction of par value of share capital <i>(Note i)</i>	—	(475,000)
Consolidation of shares <i>(Note i)</i>	(2,500,000)	—
Ordinary shares of HK\$0.01 each	2,500,000	25,000
Increase in authorised share capital <i>(Note i)</i>	7,500,000	75,000
At 30 June 2008		
Ordinary shares of HK\$0.01 each	10,000,000	100,000
<b>Issued and fully paid:</b>		
At 1 January 2008	3,211,570	321,157
Reduction of Issued Share capital <i>(Note i)</i>	(1,605,785)	(305,099)
	1,605,785	16,058
Issue of shares for acquisition of a subsidiary <i>(Note ii)</i>	400,000	4,000
Issue of shares upon exercise of share options <i>(Note iii)</i>	2,240	22
As at 30 June 2008	2,008,025	20,080

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS** *(Continued)***11. SHARE CAPITAL** *(Continued)*

*Notes:*

- i. On 7 January 2008, the Company reorganized its share capital that (a) the par value of each of the issued shares of HK\$0.10 each should be reduced to HK\$0.05 each by canceling the paid-up capital to extent of HK\$0.095 on each issued share; (b) the par value of each of the authorized but unissued shares of HK\$0.01 each would be reduced to HK\$0.005 each by canceling the authorized share capital to the extent of HK\$0.095 on each authorized but unissued share; (c) the credit of HK\$305,099,150 arising from the Reduction of Issued Share capital would be transferred to the contributed surplus account of the Company; and (d) every two new shares of HK\$0.005 each in the issued and unissued share capital of the Company be consolidated into one share of HK\$0.01 in the issued and unissued share capital of the Company.
- ii. On 15 May 2008, the acquisition of 75% interest in Great Hill Trading Limited by Richy Spring International Limited, a wholly-owned subsidiary of the Company, from Wisdom First Limited was completed. The allotment and issuing of 400,000,000 ordinary shares of HK\$0.01 each of the Company credited as partly paid at an issue price of HK\$0.072 per consideration share to the vendor pursuant to the Agreement dated 30 January 2008.
- iii. During the six month ended 30 June 2008, an aggregate of 2,240,000 share options of the Company had been exercised, procuring the Company to allot and issue 2,240,000 shares of the Company to the eligible participants.

On 24 April 2008, whereby the Company has conditionally agreed to place, through the Placing Agent on a best effort basis a maximum of 321,000,000 Placing Shares to independent investors at a price of HK0.56 per Placing Share. The placing is not yet completed at the of publication of this report.

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

### 11. SHARE CAPITAL *(Continued)*

The maximum net proceeds from the Placing of approximately HK\$177.7 million are intended to be used for general working capital of the Group, including but not limited to cash as collateral for its energy related trading business and general working capital of such business.

On 19 June 2008, the Company announced that all conditions of the Warrant Placing Agreement dated 7 November 2007 have been fulfilled on 13 June 2008 and completion of the Warrant Placing took place on 26 June 2008. A total of 318,000,000 Warrants were placed to not less than six Placees at the Warrant Issue Price of HK\$0.08 at completion of the Warrant Placing. The Warrant Exercise Price is HK\$0.40 per New Share, subject to adjustments for, subdivision or consolidation of shares, rights issues and other dilutive events which may have adverse effects on the rights of the holder of the Warrants.

### 12. POST BALANCE SHEET EVENTS

- i. On 18 July 2008, Capital Access Limited (“Capital Access”), an indirect wholly owned subsidiary of the Company and Harvest Mill Commercial Limited (“Harvest Mill”) as the vendors and Huge Summit Enterprises Limited (“Huge Summit”) as purchaser entered into the conditional sale and purchase agreement in relation to the sale and purchase of 7,000,000 share (the “Sale Shares”) of HK\$1.00 each in the issued share capital of Bartech (International) Information Network Limited (“Bartech”) and 3,000,000 Sale Shares (the “Harvest Mill Sale Share”) respectively at a consideration of HK\$1,295,000 and HK\$555,000 respectively (the “Proposed Disposal”).

Pursuant to the Agreement, (a) Capital Access has agreed to sell and Huge Summit has agreed to acquire the Sale Shares, representing approximately 70% of the entire issued share capital of Bartech; and (b) Harvest Mill has agreed to sell and Huge Summit has agreed to acquire the Harvest Mill Sale Shares, representing approximately 30% of the entire issued share capital of Bartech. The transaction has been approved by the independent shareholders at the Special General Meeting held on 17 September 2008.

- ii. On 29 August 2008, it was announced that the Company is in the process of negotiating with an independent third party for a proposed notifiable transaction for the Company and may involve issue of securities of the Company.

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

During the six months ended 30 June 2008, the Group recorded a turnover of approximately HK\$57.0 million, representing an increase of around 134% as compared to HK\$24.4 million for the six months ended 31 March 2007 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 the Six months ended 30 June 2008		For the six months ended 31 March 2007		Percentage of change Yr. to Yr.
	HK\$'000	%	HK\$'000	%	%
IT Business					
– Trading	<b>12,325</b>	<b>21.6</b>	15,217	62.4	(19.0)
– Services	<b>8,051</b>	<b>14.1</b>	9,177	37.6	(12.3)
Energy trading	<b>26,883</b>	<b>47.2</b>	—	—	N/A
General trading	<b>9,745</b>	<b>17.1</b>	—	—	N/A
<b>TOTAL</b>	<b>57,004</b>	<b>100</b>	24,394	100	133.7

The gross profit margin in the IT business increased from 7.2% to 12.2% owing to better source of suppliers located.

Regarding the energy trading division, the gross profit margin is 2.1%. The energy trading division was still going through its development stage to build up an energy trading platform for the Group.

The increase in expenses in this period was primarily attributable to (i) the increase in share based payment from the issue of the share options granted under the share option scheme of the Company; and (ii) the cost of setting up the Group's operations for its new energy business.

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\$61.4 million or a loss of HK\$3.60 cent per share because it has not yet to achieve the optimal economies of scale in the energy trading sector.

## **NEW BUSINESS**

In May 2008, the Group acquired 75% share capital of Great Hill Trading Limited which is the holding company of Welford Industrial Limited. Welford entered into a joint venture agreement with Guangdong Zhenrong Energy Limited for the crude oil, fuel and natural gas related businesses. It is expected that the investment in Welford represents a good opportunity for the Group to diversify its existing business and to participate in the energy market in the PRC.

## **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 energy trading.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 June 2008, the Group maintained cash and bank balances of approximately HK\$74 million (31 December 2007: HK\$118 million) without any borrowings (31 December 2007: nil).

The gearing ratio of the Group as of 30 June 2008 was nil (31 December 2007: nil). As of 30 June 2008, the Group's working capital (net current assets) and current ratio were approximately HK\$208 million (31 December 2007: HK\$141.6 million) and 5.1x (31 December 2007: 14.3x) respectively. In term of the quality of current assets, over 30% 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 June 2008, the Company's bank deposits of approximately HK\$15 million (31 December 2007: HK\$15 million) was pledged to secure general banking facilities granted to the Group. The Group had no significant contingent liabilities as at 30 June 2008 (31 December 2007: Nil).



## **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 period 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.

## **STAFF AND REMUNERATION POLICY**

The Group determines staff remuneration in accordance with market terms and individual qualifications and performance. Staff recruitment and promotion is based on individuals' merit and their development potential for the positions offered. As at 30 June 2008, the Group employed approximately 35 employees.

The Company maintains a share option scheme (the "Scheme"), pursuant to which share options are granted to selected directors or employees of the Group, with a view to attract and retain quality personnel and to provide them with incentive to contribute to the business and operation of the Group.

During the period of six months ended 30 June 2008, 160,500,000 share options were granted and 2,240,000 share options were exercised.

## **PRE-EMPTIVE RIGHTS**

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

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

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2008.

## SHARE OPTION SCHEME

The Company 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 number of the shares in the capital of the Company (the “Shares”) which may be issued upon the exercise of all the options granted under the Share Option Scheme to subscribe for shares in accordance with the terms thereof (the “Options”) granted or to be granted under the Share Option Scheme was 40,000,000 Shares, representing 10% of the issued share capital as at the date of adoption of the Share Option Scheme and the maximum number of Shares that might be issued upon the exercise of all Options under the Share Option Scheme or other schemes. Subject to prior approval of the shareholders of the Company (the “Shareholders”), the Company may, at any time thereafter, refresh the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme (“Scheme Mandate Limit”) to grant options over Shares as shall represent 10% of the issued share capital of the Company as at the date of passing the relevant resolution.

Pursuant to the ordinary resolution 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 or other schemes shall not exceed 115,000,000 Shares, being 10% of the issued share capital of the Company as at 24 March 2006.

Pursuant to the ordinary resolution 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 or other schemes shall not exceed 194,800,000 Shares, being 10% of the issued share capital of the Company as at 30 March 2007.

Pursuant to the ordinary resolution passed by the Shareholders on 20 December 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 or other schemes shall not exceed 321,157,000 Shares, being 10% of the issued share capital of the Company as at 20 December 2007.

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

Pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), the Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme at any time will not exceed 30% of the Shares in issue from time to time. No Options shall be granted under the Share Option Scheme or any scheme(s) of the Company or any of its subsidiaries if this will result in the 30% limit being exceeded.

During the 15 months ended 31 December 2007, an aggregate of 309,176,000 share options of the Company were granted to the eligible participants. Out of these, 206,570,000 share options and 2,000 share options were exercised and forfeited during the fifteen months ended 31 December 2007 respectively. As at 31 December 2007, 102,604,000 share options were issued and outstanding.

As at 8 January 2008, the outstanding Share Options were 51,302,000 after the consolidation of the share capital of the Company on 7 January 2008.

During the period of six months ended 30 June 2008, 160,500,000 share options were granted and 2,240,000 share options were exercised. The total outstanding Share Options were 209,562,000 as at 30 June 2008.

## DIRECTORS' INTERESTS IN THE SHARE CAPITAL

As at 30 June 2008, 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	Capacity		Approximate percentage or attributable percentage of shareholding (%)
		Beneficial owner	Interest of controlled corporation	
Li Chun Tak (Note 1)	140,000,000 (L)	140,000,000	—	6.97
Wong Hin Shek (Note 2)	3,000,000 (L)	3,000,000	—	0.15
Dai Zhongcheng (Note 3)	3,000,000 (L)	3,000,000	—	0.15
Wong Kam Fat, Tony (Note 4)	14,206,000 (L)	14,206,000	—	0.71
Chan Chun Wai (Note 5)	1,420,000 (L)	1,420,000	—	0.07
Au Tin Fung (Note 6)	600,000 (L)	600,000	—	0.03

L: Long Position

**DIRECTORS' INTERESTS IN THE SHARE CAPITAL** *(Continued)**Notes:*

1. These interests in 140,000,000 Shares represent 140,000,000 Shares to be allotted and issued upon the exercise of the share options granted to Li Chun Tak under the Share Option Scheme.
2. These interests in 3,000,000 Shares represent 3,000,000 Shares to be allotted and issued upon the exercise of the share options granted to Wong Hin Shek under the Share Option Scheme.
3. These interests in 3,000,000 Shares represent 3,000,000 Shares to be allotted and issued upon the exercise of the share options granted to Dai Zhongcheng under the Share Option Scheme.
4. These interests in 14,206,000 Shares represent 14,206,000 Shares to be allotted and issued upon the exercise of the share options granted to Wong Kam Fat, Tony under the Share Option Scheme.
5. Chan Chun Wai is holding a total of 1,420,000 underlying shares of the Company.
6. These interests in 600,000 Shares represent 600,000 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 June 2008, 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 June 2008, 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 executives 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>
China Peaceful Development Foundation Limited ( <i>Note 1</i> )	Beneficial owner	518,000,000 (L)	25.80%
Gao Yuanxing ( <i>Note 2</i> )	Beneficial owner	518,000,000 (L)	25.80%
Wisdom First Limited ( <i>Note 3</i> )	Beneficial owner	518,000,000 (L)	25.80%
Wong Sau Lan ( <i>Note 4</i> )	Beneficial owner	518,000,000 (L)	25.80%
Success Way Holdings Limited ( <i>Note 5</i> )	Beneficial owner	254,604,000 (L)	12.68%

*L: Long Position*

**SUBSTANTIAL SHAREHOLDERS** *(Continued)**Notes:*

1. China Peaceful Development Foundation Limited holds 50% equity interest in Wisdom First Limited and is deemed to be interested in 518,000,000 Shares or underlying shares held by Wisdom First Limited.
2. Gao Yuanxing is the sole beneficial owner of the entire issued share capital of China Peaceful Development Foundation Limited.
3. Wisdom First Limited is interested in 318,000,000 issued Shares and 200,000,000 Shares which may be allotted and issued upon the exercise of the conversion rights attaching to the zero coupon convertible bonds in an aggregate principal amount of HK\$16,200,000. For further details in relation to such convertible bonds, please refer to the announcement of the Company dated 5 February 2008.
4. Wong Sau Lan holds 50% equity interest in Wisdom First Limited and is deemed to be interested in 518,000,000 Shares or underlying shares held by Wisdom First Limited.
5. Success Way Holdings Limited is beneficially owned by Liu Yi Dong Family Trust and the beneficiaries of which are Mr. Liu Yi Dong and his family members.

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 June 2008.

## **CORPORATE GOVERNANCE**

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

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

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

### **AUDIT COMMITTEE**

The audit committee of the Company comprises three members namely Mr. Au Tin Fung, Mr. Chan Chun Wai, 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 the management in respect to the financial reporting matters, including review of the unaudited interim accounts of the Group for the period, and are of the opinion that such statements comply with the applicable accounting standards and the Listing Rules and that adequate disclosure have been made.

### **REMUNERATION COMMITTEE**

The Remuneration Committee comprises three members namely Mr. Au Tin Fung, Mr. Chan Chun Wai 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 six months ended 30 June 2008.

On behalf of the Board

**Liu Po**

*Executive Director*

Hong Kong, 23 September 2008