Sunny Global Holdings Limited

新怡環球控股有限公司

(incorporated in Bermuda with limited liability)

Stock Code: 1094

Annual Report 2007

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive directors

Mr. Li Chun Tak *(chief executive officer)*
Mr. Yip Kwan, Ben *(chief financial officer)*
Mr. Wong Hin Shek
Mr. Dai Zhongcheng

Non-executive director

Mr. Wong Kam Fat, Tony *(Chairman)*

Independent non-executive directors

Mr. Au Tin Fung
Mr. Chan Chun Wai
Ms. So Wai Yee, Betty

Audit Committee and Remuneration Committee

Mr. Au Tin Fung
Mr. Chan Chun Wai
Ms. So Wai Yee, Betty

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Mr. Chiu Yu Choi *(CPA, FCCA, ACS, ACIS, B.A.(Hons))*

SHARE REGISTRARS AND TRANSFER OFFICES

Bermuda

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre,
11 Bermudiana Road, Pembroke,
Bermuda

Hong Kong

Computershare Hong Kong Investor Services Limited
17th Floor, Hopewell Centre,
183 Queen's Road East, Wanchai,
Hong Kong

REGISTERED OFFICE

Clarendon House,
2 Church Street, Hamilton HM11,
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

10B, Lee West Commercial Building,
375-379 Hennessy Road,
Wanchai, Hong Kong

AUDITORS

Morison Heng
Certified Public Accountants

LEGAL ADVISORS

As to Hong Kong law

Michael Li & Co., Solicitors

As to Bermuda law

Conyers Dill & Pearman

PRINCIPAL BANKERS

Wing Hang Bank, Ltd.
The Hongkong & Shanghai Banking Corporation Limited
Standard Chartered Bank HK Ltd.
Bank Sinopac

STOCK CODE

1094

CHAIRMAN'S STATEMENT

To our Shareholders,

On behalf of the board of directors of the Group, I hereby present the annual report for the fifteen months ended 31 December 2007. It is great to have this opportunity to share with all the shareholders on our Group's performance.

BUSINESS REVIEW

During the period under review, the Group was enhanced by various investment and IT businesses, including mobile phone trading, trading in computer accessories, peripherals, and other related products, VoIP, Video-conferencing, instant on-line stock market data, etc. The IT area we covered is extensive and innovative. However, the competition in the IT business is severe, which substantially impaired the profit margin of the Group. Although some sectors of the Group's IT business continuously provide positive contributions towards the Group, there are some invested areas that are encountering dilemma because of the speedy evolvement in the IT field.

In view of the rapid and volatile changes in the IT technology, the Group was compelled to put in heavy investment to maintain the system in a competitive state. In order to maintain its internal flexibility and adaptability to face the challenges and increase the investment return of the Company and its shareholders, the Group plans to dispose of some of its non-core IT businesses which are proven to be unsuccessful in the commercial terms.

During the period under review, the financial market in Hong Kong is positive and the Company is successful in various financial arrangements to raise fund from the market. This has substantially enhanced the Company's liquidity and the balance sheet position to accommodate the changes in the future.

PROSPECTS

In the ensuring year, the Group will diversify into a new business-Energy-oil trading business. At the Special General Meeting of the shareholders of the Company held on 14 April 2008, the acquisition of the oil trading business by the Group was approved. In view of the massive and continuous demand of oil in the PRC for both industrial and domestic purposes, it is expected that the oil trading business will provide a positive impact to the Group. Our business partner, ZhenRong Group is a reputable China State-Owned Enterprise in the oil sector. It is currently the second largest crude oil importer in the PRC and enjoys approximately 15% of the market share. The management is confident and optimistic that the Group's image and profitability will be improved via co-operation with the ZhenRong Group.

CHAIRMAN'S STATEMENT

APPRECIATION

We would like to take this opportunity to thank our shareholders for their continuous support to the management and the Group. We would also like to express our gratitude to our staff for their endeavors and enthusiasm towards the operation and progression of the Group.

For and on behalf of the Board

Wong Kam Fat, Tony
Chairman

Hong Kong, 23 April, 2008

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING AND FINANCIAL REVIEW

During the financial period under review, the Group recorded a turnover of approximately HK$57.8 million, representing an increase of around 116% as compared to the previous period of HK$26.8 million.

The IT business contributed a turnover of HK$44.7 million, whereas it was underlying an around 77% of the Group's turnover.

This period our general trading contributed a turnover of HK$13.1 million.

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

	For the financial period ended 31 December 2007 HK$'000	**%**	For the financial year ended 30 September 2006 HK$'000	%	Percentage of change period to year %
IT Business					
— Trading	**26,284**		18,819		
— Services	**18,387**		7,806		
	44,671	**77**	26,625	99	68
General Trading	**13,160**	**23**	183	1	7091
TOTAL	**57,831**	**100**	26,808	100	116

The gross profit margin decreased from 16.9% to 9.1% partly in reflection of the increased in competition of the IT business.

The Group recorded a loss attributable to shareholders amounted to approximately HK$149 million because of (1) lacking of optimal economies of scale in IT section and (2) delay in the implementation of the business plan due to; (a) change in the PRC business environment (b) repositioning of ourselves in the PRC market to remain competitive.

MANAGEMENT DISCUSSION AND ANALYSIS

GOODWILL

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. As the competition in the IT business is severe, this substantially impaired the profit margin of the Group. The Group has been very cautious in allocating its resources and keeps exploring other business opportunities by diversifying its investment to other industries with good prospects and comparatively favorable investment return. As the Group will diversify into a new business – Energy – oil trading business, the Board considers re-allocating most of its resources to this new business, and the management has decided to adjust the goodwill accordingly. The carrying amount of goodwill at 31 December 2007 was 14.5 million (30 September 2006: 38.2 million). For further details of impairment of goodwill, please refer to note 14 of the Notes to the Financial Statements.

NEW BUSINESS

In April 2007, the Company acquired approximately 80% of the voting rights of DigiSat Network Limited ("DigiSat"). DigiSat was incorporated on 18 August 2003 and is principally engaged in the trading of computer components and the operation of internet protocol television platform which provides to its customers an interactive and reliable video delivery and multimedia entertainment via the internet using state of the art digital broadcast technology. Details of this acquisition were disclosed in the Company's announcement dated 5 January 2007.

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.

In May 2007, the Company acquired the entire share capital of Global Great Development Limited ("Global Great"). Global Great was incorporated on 10 January 2005 and is principally engaged in the operation of the VoIP services and trading of mobile phones.

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

MANAGEMENT DISCUSSION AND ANALYSIS

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 products trading.

In December 2007, the Company disposed of its indirect interest in 北京市海澱區有線廣播電視網路信息有限公司 which is a broadband internet service provider in Beijing and engaged in the provision of broadband internet access, telecommunication value-added services and related business via its proprietary internet network in Beijing, the PRC. The reasons for the disposition are to avoid the dissipation of resources to competitive areas and to centralize the Group's focus on the higher return businesses. Details of this disposal were disclosed in the Company's announcement dated 4 December 2007.

On 14 April 2008, the Group has undergone a Special General Meeting for the determination of the acquisition and investment in Welford International Industrial Ltd ("Welford"). Such acquisition was subsequently approved by the shareholders of the Company and the completion of the acquisition is expected to be in the first half of 2008.

Welford entered into a joint venture agreement with Guangdong Zhenrong Energy Limited for the crude oil, fuel oil and natural gas related businesses. It is expected that the forthcoming acquisition and 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.

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

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2007, the Group maintained fixed deposits, bank balances and cash of approximately HK$118 million (30 September 2006: HK$17.9 million) without any borrowings (30 September 2006: nil).

The gearing ratio (total borrowings to total net assets) of the Group as at 31 December 2007 was null (30 September 2006: nil).

As at 31 December 2007, the Group's working capital (net current assets) and current ratio were approximately HK$141.6 million (30 September 2006: HK$18.8 million) and 14.3x (30 September 2006: 3.0x) respectively. In terms of the quality of current assets, over 78% 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.

MANAGEMENT DISCUSSION AND ANALYSIS

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2007, the Company's bank deposits of approximately HK$15 million were pledged for general banking facilities granted to the Group. The Group had no significant contingent liabilities as at 31 December 2007.

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$1.2 million, and against ECL for HK$1.9 million, the aggregate being HK$3.1 million, 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 People's Republic of China.

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

Leung had instituted a claim in the Labour Tribunal under Case No. LBTC 4350 of 2006 for alleged arrears in wages and reimbursements of expenses. In November 2006, the Presiding Officer at the Labour Tribunal directed that since Leung's claim was part and parcel of the disputes which the Company and Leung would seek to litigate out in the Court of First Instance of the High Court, and since both claims arose out of similar facts, it would not be appropriate for the claim to be adjudicated at the Labour Tribunal. Leung therefore counterclaims against the Company for the sum of HK$0.5 million 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.

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 31 December 2007.

FOREIGN EXCHANGE EXPOSURE

The Group has limited exposure to fluctuation in foreign currencies as most of its transactions are denominated in HK dollars and US dollars. Exchange rates between these currencies 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 31 December 2007, 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, 309,176,000 share options were granted to the eligible participants and 206,570,000 share options were exercised.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the directors 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 of 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 fifteen months ended 31 December 2007.

AUDIT COMMITTEE

The Audit Committee was established with written terms of reference which have been updated on terms no less exacting than the required standard as set out in the New Code. The Audit 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 Audit Committee has reviewed with the management and the auditors the audited consolidated results of the Group for the fifteen months ended 31 December 2007.

REMUNERATION COMMITTEE

The Remuneration Committee was established with written terms of reference based on terms no less exacting than the required standard as set out in the New Code. 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 are to review and determine the remuneration policy and other remuneration related matters of the directors and the senior management of the Group.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Li Chun Tak, aged 28, an executive Director and the chief executive officer of the Company who graduated from the Hong Kong Polytechnic University with a bachelor degree majoring in information technology and later obtained his graduate diploma in English and Hong Kong Law from the Manchester Metropolitan University. He has substantial experience in the field of information technology and business management. He had managed and supervised research projects in information technology, computer programming and business strategic planning. He is a director of Kan Ta International Project Design Limited, which is principally engaged in the construction business.

Mr. Yip Kwan, Ben, aged 37, an executive Director and the chief financial officer of the Company who graduated from Soochow University with a bachelor degree majoring in accounting and later obtained his doctorate degree in business from Sichuan University. He has over 16 years of experience in the field of business, accounting and finance in Hong Kong and the People's Republic of China (the "PRC"). In particular, he had managed and supervised various corporate financial activities including audit, credit management, cash management, mergers and integration.

Mr. Wong Hin Shek, aged 38, an executive Director, has over 14 years of experience in corporate finance transactions, including mergers and acquisitions, initial public offerings and equity syndication. Mr. Wong worked in a number of reputable investment banks and the Listing Division of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He is currently a responsible officer of a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance. Mr. Wong holds a master of science (financial management) degree from the University of London in the United Kingdom and a bachelor of commerce degree from the University of Toronto in Canada.

Mr. Dai Zhongcheng, aged 46, an executive Director has been involved in the financial industry and assets and capital market in the PRC for more than 23 years. Prior to joining the Company, Mr. Dai has held various directorships and senior positions with prominent corporation in the PRC. Mr. Dai is currently the independent non-executive director of Smart Rich Energy Finance (Holdings) Limited (stock code: 1051), a company listed on the main board of the Stock Exchange. He was also an executive director of Yueshou Environmental Holdings Limited (formerly known as China Rich Holdings Limited) (stock code: 1191), a company listed on the main board of the Stock Exchange, for the period from 1 December 2004 to 12 June 2007.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Non-Executive Director

Mr. Wong Kam Fat, Tony, aged 45, a non-executive Director and the chairman of the Board, is the vice-chairman of the board of directors and the chairman of human resources and administration committee of Sik Sik Yuen. He is also the supervisor of Ho Yu College and Primary School. He has profound management experience in the charity and education industry and over 15 years' management experience in the printing industry. He is a director of Hip Lik Design and Printing Company Limited, which is principally engaged in the printing business.

Independent Non-Executive Directors

Mr. Au Tin Fung, aged 50, an independent non-executive Director and a member of the audit committee and remuneration committee of the Company, graduated from the business management department of the Hong Kong Baptist University. He holds a master degree in business administration from the Upper Iowa University, the United States of America. He has worked for Wong's Kong Kong International (Holdings) Limited as the corporate assistant general manager and the director general of Shenzhen Dengcheng Realties Development Company Limited. He is currently the director and general manager of Initiative Consultant Limited and Pioneer Product Marketing Limited in Hong Kong. Mr. Au was an independent non-executive director of China Conservational Power Holdings Limited (stock code 290), a company listed on the main board of the Stock Exchange, from 23 December 2005 to 10 May 2006.

Mr. Chan Chun Wai, aged 38, an independent non-executive Director and a member of the audit committee and the remuneration committee of the Company. He graduated from the University of Central Oklahoma with a bachelor degree in computer sciences and mathematics. He has over 16 years of experience in the field of information technology in Hong Kong and the United States of Amercia. Mr. Chan was an independent non-executive director of Garico Holdings Limited (stock code 729), a company formerly known as Gorient (Holdings) Limited and listed on the main board of the Stock Exchange, from 22 March 2005 to 29 May 2007.

Ms. So Wai Yee, Betty, aged 26, an independent non-executive Director and a member of the audit committee and remuneration committee of the Company, graduated from the University of Hong Kong with a Bachelor degree in Business Administration. She has several years working experience in one of the major international accounting firms in Hong Kong. She is currently the financial controller of China Metal Resources Holdings Limited (stock Code 8071), a company listed on the GEM board of the Stock Exchange.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Chiu Yu Choi, Nelson, aged 36, was appointed as the company secretary and qualified accountant of the Company in August 2006. Mr. Chiu graduated from The Hong Kong Polytechnic University with a bachelor's honours degree in accountancy. He is a member of the Hong Kong Institute of Certified Public Accountants, Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators, and a fellow member of the Association of Chartered Certified Accountants. Prior to joining the Company, he worked as the company secretary and qualified accountant in a listed company in Hong Kong and has 15 years' extensive experience in accounting, auditing, financial analysis and taxation matters.

DIRECTORS' REPORT

The directors present their report together with the audited financial statements of the Company and the Group for the fifteen months ended 31 December 2007.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the information technology business including the provision of system integration services, facility management services and information technology infrastructure network development in the People's Republic of China and Hong Kong. The Group is also engaged in the trading of construction materials and mobile phones.

SEGMENT INFORMATION

An analysis of the Group's results, assets and liabilities by segment for the period under review is set out in note 4 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the period under review are set out in the consolidated income statement on page 30. The directors do not recommend the payment of dividend for the period ended 31 December 2007.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 96.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of the movements in share capital of the Company during the period under review are set out in note 23 to the financial statements.

RESERVES

Movements in the reserves of the Group and the Company during the period under review are set out in note 26 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2007, no reserves of the Company was made available for distribution as the aggregate of the contributed surplus and the accumulated losses are in debit balance.

PRE-EMPTIVE RIGHTS

There are 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 the existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

The Company did not redeem any of its shares during the period under review and neither the Company nor any of its subsidiaries purchased or sold any of the Company's shares during the period under review.

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 dae 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 toal 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.

DIRECTORS' REPORT

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.

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 period 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.

DIRECTORS

The directors of the Company during the period under review and up to the date of this report were:

Executive directors

Mr. Li Chun Tak	(Appointed as an executive director on 31 October 2007 and appointed as the chief executive officer on 7 November 2007)
Mr. Yip Kwan, Ben	(Appointed as the chief financial officer on 16 August 2007 and appointed as an executive director on 12 September 2007)
Mr. Wong Hin Shek	(Appointed on 19 November 2007)
Mr. Dai Zhongcheng	(Appointed on 13 March 2008)
Mr. Lam Shu Chung	(Appointed as an executive director and the Chairman on 23 July 2007 and resigned as an executive director and the Chairman on 29 October 2007)
Mr. Too Shu Wing	(Appointed as the Chairman on 16 October 2006, resigned as the Chairman on 23 July 2007 and resigned as an executive director on 19 November 2007)
Mr. Yan Wa Tat	(Resigned on 12 September 2007)
Mr. Tai King Foon	(Resigned on 23 July 2007)
Mr. Lo Chi Fai	(Resigned on 10 November 2006)

Non-executive director

Mr. Wong Kam Fat, Tony	(Appointed as an executive director on 12 July 2007, appointed as the chief executive officer on 19 September 2007, resigned as an executive director and the chief executive officer and re-designated as an non-executive director and the Chairman on 7 November 2007)
Mr. Lee Man Fa	(Resigned as an executive director and the Chairman on 16 October 2006, and re-designated as a non-executive director on 16 October 2006 and resigned on 25 May 2007)

Independent non-executive directors

Mr. Au Tin Fung	(Appointed on 27 August 2007)
Mr. Chan Chun Wai	(Appointed on 27 August 2007)
Ms. So Wai Yee, Betty	(Appointed on 19 November 2007)
Mr. Tsui Pak Hang	(Resigned on 15 January 2008)
Mr. Chan Wai Ming	(Resigned on 19 November 2007)
Mr. Liu Kwok Wah	(Resigned on 27 August 2007)

Pursuant to Bye-Law 86, any director appointed to fill a causal vacancy on the Board shall hold office only until the next following general meeting of the Company, and any director appointed as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company. Such directors shall then be eligible for re-election at the next following annual general meeting.

Further, pursuant to Bye-Law 87, one-third of the directors for the time being, or if their number is not three or a multiple of three, then the number nearest to but not less than one-third shall retire from office by rotation at every annual general meeting provided that every director; including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years. A retiring director shall be eligible for re-election.

In accordance with Bye-Law 86, Mr. Dai Zhongcheng shall retire from his office by rotation at the forthcoming annual general meeting. Being eligible, Mr. Dai Zhongcheng will offer himself for re-election as an executive director. At the annual general meeting, an ordinary resolution will be proposed to re-elect Mr. Dai Zhongcheng as an executive director.

DIRECTORS' REPORT

The Company has received from each of the independent non-executive directors an annual written confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive directors are independent to the Company.

DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance in relation to the Group's business to which the Company, its holding company or any of its subsidiaries and fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the period under review.

DIRECTORS' INTERESTS IN THE SHARE CAPITAL

As at 31 December 2007, the interests and short positions of the directors and the chief executives 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 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions in shares of the Company

Name of directors	Number or attributable number of shares or underlying shares held	Capacity	Approximate percentage of issued share capital *(%)*
Yip Kwan, Ben (Note 1)	28,412,000	Beneficial owner	0.88
Wong Kam Fat, Tony (Note 2)	28,412,000	Beneficial owner	0.88
Au Tin Fung (Note 3)	2,840,000	Beneficial owner	0.09
Chan Chun Wai (Note 4)	2,840,000	Beneficial owner	0.09

Notes:

1. 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.

2. 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 Wong Kam Fat, Tony under the Share Option Scheme.

3. 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.

4. 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.

Save as disclosed above, as at 31 December 2007, none of the directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations within the meaning of Part XV of the 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 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:

Name of shareholders	Capacity	Number of shares interested	Percentage of the issued share capital
Liu Yi Dong	Beneficial owner	453,000,000	14.11%
Success Way Holdings Limited	Beneficial owner	453,000,000	14.11%
Lee Man Fa	Beneficial owner	181,188,000	5.64%
Info Fortune Holdings Limited	Beneficial owner (Note)	165,288,000	5.15%
Grandtech Management Limited	Beneficial owner	160,544,258	5%

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

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

MAJOR CUSTOMERS AND SUPPLIERS

During the period, sales to the Group's five largest customers accounted for approximately 39% of the total sales for the period, in which sales to the largest customer represented approximately 15% of the total sales for the period.

Purchases from the Group's five largest suppliers amounted to approximately 39% of the total purchases for the period while total purchases from the largest supplier represented approximately 13% of the total purchases for the period.

None of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE

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 the annual general meetings in accordance with the Bye-Laws of the Company.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained sufficient public float as required under the Listing Rules during the period under review and up to the date of this report.

POST BALANCE SHEET EVENTS

Details of significant events occurring after the balance sheet date are set out in note 32 to the consolidated financial statements.

AUDITORS

Messrs. Morison Heng was appointed as auditors of the Group with effect from this financial period after the resignation of Grant Thornton in June 2007.

On behalf of the Board

Wong Kam Fat, Tony
Chairman

Hong Kong, 23 April 2008

CORPORATE GOVERNANCE REPORT

The Company recognizes that good corporate governance standards maintained throughout the Group serve as an effective risk management for the Company. The Board of Directors (the "Board") of the Company is committed to lead the Group growing in an efficient manner followed by corporate missions in terms of business strategies and improved operational planning and procedures which are enforced under high corporate governance standard.

(1) CORPORATE GOVERNANCE PRACTICES

The Company has complied throughout the period under review with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, which were in force prior to 1 January 2005, except that the independent non-executive directors are not appointed for specific terms as required by paragraph 7 of the Code of Best Practice, but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's bye-laws (the "Bye-Laws").

The Code on Corporate Governance Practices as promulgated by the Stock Exchange became effective on 1 January 2005, which provides the Code Provisions (the "CP") and recommended best practices for corporate governance practices by listed companies. The Company considered that its prevailing structures and systems satisfied the requirements of the CP. The Company will continuously enhance the corporate governance standards throughout the Group and ensure further standards to be put in place by reference to the recommended best practices whenever suitable and appropriate.

(2) CORPORATE MANAGEMENT

i. Board of Directors

The Board reviews and approves corporate matters such as business strategies and investments, mergers and acquisitions, as well as the general administrative and management of the Group.

The Board currently consists of 4 executive directors, 1 non-executive director, and 3 independent non-executive directors:

Executive directors

Mr. Li Chun Tak *(chief executive officer)*
Mr. Yip Kwan, Ben *(chief financial officer)*
Mr. Wong Hin Shek
Mr. Dai Zhongcheng

Non-excutive director

Mr. Wong Kam Fat, Tony *(Chairman)*

Independent non-executive directors

Mr. Au Tin Fung
Mr. Chan Chun Wai
Ms. So Wai Yee, Betty

The number of independent non-executive directors exceeds one third of the Board membership. The Board membership is covered by professionally qualified and widely experienced personnel so as to bringing in valuable contribution and different professional advices and consultancy for the development of the Company. More than one-half of the Board members have recognised professional legal, securities, tax and accounting qualifications.

All directors have access to the services of the Company Secretary who regularly updates the Board on governance and regulatory matters. Any director, Audit Committee and Remuneration Committee of the Company may take independent professional advice if they so wish at the expense of the Company, as arranged by the Company Secretary.

CORPORATE GOVERNANCE REPORT

During the fifteen months ended 31 December 2007, (69) Board Meetings have been held. Details of the attendance of the Directors are as follows:

	Number of Board Meetings attended/ Number of Board meetings held		
	Board	Audit Committee	Remuneration Committee
Executive directors			
Mr. Li Chun Tak	09/69		
Mr. Yip Kwan, Ben	16/69		
Mr. Wong Hin Shek	05/69		
Mr. Lam Shu Chung	12/69		
Mr. Too Shu Wing	59/69		
Mr. Yan Wa Tat	47/69		
Mr. Tai King Foon	36/69		
Non-executive directos			
Mr. Wong Kam Fat, Tony	24/69		
Mr. Lee Man Fa	23/69		
Independent Non-executive directors			
Mr. Au Tin Fung	21/69	1/3	
Mr. Chan Chun Wai	20/69	1/3	
Ms. So Wai Yee, Betty	05/69	1/3	
Mr. Tsui Pak Hang	58/69	3/3	1/1
Mr. Liu Kwok Wah	36/69	2/3	1/1
Mr. Chan Wai Ming	48/69	2/3	1/1

Pursuant to Bye-Law 86, any director appointed to fill a casual vacancy on the Board shall hold office only until the next following general meeting of the Company, and any director appointed as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company. Such directors shall then be eligible for re-election.

Further, pursuant to Bye-Law 87, one-third of the directors for the time being, or if their number is not three or a multiple of three, then the number nearest to but not less than one-third shall retire from office by rotation at every annual general meeting. A retiring director shall be eligible for re-election.

In accordance with Bye-Law 86, Mr. Dai Zhongcheng shall retire from his office by rotation at the forthcoming annual general meeting. Being eligible, Mr. Dai Zhongcheng will offer himself for re-election as an executive director. At the annual general meeting, an ordinary resolution will be proposed to re-elect Mr. Dai Zhongcheng as an executive director.

ii. Other Committees

There are two committees established under the Board, namely the Audit Committee and the Remuneration committee.

(a) Audit Committee

The Audit Committee comprises three independent non-executive directors of the Company, one of whom possesses recognized professional qualification in accounting and has proven experience in audit and accounting. The committee is chaired by the members on rotation.

The functions of the Audit Committee includes but not limited to the following:

- Considering and reviewing the appointment, resignation and removal of external auditors and their fees
- Reviewing the interim and annual results of the Group
- Discussing with the external auditors problems and issues of significance during the annual audit of the Group
- The terms of reference of the Audit Committee follow the guidelines set out by the Hong Kong Institute of Certified Public Accountants, and have been updated on terms no less exacting those set out in the CP.

The works of the Audit Committee during the period under review included:—

- Reviewed the 2007 interim results and annual results of the Group
- Discussed with the management of the Company over the completeness, fairness and adequate accounting standards and policies of the Group in the preparation of the 2007 interim and annual financial statements
- Reviewed and discussed with the external auditors over the financial reporting of the Company
- Recommended to the Board, for the approval by shareholders, of the re-appointment of the auditors

The Audit Committee met three times during the period under review. Each committee meeting was supplied with the necessary financial information of the Group for the members to consider, review and assess matters of significance arising from the work conducted.

(b) *Remuneration Committee*

The Remuneration Committee consists of three independent non-executive directors. The committee is chaired by the members on rotation.

The terms of reference of the Remuneration Committee follow with the CP. The committee meets at least once a year.

The Remuneration Committee is to consider and approve the remuneration plans and policies for all executive directors of the Company and senior management of the Group by reference to the prevailing rate with companies listed on the Main Board of the Stock Exchange in Hong Kong.

The Remuneration Committee met once during the period under review. The meeting was supplied with the necessary information on specific remuneration package of directors and senior management of the Group for the members to consider, review and make recommendation to the Board on the remuneration policy.

(3) CORPORATE COMMUNICATION

The Company channels corporate information of the Group to the shareholders in a timely and accurate manner. The Company communited with the shareholders by convening annual general meeting and special general meeting, providing the comprehensive information on the group's financial and business performance and activities in the annual report and interim report. The directors and senior executives make their best efforts to attend the annual general meeting of the Company to address to shareholders queries. Besides, printed copies of the Annual Report 2006 and Interim Reports 2007 are sent to all shareholders.

(4) CORPORATE CONTROL

The Board has overall responsibility in monitoring the process of corporate reporting and control system throughout the Group. The corporate reporting standards are delegated to the accounting department in terms of proper and regular reviews on the deployment of resources and financial reporting systems. The corporate governance practices and compliance with the Listing Rules, Securities and Futures Ordinance and other applicable regulations are delegated to the company secretarial department. The management of the Company reviews and briefs the reporting systems with the executive directors regularly and the Audit Committee and Remuneration Committee annually.

Every newly appointed director of the Company was provided with a comprehensive handout detailing the responsibilities and duties of being a director of the Company, in particular highlighting the respective applicable rules and regulation, including the Listing Rules, which a director should aware and be informed on the first occasion of his appointment with the Company.

The Company has adopted a code of conduct (the "Company's Code") regarding securities transactions by directors and employees of the Group based on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules. A copy of the Company's Code was sent to each director and the relevant employees of the Group who are required to be provided under the Company's Code. All the directors have confirmed that they have complied with the required standards set out in the Company's Code.

(5) INTERNAL CONTROL

The Board is responsible for ensuring that an adequate system of internal control is maintained within the Group, and for reviewing its effectiveness through the Audit Committee. The internal control system is to help to safeguard the Group's assets, to ensure the maintenance of accounting records and to ensure the compliance with the relevant legislations and regulations.

The Board, with the assistance of Messrs. Morison Heng, assessed the effectiveness of the Group's internal control system of major subsidiaries of the Group during the fifteen months ended 31 December 2007. No material issue but areas for improvement had been identified and appropriate measures had been taken.

(6) AUDITORS' REMUNERATION

Remuneration paid to the Group's external auditors for services provided for the fifteen months ended 31 December 2007 is HK$833,000.

INDEPENDENT AUDITORS' REPORT

To The **SHAREHOLDERS OF SUNNY GLOBAL HOLDINGS LIMITED**
(incorporated in Bermuda with limited liabilities)

We have audited the consolidated financial statements of Sunny Global Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 30 to 95, which comprise the consolidated and the company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the fifteen months ended 31 December 2007, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda (as amended), and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

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

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

INDEPENDENT AUDITORS' REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's loss and cash flows for the fifteen months ended 31 December 2007 in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Morison Heng
Chartered Accountants
Certified Public Accountants

Hong Kong: 23 April 2008

CONSOLIDATED INCOME STATEMENT

For the fifteen months ended 31 December 2007

	Notes	1.10.2006 to 31.12.2007 HK$'000	1.10.2005 to 30.9.2006 HK$'000
Turnover	5	**57,831**	26,808
Cost of sales		**(52,593)**	(22,287)
Gross profit		**5,238**	4,521
Other revenue	5	**3,800**	5,527
Gain on disposal of an associate		**12,129**	—
Provision for impairment of property, plant and equipment		**—**	(2,000)
Provision for impairment of goodwill		**(128,000)**	(24,000)
Provision for impairment of trade and other receivables		**(4,388)**	(7,135)
Loss on disposal of a subsidiary		**(37)**	—
Administrative and other operating expenses		**(32,161)**	(13,199)
Write off of property, plant and equipment		**(3,609)**	—
Loss from operations		**(147,028)**	(36,286)
Share of profit of an associate		**156**	3
Finance costs	6	**(37)**	—
Loss before taxation	7	**(146,909)**	(36,283)
Taxation	8	**(1,654)**	—
Loss for the period/year		**(148,563)**	(36,283)
Attributable to:			
Equity holders of the Company	9	**(151,480)**	(35,926)
Minority interests		**2,917**	(357)
		(148,563)	(36,283)
Loss per share attributable to ordinary equity holders of the Company	10		
— Basic (HK cents per share)		**(13.68)**	(5.96)
— Diluted (HK cents per share)		**(12.92)**	(5.88)

CONSOLIDATED BALANCE SHEET

At 31 December 2007

	Notes	31.12.2007 HK$'000	30.9.2006 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	**3,479**	4,637
Goodwill	14	**14,505**	38,222
Interest in an associate	16	**—**	6,194
Available-for-sale investments	17	**27,583**	—
Deposit for acquisition of subsidiaries	32(iii)	**35,000**	4,500
		80,567	53,553
Current assets			
Trade receivables, other receivables and deposits	18	**19,091**	10,035
Loan to a minority shareholder		**—**	464
Pledged deposits	19	**15,021**	—
Bank balances and cash	20	**118,213**	17,947
		152,325	28,446
Current liabilities			
Trade and other payables	21	**7,817**	9,601
Receipt in advance		**1,027**	—
Tax payable		**1,735**	—
Obligation under finance lease	22	**85**	—
Bank overdrafts		**18**	—
		10,682	9,601

CONSOLIDATED BALANCE SHEET

At 31 December 2007

	Notes	31.12.2007 HK$'000	30.9.2006 HK$'000
Net current assets		**141,643**	18,845
NET ASSETS		**222,210**	72,398
CAPITAL AND RESERVES			
Share capital	23	**321,157**	145,000
Accumulated losses		**(247,646)**	(96,166)
Other reserves	26	**141,690**	20,216
		215,201	69,050
Minority interests		**7,009**	3,348
		222,210	72,398

Approved by the Board of Directors on 23 April 2008

Li Chun Tak	**Yip Kwan, Ben**
DIRECTOR	*DIRECTOR*

BALANCE SHEET

At 31 December 2007

	Notes	31.12.2007 HK$'000	30.9.2006 HK$'000
Non-current assets			
Investments in subsidiaries	15	**7,094**	7,092
Current assets			
Other receivables	18	**14**	43
Amounts due from subsidiaries	15	**354,091**	137,687
Pledged deposits	19	**15,021**	—
Bank balances	20	**56,040**	14,342
		425,166	152,072
Current liabilities			
Amounts due to subsidiaries	15	**5,926**	4,766
Accruals and other payables	21	**697**	1,636
		6,623	6,402
Net current assets		**418,543**	145,670
NET ASSETS		**425,637**	152,762
CAPITAL AND RESERVES			
Share capital	23	**321,157**	145,000
Accumulated losses	26	**(57,106)**	(31,122)
Other reserves	26	**161,586**	38,884
		425,637	152,762

Approved by the Board of Directors on 23 April 2008

Li Chun Tak	**Yip Kwan, Ben**
DIRECTOR	*DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the fifteen months ended 31 December 2007

	Equity attributable to equity holders of the Company				
	Share capital HK$'000	Other reserves HK$'000	Accumulated losses HK$'000	Minority interests HK$'000	Total equity HK$'000
Balance as at 1 October 2005	115,000	17,764	(60,240)	622	73,146
Currency translation	—	152	—	52	204
Net income recognised directly in equity	—	152	—	52	204
Net loss for the year	—	—	(35,926)	(357)	(36,283)
Total recognised income and expense for the year	—	152	(35,926)	(305)	(36,079)
Pre-acquisition reserves of the subsidiaries	—	—	—	3,031	3,031
New shares issued	30,000	—	—	—	30,000
Warrants issued	—	2,300	—	—	2,300
Balance as at 30 September 2006	145,000	20,216	(96,166)	3,348	72,398
Balance as at 1 October 2006	145,000	20,216	(96,166)	3,348	72,398
Change in fair value of available-for-sale investments	—	(1,814)	—	—	(1,814)
Disposal of subsidiaries	—	367	—	—	367
Currency translation	—	219	—	429	648
Net income recognised directly in equity	—	(1,228)	—	429	(799)
Net loss for the period	—	—	(151,480)	2,917	(148,563)
Total recognised income and expense for the period	—	(1,228)	(151,480)	3,346	(149,362)
Pre-acquisition reserves of the subsidiaries	—	—	—	315	315
New shares issued	176,157	108,913	—	—	285,070
Share issue expenses	—	(1,102)	—	—	(1,102)
Warrants issued	—	2,848	—	—	2,848
Equity settled share-based payment transactions	—	12,043	—	—	12,043
Balance as at 31 December 2007	321,157	141,690	(247,646)	7,009	222,210

Details of other reserves are set out in note 26 to the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the fifteen months ended 31 December 2007

	1.10.2006 to 31.12.2007 HK$'000	1.10.2005 to 30.9.2006 HK$'000
Cash flows from operating activities		
Loss before taxation	**(146,909)**	(36,283)
Adjustments for:		
Depreciation	**936**	756
Provision for impairment of goodwill	**128,000**	24,000
Write off of property, plant and equipment	**3,609**	—
Provision for impairment of property, plant and equipment	**—**	2,000
Provision for impairment of trade and other receivables	**4,388**	7,135
Gain on disposal of an associate	**(12,129)**	—
Interest expenses	**37**	—
Interest income	**(3,247)**	(546)
Share of profit of an associate	**(156)**	(3)
Loss on disposal of property, plant and equipment	**228**	—
Loss on disposal of a subsidiary	**37**	—
Equity settled share-based payment expenses	**12,043**	—
Operating loss before working capital changes	**(13,163)**	(2,941)
Decrease in inventories	**175**	—
Decrease in trade receivables, other receivables and deposits	**80**	20,140
Decrease in trade and other payables	**(6,832)**	(1,121)
Increase in receipt in advance	**1,027**	—
Cash (used in)/generated from operations	**(18,713)**	16,078
Interest paid	**(37)**	—
Net cash (used in)/ from operating activities	**(18,750)**	16,078

CONSOLIDATED CASH FLOW STATEMENT

For the fifteen months ended 31 December 2007

	1.10.2006 to 31.12.2007 HK$'000	1.10.2005 to 30.9.2006 HK$'000
Cash flows from investing activities		
Purchases of property, plant and equipment	**(1,779)**	(5,536)
Proceeds from disposal of property, plant and equipment	**40**	—
Proceeds from disposal of subsidiaries, net of cash disposed of	**915**	600
Acquisition of subsidiaries, net of cash acquired	**(16,712)**	(11,081)
Acquisition of an associate	**(1,053)**	—
Proceeds from disposal of interest in an associate	**9,540**	—
Purchases of available-for-sale investments	**(29,397)**	—
Loan to a minority shareholder	**—**	(464)
Deposit for acquisition of subsidiaries	**(35,000)**	(4,500)
Increase in pledged deposits	**(15,021)**	—
Interest received	**3,247**	546
Net cash used in investing activities	**(85,220)**	(20,435)
Cash flows from financing activities		
Repayment of obligation under finance lease	**(113)**	—
Proceeds from issue of warrants	**2,848**	2,300
Net proceeds from issue of share capital	**200,978**	—
Net cash generated from financing activities	**203,713**	2,300
Net increase/(decrease) in cash and cash equivalents	**99,743**	(2,057)
Cash and cash equivalents at beginning of period/year	**17,947**	19,965
Effect of foreign exchange rate changes	**505**	39
Cash and cash equivalents at end of period/year	**118,195**	17,947
Analysis of cash and cash equivalents at end of period/year		
Bank balances and cash	**118,213**	17,947
Bank overdrafts	**(18)**	—
	118,195	17,947

NOTES TO THE FINANCIAL STATEMENTS

For the fifteen months ended 31 December 2007

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated and domiciled in Bermuda. The Company's registered office is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business is 10B, Lee West Commercial Building, 375 - 379 Hennessy Road, Wanchai, Hong Kong. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Group is principally engaged in the information technology business including the trading of information technology related hardware and software, provision of system integration services, facility management services and information technology infrastructure network development in the People's Republic of China ("the PRC") and Hong Kong. The Group is also engaged in trading of construction materials and mobile phones.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs"), issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which are effective for the Group's financial period beginning 1 October 2006. The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting years have been prepared and presented. Accordingly, no prior year adjustment has been required.

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

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[7]
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on obligation[2]
HKFRS 2 (Amendment)	Vesting conditions and cancellation[2]
HKFRS 3 (Revised)	Business Combinations[7]
HKFRS 7	Financial Instruments: Disclosures[1]
HKFRS 8	Operating Segments[2]
HK (IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[1]
HK (IFRIC) – Int 8	Scope of HKFRS 2[1]
HK (IFRIC) – Int 9	Reassessment of Embedded Derivatives[1]
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment[3]
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions[4]

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

HK(IFRIC) – Int 12	Service Concession Arrangements[5]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[6]
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction[5]

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
7 Effective for annual periods beginning on or after 1 July 2009

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.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collectively include all applicable individual HKFRSs, Hong Kong Accounting Standards and Interpretations issued by the HKICPA. The consolidated financial statements include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below.

Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments, which are measured at fair value. The measurement bases are fully described in the accounting policies below.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions 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 judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of preparation (Continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 30.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the current period cover the period of fifteen months from 1 October 2006 to 31 December 2007. The corresponding comparative amounts shown for the consolidated income statement, consolidated statement of changes in equity, consolidated cash flows and related notes cover the period of twelve months from 1 October 2005 to 30 September 2006 and therefore may not be comparable with amounts shown for the current period.

The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Subsidiaries and minority interests

Subsidiaries are entities over which the Company has the power to control the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

In addition, acquired subsidiaries are subject to application of the purchase method. This involves the revaluation at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their revalued amounts, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsidiaries and minority interests (Continued)

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and equity shareholders of the Company.

Where losses applicable to the minority interests exceed the minority interest in the equity of the subsidiaries, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority interests have a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

In the Company's balance sheet, subsidiaries are carried at cost less impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the balance sheet date.

Associates

Associates are those entities over which the Group is able to exert significant influence, but which are neither subsidiaries nor investment in a joint venture. Investment in associates is initially recognised at cost and subsequently accounted for using the equity method. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) or fair value adjustment attributable to the share in the associate identified on acquisition.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. The cumulative post- acquisition movements are adjusted against the carrying amount of the investment.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Associates (Continued)

When the Group's share of losses in an associate equals or exceeds its interest in the associate (including any other unsecured receivables), the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Goodwill

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

Capitalised goodwill arising on an acquisition of subsidiaries is presented separately in the consolidated balance sheet as an intangible asset.

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

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Additional interests in subsidiaries are measured at the carrying amounts of identified assets and liabilities of the subsidiary and any excess of the consideration over the book value of net assets attributable to the additional interest acquired are accounted for as goodwill.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

All property, plant and equipment are stated at acquisition cost less accumulated depreciation and impairment losses.

Depreciation is provided to write off the cost of property, plant and equipment less their residual value, being the net amount which the Group expects to obtain from disposal of an asset at the end of its useful life after deducting the expected cost of disposal, over their estimated useful lives, using the straight line method, at the following rates per annum:

Equipment and furniture	20%
Motor vehicles	20%
Network equipment	20%

Leasehold improvements are amortised over the remaining unexpired period of the lease or its estimated useful life to the Group, whichever is shorter. The principal annual rate used is 20%.

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

The gain or loss arising on disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible 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 recognised as an expense immediately.

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 recognised as income immediately.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets

Financial assets are recognised on their trade date. When financial assets are recognised initially, they are measured at fair value, plus in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method less impairment losses for bad and doubtful debts.

Trade and other receivables are provided against when objective evidence is received that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

Financial assets at fair value through profit or loss include financial assets held for trading to be carried at fair value through profit or loss on initial recognition. Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in income statement.

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 recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in the income statement. Any impairment losses on available-for-sale financial assets are recognised in the income statement. Impairment losses on available-for-sale equity investments will not reverse to the income statement in subsequent periods. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss. For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in the income statement when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

The consolidated financial statements are presented in Hong Kong dollars (HK$), which is also the functional currency of the Company.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the income statement.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rate prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of subsidiaries, originally presented in a currency different from the Group's presentation currency, have been converted into Hong Kong dollars. Assets and liabilities have been translated into Hong Kong dollars at the closing rates at the balance sheet date. Income and expenses have been converted into Hong Kong dollars at the average rates over the reporting period. Any differences arising from this procedure have been dealt with in the currency translation reserve in equity. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into Hong Kong dollars at the closing rates.

On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which related to that foreign operation is included in the calculation of the profit or loss on disposal.

Other exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

Income tax comprises current tax and deferred tax.

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand as well as short term highly liquid investments less bank overdrafts which are repayable on demand and form an integral part of Group's cash management.

Employee benefits

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using the binomial tree model, further details of which are given in note 25 to the financial statements. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period. The equity amount is recognised in the share option reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires/lapses (when it is released directly to retained profits).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits (Continued)

Pension schemes and other retirement benefits

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The contributions recognised in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognised if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short term nature.

Interest expenses related to pension obligation are included in "finance costs" in the income statement. All other pension related benefit expenses are included in "staff costs".

Short-term employee benefits are recognised for the number of paid leave days (usually holiday entitlement) remaining at the balance sheet date. They are included in current pension and other employee obligation at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

The Group operates a Mandatory Provident Fund scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group in funds under the control of independent trustees.

The employees of the Company's subsidiaries in the PRC participate in the state-managed retirement benefits schemes operated by the relevant local government authority in the PRC. The subsidiaries are required to make contribution to the retirement schemes at a certain percentage of the basic salaries of their employees.

Financial liabilities

The Group's financial liabilities include trade and other payables.

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest related charges are recognised as an expense in 'finance costs' in the income statement.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Warrant

A contract that will be settled by the Company delivering a fixed number of its own equity instrument in exchange of a fixed amount of cash or another financial asset is an equity instrument. Any consideration received from issue of warrant that is an equity instrument is added directly to warrant reserve. When the warrant is exercised, the warrant reserve is transferred to share capital and share premium as consideration for the shares issued.

Revenue recognition

Revenue comprises the fair value for the sale of goods and services, net of discounts and after elimination of sales within the Group. Revenue is recognised as follows:

Sale of goods is recognised on transfer of risks and rewards of ownership, which generally coincides with time when goods are delivered to customers and title has passed.

Services income is recognised in the accounting period in which the services are rendered, by reference to the completion of the specific transaction assessed on the basis of the actual services provided as a proportion of the total services to be provided.

Operating lease rental income is recognised on a straight-line basis over the lease period.

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

(a) Finance leases

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is recognised at the time of inception of the lease at the present value of the lease payments plus incidental payment, if any, to be borne by the lessee. A corresponding amount is recognised as a finance lease liability, irrespective of whether some of these lease payments are payable up-front at the date of inception of the lease.

Subsequent accounting for assets held under finance lease agreement, i.e. depreciation methods and useful lives, correspond to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance charges, which are expensed to finance costs.

(b) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Annual rentals applicable to such operating leases are charged to the income statement on a straight-line basis over the lease terms. Affiliated costs, such as maintenance and insurance, are expensed as incurred.

Segment reporting

In accordance with the Group's internal financial reporting the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

Unallocated costs represent corporate expenses. Segment assets consist primarily of goodwill, property, plant and equipment, receivables and operating cash. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings.

Capital expenditure comprises additions to intangible assets and property, plant and equipment, including additions resulting from acquisitions through purchases of subsidiaries.

In respect of geographical segment reporting, sales are based on the country in which the customer is located and total assets and capital expenditure are where the assets are located.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

All borrowing costs are recognised as expenses in the period in which they are incurred.

4. 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, liabilities and capital expenditure information for the Group's business segments.

4. SEGMENT INFORMATION (Continued)

Primary reporting format — business segments (Continued)

For the fifteen months ended 31 December 2007

	Information technology business HK$'000	General trading HK$'000	Corporate HK$'000	Inter-segment elimination HK$'000	Total HK$'000
Segment revenue:					
Sales to external customers	44,670	13,161	—	—	57,831
Inter-segment revenue	—	—	846	(846)	—
	44,670	13,161	846	(846)	57,831
Segment results	(3,467)	517	(23,973)	—	(26,923)
Other income					553
Bank interest income					3,247
Gain on disposal of an associate	12,129	—	—		12,129
Provision for impairment of goodwill	(115,600)	(12,400)	—		(128,000)
Provision for impairment of trade and other receivables	(2,316)	(2,072)	—		(4,388)
Loss on disposal of a subsidiary	(37)	—	—		(37)
Write off of property, plant and equipment	(3,609)	—	—		(3,609)
Share of profit of an associate	156	—	—		156
Finance costs	(37)	—	—		(37)
Loss before taxation					(146,909)
Taxation					(1,654)
Loss for the period					(148,563)
Segment assets	158,651	1,879	72,362		232,892
Segment liabilities	6,548	2,566	1,568		10,682
Other information					
Capital expenditure	160	—	1,619		1,779
Depreciation	768	6	162		936

4. SEGMENT INFORMATION (Continued)

Primary reporting format — business segments (Continued)

For the year ended 30 September 2006

	Information technology business HK$'000	Corporate HK$'000	Others HK$'000	Total HK$'000
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
Provision for impairment of property, plant and equipment	—	(2,000)	—	(2,000)
Provision for impairment of goodwill	(24,000)	—	—	(24,000)
Provision for impairment of trade and other receivables	(4,306)	—	(2,829)	(7,135)
Share of profit of an associate	3	—	—	3
Loss before taxation				(36,283)
Taxation				—
Loss for the year				(36,283)
Segment assets	8,579	73,420	—	81,999
Segment liabilities	6,035	3,566	—	9,601
Other information				
Capital expenditure	36	5,500	—	5,536
Depreciation	718	38	—	756

4. 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:

	1.10.2006 to 31.12.2007 HK$'000	1.10.2005 to 30.9.2006 HK$'000
Sales to external customers		
Hong Kong	**36,373**	6,371
PRC	**14,836**	20,254
Australia	**1,448**	—
USA	**5,174**	—
Others	**—**	183
	57,831	26,808

Over 90% of the Group's assets as at 31 December 2007 and 30 September 2006 and its capital expenditure for the period/year then ended were located or utilised in the PRC. Accordingly, geographical segment information in relation to the Group's assets and capital expenditure has not been presented.

5. TURNOVER AND REVENUE

The Company is an investment holding company.

The Group is principally engaged in the information technology business including the trading of information technology related hardware and software, provision of system integration services, facility management services and information technology infrastructure network development in the People's Republic of China ("the PRC") and Hong Kong. The Group is also engaged in trading of construction materials and mobile phones.

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

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

	1.10.2006 to 31.12.2007 HK$'000	1.10.2005 to 30.9.2006 HK$'000
Turnover		
Information technology business		
— Trading of hardware and software	**26,284**	18,819
— Provision of services	**18,387**	7,806
	44,671	26,625
General trading	**13,160**	183
	57,831	26,808
Other revenue		
Bank interest income	**3,247**	546
Claim obtained regarding the profit guarantee given by the guarantor on the profitability of a subsidiary previously acquired	**—**	5,000
Net gain/(loss) on disposal of financial assets at fair value through profit or loss	**257**	(84)
Others	**161**	65
Rental income	**135**	—
	3,800	5,527

6. FINANCE COSTS

	1.10.2006 to 31.12.2007 HK$'000	1.10.2005 to 30.9.2006 HK$'000
Interest on bank overdrafts	26	—
Interest charges on finance leases	11	—
	37	—

7. LOSS BEFORE TAXATION

	1.10.2006 to 31.12.2007 HK$'000	1.10.2005 to 30.9.2006 HK$'000
Loss before taxation is arrived at after charging:		
Auditors' remuneration	833	1,421
Professional fees	2,862	1,424
Cost of inventories recognised as expense		
— General trading	12,201	—
— Information technology business	25,641	22,287
	37,842	22,287
Depreciation		
— Owned assets	875	756
— Leased assets	61	—
Write off of property, plant and equipment	3,609	—
Exchange loss	325	—
Provision for impairment of goodwill	128,000	24,000
Provision for impairment of trade and other receivables	4,388	7,135
Loss on disposal of property, plant and equipment	228	—
Operating lease rentals — office premises	1,165	558
Staff costs (including directors' remuneration — note 11)		
— Salaries and allowances	6,090	6,063
— Retirement scheme contributions	292	280
— Equity settled share-based payment expenses	12,043	—

8. TAXATION

	1.10.2006 to 31.12.2007 HK$'000	1.10.2005 to 30.9.2006 HK$'000
Current tax:		
Hong Kong		
— charge for the period/year	**—**	—
PRC		
— charge for the period/year	**1,654**	—
	1,654	—

No Hong Kong Profits Tax has been provided in the financial statements as the Group has no estimated assessable profits for the period (2006: Nil).

The provision of PRC income tax is calculated based on the statutory rate of 33% of the assessable profit for those subsidiaries established in the PRC, as determined in accordance with the relevant income tax rules and regulations in the PRC (2006: Nil).

8. TAXATION (Continued)

The charge for the period/year can be reconciled to the loss per the income statement as follows:

	1.10.2006 to 31.12.2007 HK$'000	1.10.2005 to 30.9.2006 HK$'000
Loss before taxation	(146,909)	(36,283)
Tax at the applicable income tax rate	(24,518)	(6,330)
Tax effect of expenses not deductible for tax purposes	28,516	6,444
Tax effect of income not taxable for tax purposes	(5,128)	(3,541)
Tax allowance for capital expenditure	(94)	—
Tax effect of tax losses not recognised	1,860	3,541
Tax losses carried forward	1,268	—
Utilisation of tax losses not previously recognised	(250)	(157)
Tax effect on temporary differences not recognised	—	43
Taxation charge	1,654	—

No deferred tax asset has been recognised in the financial statements as it is uncertain such an asset will crystallise in the foreseeable future (2006: Nil).

8. TAXATION (Continued)

Detail of the unprovided deferred tax assets at 31 December 2007 are as follows:

	Group	
	31.12.2007	30.9.2006
	HK$'000	HK$'000
Shortfall of tax allowances over accounting depreciation	**231**	26
Estimated taxation losses carried forward	**(9,877)**	(10,366)
	(9,646)	(10,340)

9. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated loss attributable to equity holders includes a loss of HK$25,984,000 (2006: HK$4,824,000) which has been dealt with in the financial statements of the Company.

10. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of HK$151,480,000 (2006: HK$35,926,000) and the weighted average of 1,107,471,000 (2006 (restated): weighted average of 602,124,000) ordinary shares in issue during the period/year, calculated as follows:

	31.12.2007	30.9.2006
	'000	'000
		(restated)
Issued ordinary shares at beginning of period/year	**725,000**	575,000
Effect of warrants exercised	**60,328**	—
Effect of share options exercised	**43,675**	—
Issue of shares for acquisition of subsidiaries	**162,029**	27,124
Issue of shares for cash	**116,439**	—
Weighted average number of ordinary share at end of period/year	**1,107,471**	602,124

The calculation of diluted loss per share for current period/year is based on the Group's loss attributable to equity holders for the period/year of HK$151,480,000 (2006: HK$35,926,000) and the weighted average of 1,172,463,000 (2006 (restated): weighted average of 610,315,000) ordinary shares outstanding during the period/year, adjusted for the effects of all dilutive potential shares.

10. LOSS PER SHARE (Continued)

	2007 '000	2006 '000 (restated)
Weighted average number of ordinary shares at 31 December/30 September	**1,107,471**	602,124
Effect of deemed issue of shares attributable to the Company's instrument of warrants	**40,840**	8,191
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	**24,152**	—
Weighted average number of ordinary shares (diluted) at 31 December/30 September	**1,172,463**	610,315

The weighted average number of ordinary shares adopted in the calculation of the basic and diluted loss per share for the period/year has been adjusted to reflect the impact of the share consolidation effected subsequent to the balance sheet date.

11. DIRECTORS' REMUNERATION

Directors' remuneration for the period/year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

For the fifteen months ended 31 December 2007

	Fee HK$'000	Salaries and allowances HK$'000	Retirement scheme contributions HK$'000	Share-based payments HK$'000	Total HK$'000
Executive directors					
Mr. Lam Shu Chung[1]	—	161	4	—	165
Mr. Li Chun Tak	—	61	2	—	63
Mr. Lo Chi Fai[2]	—	9	—	—	9
Mr. Tai King Foon[3]	—	146	7	—	153
Mr. Too Shu Wing[4]	—	386	14	—	400
Mr. Wong Hin Shek	—	70	2	—	72
Mr. Wong Kam Fat, Tony[5]	—	115	4	—	119
Mr. Yan Wah Tat[6]	—	268	11	—	279
Mr. Yip Kwan, Ben	—	271	5	3,335	3,611
	—	1,487	49	3,335	4,871
Non-executive directors					
Mr. Lee Man Fa[7]	86	—	2	—	88
Mr. Wong Kam Fat, Tony	54	—	2	3,335	3,391
	140	—	4	3,335	3,479
Independent non-executive directors					
Mr. Au Tin Fung	33	—	—	333	366
Mr. Chan Chun Wai	33	—	—	333	366
Mr. Chan Wai Ming[4]	109	—	—	—	109
Mr. Liu Kwok Wah[8]	87	—	—	—	87
Mr. Tsui Pak Hang[9]	120	—	—	—	120
Ms. So Wai Yee, Betty	12	—	—	—	12
	394	—	—	666	1,060
	534	1,487	53	7,336	9,410

11. DIRECTORS' REMUNERATION (Continued)

[1] Resigned on 29 October 2007
[2] Resigned on 10 November 2006
[3] Resigned on 23 July 2007
[4] Resigned on 19 November 2007
[5] Resigned on 7 November 2007
[6] Resigned on 12 September 2007
[7] Resigned on 25 May 2007
[8] Resigned on 27 August 2007
[9] Resigned on 15 January 2008

For the year ended 30 September 2006

	Fee HK$'000	Salaries and allowances HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive directors				
Mr. Kwok Ming Fai	165	—	3	168
Mr. Tai King Foon	225	—	10	235
Mr. Yan Wa Tat	300	—	12	312
Mr. Too Shu Wing	42	—	2	44
Mr. Lo Chi Fai	39	—	2	41
	771	—	29	800
Non executive director				
Mr. Lee Man Fa	340	—	12	352
Independent non executive directors				
Mr. Liu Kwok Wah	96	—	—	96
Mr. Leung Sai Cheong	87	—	—	87
Mr. Wong Chi Chung	87	—	—	87
Mr. Tsui Pak Hang	13	—	—	13
Mr. Chan Wai Ming	13	—	—	13
	296	—	—	296
	1,407	—	41	1,448

11. DIRECTORS' REMUNERATION (Continued)

The above emoluments for the period ended 31 December 2007 include value of share options granted to certain directors under the company's share option scheme as estimated at the date of grant. The details of these benefits in kind are disclosed note 25.

There was no arrangement under which a director waived or agreed to waive any remuneration during the period/year.

12. FIVE HIGHEST PAID EMPLOYEES

Among the five highest paid individuals of the Group, two (2006: one) were directors of the Company. The remaining three (2006: four) highest paid individuals were management of the Group. The aggregate amount of the remuneration of these individuals which has not been disclosed in the directors' remuneration above is as follows:

	1.10.2006 to 31.12.2007 HK$'000	1.10.2005 to 30.9.2006 HK$'000
Basic salaries, other allowances and benefits in kind	**729**	2,065
Discretionary bonus	**167**	49
Retirement scheme contributions	**26**	40
Share-based payments	**3,662**	—
	4,584	2,154

The number of the above individuals whose remuneration fall within the following bands is as follows:

	2007	2006
Nil — HK$1,000,000	**—**	4
HK$1,000,000 — HK$1,500,000	**1**	—
HK$1,500,000 — HK$2,000,000	**2**	—
	3	4

During the period, no emoluments were paid to the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office (2006: Nil).

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Equipment and furniture HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Network equipment HK$'000	Total HK$'000
COST					
At 1 October 2005	927	37	1,444	38	2,446
Acquisition of subsidiaries	566	—	109	—	675
Additions	36	—	—	5,500	5,536
Disposal of subsidiaries	—	—	(1,444)	(38)	(1,482)
Exchange adjustments	85	2	—	—	87
At 30 September 2006	1,614	39	109	5,500	7,262
Acquisition of subsidiaries	1,446	—	562	—	2,008
Additions	329	803	647	—	1,779
Disposal	(786)	(46)	(115)	—	(947)
Write-off	(229)	—	—	(5,500)	(5,729)
Exchange adjustments	148	7	6	—	161
At 31 December 2007	2,522	803	1,209	—	4,534
DEPRECIATION AND IMPAIRMENT LOSS					
At 1 October 2005	152	8	217	5	382
Charge for the year	423	8	317	8	756
Eliminated on disposal of subsidiaries	—	—	(505)	(13)	(518)
Impairment loss	—	—	—	2,000	2,000
Exchange adjustments	5	—	—	—	5
At 30 September 2006	580	16	29	2,000	2,625
Charge for the period	762	9	165	—	936
Eliminated on disposal	(393)	(32)	(31)	—	(456)
Eliminated on write-off	(120)	—	—	(2,000)	(2,120)
Exchange adjustments	61	7	2	—	70
At 31 December 2007	890	—	165	—	1,055
NET BOOK VALUE					
At 31 December 2007	1,632	803	1,044	—	3,479
At 30 September 2006	1,034	23	80	3,500	4,637

At 31 December 2007, the net book value of equipment and furniture held under finance lease of the group was HK$162,000 (2006: Nil).

14. GOODWILL

	HK$'000
COST	
At 1 October 2005	51,761
Acquisition of subsidiaries	62,222
Eliminated on disposal of a subsidiary	(13,430)
At 30 September 2006	100,553
Acquisition of subsidiaries	104,283
Eliminated on disposal of a subsidiary	(854)
At 31 December 2007	203,982
IMPAIRMENT LOSS	
At 1 October 2005	51,761
Impairment loss recognised	24,000
Eliminated on disposal of a subsidiary	(13,430)
At 30 September 2006	62,331
Impairment loss recognised	128,000
Eliminated on disposal of a subsidiary	(854)
At 31 December 2007	189,477
CARRYING AMOUNTS	
At 31 December 2007	14,505
At 30 September 2006	38,222

NOTES TO THE FINANCIAL STATEMENTS

For the fifteen months ended 31 December 2007

14. GOODWILL (Continued)

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the group's cash-generating units identified according to country of operation and business segment as follows:

	31.12.2007	30.9.2006
	HK$'000	HK$'000
Information technology business	**12,087**	38,222
General trading	**2,418**	—
	14,505	38,222

(a) The recoverable amount for the cash-generating unit in relation to information technology business was determined based on value-in-use calculations, covering a three-year budget plan, followed by an extrapolation of expected cash flows at the growth rate from 1.2% to 3.6% with the discount rate of 10%.

(b) The recoverable amount for the cash-generating unit in relation to general trading was determined based on value-in-use calculations, covering a three-year budget plan, followed by an extrapolation of expected cash flows at the growth rate from 0.12% to 1.2% with the discount rate of 10%.

The Group management had made the provision for impairment of goodwill which mainly caused by the lacking of optimal economies of scale in internet technologies section, delay on the implementation of the business plan of the Group due to the changes in PRC business environment and repositioning of the Group in the PRC market in order to remain competitiveness. Also, the Group's internet technology division is still under the development stage.

The Group management's key assumptions have been determined based on past performance and their expectations for the market development. The discount rate used in pre-tax and reflects specific risks relating to the relevant cash-generating unit.

Apart from the considerations described above in determining the value-in-use of the cash generating unit, the Group's management are not currently aware of any other probable changes that would necessitate changes in their key assumptions.

The impairment loss recognised during the period is related to the Group's internet technologies activities and general trading based in Hong Kong and the PRC. As the cash-generating units have been reduced to its recoverable amounts, any adverse change in the assumptions used in the calculation of recoverable amount would cause the carrying value to be less than the recoverable amounts.

15. INTERESTS IN SUBSIDIARIES

	31.12.2007 HK$'000	30.9.2006 HK$'000
Unlisted shares, at cost	42,802	42,800
Less: Impairment loss	(35,708)	(35,708)
	7,094	7,092
Amounts due from subsidiaries	354,091	137,687
Less: Impairment loss	—	—
	354,091	137,687
Less: Amounts due to subsidiaries	(5,926)	(4,766)
	348,165	132,921

The amounts due from/(to) subsidiaries are unsecured, interest free and are repayable on demand. The carrying amounts of the amounts due from/(to) subsidiaries are approximate to their fair values.

NOTES TO THE FINANCIAL STATEMENTS

For the fifteen months ended 31 December 2007

15. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the subsidiaries at 31 December 2007 are as follows:

Name	Country/Place of incorporation/ establishment and operation	Issued/Registered capital	Attributable equity interests held by the Company		Principal activities
			Direct	Indirect	
Richy Spring International Limited	British Virgin Islands ("BVI")	US$100 Ordinary shares	100%	—	Investment holding
Shum Sum Limited	Hong Kong	HK$1 Ordinary share	100%	—	Investment holding
Grand Eternity Limited	Hong Kong	HK$1 Ordinary share	100%	—	Securities Investment
Star Excel Management Limited	BVI	US$100 Ordinary shares	100%	—	Investment holding
Fortress Ocean Limited	BVI	US$1,000 Ordinary shares	100%	—	Investment holding
Appraise Asia Investments Limited	BVI	US$1 Ordinary share	100%	—	Investment holding
Open Challenge Group Limited	BVI	US$1 Ordinary share	100%	—	Investment holding
Chinaway Network Technology Limited	Hong Kong	HK$4,000,000 Ordinary shares	—	100%	Trading of construction materials
Excel Star Technology Limited	BVI	US$1 Ordinary share	—	100%	Investment holding
Wider Development Limited	Hong Kong	HK$1 Ordinary share	—	100%	Provision of administrative and management services
Sunplan Technology Limited	Samoa	US$1 Ordinary share	—	100%	Inactive

15. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the subsidiaries at 31 December 2007 are as follows:

Name	Country/Place of incorporation/ establishment and operation	Issued/Registered capital	Attributable equity interests held by the Company		Principal activities
			Direct	Indirect	
Joy Century Holding Limited	Samoa	US$1 Ordinary share	—	100%	Investment holding
SLS Investments Limited	BVI	US$10,000 Ordinary shares	—	100%	Investment holding
Gala Success (Asia) Limited	Hong Kong	HK$10,000 Ordinary shares	—	100%	Investment holding and trading of computer components
Beijing Woda Taifeng Consultation Co. Ltd.	PRC	RMB1,500,000 Registered capital	—	89%	Provision of integration of consulting services
Beijing Tianxun Shitong Technology Development Limited	PRC	RMB1,000,000 Registered capital	—	62.3%	Investment holding
Golden Portal Holdings Limited	BVI	US$100 Ordinary shares	—	100%	Investment holding
Bartech (Hong Kong) Company Limited	Hong Kong	HK$1 Ordinary share	—	100%	Provision of administrative and management services
Capital Access Limited	BVI	US$1 Ordinary share	—	100%	Investment holding
Bartech (International) Information Network Limited #	Hong Kong	HK$10,000,000 Ordinary shares	—	70%	Provision of on-line information services
Kingsun International Trading Limited	BVI	US$1 Ordinary share	—	100%	Inactive

15. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the subsidiaries at 31 December 2007 are as follows:

Name	Country/Place of incorporation/ establishment and operation	Issued/Registered capital	Attributable equity interests held by the Company Direct	Indirect	Principal activities
China Rainbow Technology Limited *	BVI	US$1 Ordinary share	—	100%	Inactive
Successful Link International Limited	BVI	US$1 Ordinary share	—	100%	Investment holding
Envision Link Limited *	BVI	US$1 Ordinary share	—	100%	Trading of mobile phones and other telecommunications equipment
Digiworld Network Limited *	Hong Kong	HK$1,000,010 Ordinary shares	—	80%	Trading of computer components and the operation of internet protocol television platform
Global Great Development Limited *	Hong Kong	HK$1 Ordinary share	—	100%	Trading of computer components and the operation of the VoIP services
Interactive Broadband Services Limited *	Hong Kong	HK$10,000 Ordinary shares	—	100%	Provision of telecommunication services and trading of computer components
領峰環球信息科技(北京)有限公司 *	PRC	HK$1,500,000 Registered capital	—	100%	Provision of telecommunication services

* Subsidiaries acquired during the period.

\# Not audited by Morison Heng or other member firm of Morison International.

16. INTEREST IN AN ASSOCIATE

	Group	
	31.12.2007	30.9.2006
	HK$'000	HK$'000
Share of net assets	—	6,194

Particulars of the associate as are as follows:

Name	Form of business structure	Place of incorporation	Issued/ Registered capital	Attributable equity interests held by the Company Direct	Indirect	Principal activities
北京市海澱區有綫廣播電視網絡資訊有限公司 ("Beijing Haidian")	Corporation	PRC	RMB30,000,000	—	40%	Provision and development of broadband network services

On 12 December 2007, the Group's entire 40% of equity interest in Beijing Haidian was disposed of.

Summary of the financial information on the associate:

	31.12.2007	30.9.2006
	HK$'000	HK$'000
Assets	—	48,288
Liabilities	—	32,803
Revenue	—	2,353
Profit for the period/year	—	7

17. AVAILABLE-FOR-SALE INVESTMENTS

	31.12.2007 HK$'000	30.9.2006 HK$'000
Listed investments:		
— equity securities listed in Hong Kong, at fair value	27,583	—

The fair value of the listed equity securities are based on quoted market bid prices available on the Stock Exchange.

Details of the investments disclosed in pursuant to S129(2) of the Company Ordinance, of which the amount of the Group's investment exceeds 10% of the total assets of the Group are as follows:

Name of company	Place of incorporation	Principal activities	Percentage of holding
PME Group Limited	Cayman Islands	Investment holding	1.53%

18. TRADE RECEIVABLES, OTHER RECEIVABLES AND DEPOSITS

Group	31.12.2007 HK$'000	30.9.2006 HK$'000
Trade receivables (note 1)	13,344	10,135
Less: Allowance for doubtful debts (note 2)	(6,524)	(4,306)
Trade receivables — net	6,820	5,829
Other receivables	16,144	6,508
Less: Allowance for doubtful debts	(4,999)	(2,829)
Other receivables — net	11,145	3,679
Prepayments and deposits	1,126	527
	19,091	10,035

18. TRADE RECEIVABLES, OTHER RECEIVABLES AND DEPOSITS (Continued)

Group (Continued)

Notes:

1. As at 31 December 2007, the ageing analysis of the trade receivables net of allowance for doubtful debts was as follows:

	31.12.2007 HK$'000	30.9.2006 HK$'000
0-30 days	**4,097**	3,311
31-60 days	**205**	2
61-90 days	**204**	1
91-180 days	**568**	—
181-365 days	**1,746**	153
Over 365 days	**—**	2,362
	6,820	5,829

2. The movement in the allowance for doubtful debts during the period/year is as follows:

	31.12.2007 HK$'000	30.9.2006 HK$'000
At beginning of period/year	**4,306**	—
Impairment loss recognised	**2,218**	4,306
At end of period/year	**6,524**	4,306

Company

	31.12.2007 HK$'000	30.9.2006 HK$'000
Other receivables	**701**	730
Less: Allowance for doubtful debts	**(687)**	(687)
Other receivables — net	**14**	43

19. PLEDGED DEPOSITS

	Group		Company	
	31.12.2007	30.9.2006	**31.12.2007**	30.9.2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank deposits	**15,021**	—	**15,021**	—

The Group's bank deposits were pledged for general banking facilities granted to the Group. The carrying amounts of the pledged deposits approximate to their fair values.

20. BANK BALANCES AND CASH

Bank balances and cash include the following components:

	Group		Company	
	31.12.2007	30.9.2006	**31.12.2007**	30.9.2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at banks and in hand	**53,054**	2,350	**2,881**	14,342
Short-term bank deposits	**65,159**	15,597	**53,159**	—
	118,213	17,947	**56,040**	14,342

Cash at banks earns interest at floating rates based on daily bank deposit rates. The carrying amounts of the cash at banks approximate to their fair values.

The effective interest rate of short-term bank deposits of the Group is ranging from 1.55% to 3.31% (2006: 3.3%). They have a maturity of three to seven (2006: thirty) days and are available for immediate withdrawal without receiving any interest for the last deposit period.

Included in cash at banks is an amount of approximately HK$9,658,000 (2006: HK$616,000), representing Renminbi deposits placed with banks in the PRC. The remittance of these funds out of the PRC is subject to the exchange control restrictions imposed by the PRC government.

21. TRADE AND OTHER PAYABLES

Group

	31.12.2007 HK$'000	30.9.2006 HK$'000
Trade payables	**867**	2,302
Accruals and other payables	**6,950**	7,299
	7,817	9,601

As at 31 December 2007, the ageing analysis of the trade payables was as follows:

	31.12.2007 HK$'000	30.9.2006 HK$'000
0-30 days	**352**	1,984
31-60 days	**366**	105
61-90 days	**11**	10
91-180 days	**5**	15
181-365 days	**—**	15
Over 365 days	**133**	173
	867	2,302

Company

	31.12.2007 HK$'000	30.9.2006 HK$'000
Accruals and other payable	**697**	1,636

22. OBLIGATION UNDER FINANCE LEASE

At 31 December 2007, the Group had obligation under finance lease repayable as follows:

	Minimum lease payments		Present value of minimum lease payments	
	31.12.2007 HK$'000	30.9.2006 HK$'000	**31.12.2007 HK$'000**	30.9.2006 HK$'000
Within one year	**88**	—	**85**	—
Less: Future finance charges	**(3)**	—	**—**	—
	85	—	**85**	—

The Group's obligation under finance lease is secured by the lessor's charge over the leased assets.

23. SHARE CAPITAL

	Period ended 31.12.2007 Number of shares	**HK$'000**	Year ended 30.9.2006 Number of shares	HK$'000
Authorised:				
Ordinary shares of HK$0.10 each	**5,000,000,000**	**500,000**	5,000,000,000	500,000

23. SHARE CAPITAL (Continued)

	Number of shares	HK$'000
Issued and fully paid:		
As at 1 October 2005	1,150,000,000	115,000
Issue of shares for acquisition of a subsidiary	300,000,000	30,000
At as 30 September 2006	1,450,000,000	145,000
Issue of shares for acquisition of subsidiaries (note i)	558,000,000	55,800
Issue of shares by placements (note ii)	589,000,000	58,900
Issue of shares upon exercise of warrants (note iii)	408,000,000	40,800
Issue of shares upon exercise of share options (note iv)	206,570,000	20,657
At as 31 December 2007	3,211,570,000	321,157

Notes:

(i) On 22 December 2006, an agreement was entered into between Joy Century Holding Limited ("Joy Century"), a wholly owned subsidiary of the Company, with certain independent third parties, pursuant to which Joy Century agreed to acquire 80% of the issued share capital of Digiworld Network Limited which is previously known as Digisat Network Limited, at a total consideration of HK$35,800,000, which was satisfied by issue and allotment of 358,000,000 new shares in the Company at an issue price of HK$0.1 per share, credited as fully paid at par. On 14 March 2007, 358,000,000 new shares of HK$0.10 each in the Company were issued at a price of HK$0.105 per share, being the bid price of the Company's share as quoted on the Stock Exchange on 14 March 2007.

On 10 May 2007, an agreement was entered into between Joy Century with certain independent third parties, pursuant to which Joy Century agreed to acquire the entire issued share capital of Interactive Broadband Services Limited at a total consideration of HK$32,800,000, which was satisfied by issue and allotment of 200,000,000 new shares in the Company at an issue price of HK$0.164 per share, credited as fully paid at par. On 30 May 2007, 200,000,000 new shares of HK$0.10 each in the Company were issued at a price of HK$0.227 per share, being the bid price of the Company's share as quoted on the Stock Exchange on 30 May 2007.

23. SHARE CAPITAL (Continued)

Notes: (Continued)

(ii) On 13 March 2007, the Company entered into the shares subscription agreement with Rainbow Bridge Group Limited ("Rainbow"), a company incorporated in the British Virgin Islands with limited liability. An aggregate of 50,000,000 shares at a price of HK$0.10 per share were allotted and issued to Rainbow. The subscription agreement was completed on 23 March 2007.

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

On 16 July 2007, the Company entered into the placing agreement with Grand Vinco Capital Limited as the placing agent ("Grand Vinco"). Pursuant to which, Grand Vinco 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 30 July 2007. An aggregate of 469,000,000 shares at a price of HK$0.235 per share were allotted and issued to the Placees.

(iii) During the fifteen months ended 31 December 2007, warrants were exercised to subscribe for 408,000,000 (2006: Nil) ordinary shares in the Company at a consideration of HK$49,712,000 (2006: Nil) of which HK$40,800,000 (2006: Nil) was credited to share capital and the balance of HK$8,912,000 (2006: HK$5,989,000) was credited to share premium.

(iv) During the fifteen months ended 31 December 2007, share options were exercised to subscribe for 206,570,000 (2006: Nil) ordinary shares in the Company at a consideration of HK$27,353,000 (2006: Nil) of which HK$20,657,000 (2006: Nil) was credited to share capital and the balance of HK$6,696,000 (2006: HK$5,989,000) was credited to share premium.

(v) Terms of unexpired and unexercised share options at balance sheet date are as follows:

Exercise period	Exercise price	**31.12.2007 Number**	30.9.2006 Number
3 September 2007 to 2 September 2017	HK$0.255	**102,604,000**	—

Each option entitles the holders to subscribe for one ordinary share in the Company. Further details of these options are set out in note 25 to the consolidation financial statements.

24. WARRANTS

	31.12.2007 '000	30.9.2006 '000
Outstanding at beginning of period/year	**230,000**	—
Issued during the period/year (notes (i) & (ii))	**178,000**	230,000
Exercised during the period/year	**(408,000)**	—
Outstanding at end of period/year	**—**	230,000

Notes:

(i) The Company entered into a warrant placing agreement on 3 April 2007 with an independent investor in relation to a private placing of 130,000,000 non-listed warrants to be issued by the Company at the issue price of HK$0.016 per warrant. The warrant conferring the right to the subscriber to subscribe for the new shares at an initial exercise price of HK$0.156 per new share for a period of two years commencing from the date of issuance of the warrants. On 20 April 2007, the 130,000,000 non-listed warrants were issued at HK$0.016 per warrant.

(ii) The Company entered into a warrant placing agreement on 3 April 2007 with an independent investor in relation to a private placing of 48,000,000 non-listed warrants to be issued by the Company at the issue price of HK$0.016 per warrant. 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 one year commencing from the date of issuance of the warrants. On 18 April 2007, the 48,000,000 non-listed warrants were issued at HK$0.016 per warrant.

25. EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company had adopted a share option scheme on 12 June 2002 whereby the directors of the Company are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up options at nil consideration to subscribe for shares of the Company. The options vest immediately from the date of grant and are then exercisable within a period of ten years. Each option gives the holder the right to subscribe for one ordinary share in the Company.

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For the fifteen months ended 31 December 2007

25. EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

(a) The terms and conditions of the grants that existed during the period are as follows, whereby all options are settled by physical delivery of shares:

	Number of instruments '000	Vesting conditions	Contractual life of options
Options granted to directors:			
— on 2 October 2006	49,300	Immediately from the date of grant	10 years
— on 12 April 2007	14,940	Immediately from the date of grant	10 years
— on 3 September 2007	90,916	Immediately from the date of grant	10 years
Options granted to employees:			
— on 2 October 2006	14,500	Immediately from the date of grant	10 years
— on 17 October 2006	50,700	Immediately from the date of grant	10 years
— on 12 April 2007	48,720	Immediately from the date of grant	10 years
— on 3 September 2007	40,100	Immediately from the date of grant	10 years
Total share options	309,176		

(b) The number and weighted average exercise prices of share options are as follows:

	31.12.2007		30.9.2006	
	Weighted average exercise price	**Number of option '000**	Weighted average exercise price	Number of option '000
Outstanding at the beginning of the period/year	**—**	**—**	—	—
Granted during the period/year	**HK$0.173**	**309,176**	—	—
Forfeited during the period/year	**HK$0.1**	**(2)**	—	—
Exercised during the period/year	**HK$0.132**	**(206,570)**	—	—
Outstanding at the end of the period/year	**HK$0.255**	**102,604**	—	—

25. EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

(b) (Continued)

The weighted average share price at the date of exercise for shares options exercised during the period was HK$0.212 (2006: Nil).

The options outstanding at 31 December 2007 had an exercise price of HK$0.255 (2006: Nil) and a weighted average remaining contractual life of 9.67 years (2006: Nil).

(c) Fair value of share options and assumptions

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on binomial tree model. The contractual life of the option is used as an input into this model. Expectations of early exercise are incorporated into the binomial tree model.

	3.9.2007
Fair value at measurement date	**HK$0.117**
Share price	**HK$0.255**
Exercise price	**HK$0.255**
Expected volatility	**84%**
Option life	**2.1 years**
Expected dividends	**0%**
Risk free interest rate	**4.46%**

The expected volatility is based on the historical volatility. Expected dividends are based on historical dividends. Changes in the subjective input assumption could materially affect the fair value estimate.

26. RESERVES

Group

	Share Premium	Warrant reserve	OTHER RESERVES Merger reserve (Note a)	Share-based compensation reserve	Translation reserve	Investment valuation reserve	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 1 October 2005	9,374	—	8,390	—	—	—	17,764
Warrants issued	—	2,300	—	—	—	—	2,300
Exchange differences arising on translation of foreign operations	—	—	—	—	152	—	152
As at 30 September 2006	9,374	2,300	8,390	—	152	—	20,216
Change in fair value of available-for-sale investments	—	—	—	—	—	(1,814)	(1,814)
Warrants issued (note 24)	—	2,848	—	—	—	—	2,848
Exercise of share options (note 23(iv))	6,696	—	—	—	—	—	6,696
Exercise of warrants (note 23(iii))	14,060	(5,148)	—	—	—	—	8,912
Equity settled share-based payment transactions (note 25)	—	—	—	12,043	—	—	12,043
Premium arising on issue of shares (notes 23(i) & (ii))	93,305	—	—	—	—	—	93,305
Share issue expenses	(1,102)	—	—	—	—	—	(1,102)
Reserves transferred upon disposal of subsidiaries	—	—	—	—	367	—	367
Exchange differences arising on translation of foreign operations	—	—	—	—	219	—	219
As at 31 December 2007	122,333	—	8,390	12,043	738	(1,814)	141,690

26. RESERVES (Continued)

Company

			OTHER RESERVES			
	Share Premium	Warrant reserve	Contributed surplus (Note b)	Share-based compensation reserve	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 1 October 2005	9,374	—	27,210	—	(26,298)	10,286
Warrants issued	—	2,300	—	—	—	2,300
Loss for the year	—	—	—	—	(4,824)	(4,824)
As at 30 September 2006	9,374	2,300	27,210	—	(31,122)	7,762
Warrants issued (note 24)	—	2,848	—	—	—	2,848
Exercise of share options (note 23(iv))	6,696	—	—	—	—	6,696
Exercise of warrants (note 23(iii))	14,060	(5,148)	—	—	—	8,912
Equity settled share-based payment transactions (note 25)	—	—	—	12,043	—	12,043
Premium arising on issue of shares (notes 23 (i) & (ii))	93,305	—	—	—	—	93,305
Share issue expenses	(1,102)	—	—	—	—	(1,102)
Loss for the period	—	—	—	—	(25,984)	(25,984)
As at 31 December 2007	122,333	—	27,210	12,043	(57,106)	104,480

Notes:

(a) Merger reserve of the Group represents the difference between the aggregate of the nominal value of the ordinary shares of the subsidiaries acquired and the nominal value of the ordinary shares of the Company issued pursuant to the Group reorganisation.

(b) Contributed surplus of the Company represents the difference between the nominal value of the ordinary shares of the Company issued in a share for share exchange and the fair value of the aggregate net assets of the subsidiaries acquired.

Under the Bermuda Companies Act 1981, contributed surplus of the Company is available for distribution, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if (i) it is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) 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.

As at 31 December 2007 and 30 September 2006, no reserve of the Company was made available for distribution as the aggregate of the contributed surplus and the accumulated losses are in debit balance.

27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Disposal of a subsidiary

During the period, the Group disposed of its entire interests in Far Wealth Investment Limited at a consideration of HK$915,000. The net assets of the disposed subsidiary at the date of disposal are summarised as follows:

	31.12.2007 HK$'000	30.9.2006 HK$'000
Net assets disposed of:		
Property, plant and equipment	—	964
Investment in an associate	952	—
Trade receivables, other receivables and deposits	—	670
Bank balances and cash	—	50
Trade and other payables	—	(1,034)
	952	650
Loss on disposal	(37)	—
Consideration	915	650
Satisfied by cash	915	650

Analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	31.12.2007 HK$'000	30.9.2006 HK$'000
Cash consideration received	915	650
Cash at bank disposed of	—	(50)
Net inflow of cash in respect of the disposal of subsidiaries	915	600

27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(a) Disposal of a subsidiary (Continued)

The business sold during the period/year contributed HK$553,000 (2006: HK$132,000) to the Group's revenue and profit of HK$476,000 (2006: loss of HK$849,000) to the consolidated loss for the period/year.

The business sold during the period/year contributed net operating cash outflow of HK$297,000 (2006: inflow of HK$47,000) to the Group's net operating cash outflow.

(b) Acquisition of subsidiaries

(i) On 23 April 2007, the Group acquired 80% of the issued share capital of Digiworld Network Limited which is previously known as Digisat Network Limited, from the independent third party at the total cost of acquisition HK$37,590,000, of which 358,000,000 new shares in the Company were issued at HK$0.105 per share during the period.

The acquired businesses contributed revenue of HK$7,341,000 and net loss of HK$1,171,000 to the Group from the date of acquisition to 31 December 2007.

The identifiable assets and liabilities, stating at the fair value and net carrying amount, arising from the acquisition are as follows:

	31.12.2007 HK$'000
Property, plant and equipment	1,986
Inventories	175
Trade receivables, other receivables and deposits	222
Bank balances and cash	39
Trade and other payables	(650)
Obligation under finance lease	(198)
Net identifiable assets	1,574
Minority interests	(315)
Net identifiable assets acquired	1,259
Goodwill on acquisition (note 14)	36,331
Total cost of acquisition	37,590
Satisfied by	
Fair value of shares issued during the period	37,590

The fair value of the shares issued was based on quoted market bid prices available on the Stock Exchange.

NOTES TO THE FINANCIAL STATEMENTS

For the fifteen months ended 31 December 2007

27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Acquisition of subsidiaries (Continued)

(ii) On 30 April 2007 and 9 November 2007, the Group acquired the entire equity interests in Envision Link Limited and China Rainbow Technology Limited from the independent third parties at the total cost of acquisition of HK$2,700,000 and HK$6,500,000 respectively, of which HK$4,700,000 by cash has been paid during the period and HK$4,500,000 by cash has been paid last year.

The acquired businesses contributed revenue of HK$5,174,000 and net profit of HK$133,000 to the Group from the date of acquisition to 31 December 2007.

The identifiable assets and liabilities, stating at the fair value and net carrying amount, arising from the acquisition are as follows:

	31.12.2007 HK$'000
Trade receivables, other receivables and deposits	32
Bank balances and cash	1
Trade and other payables	(69)
Net identifiable liabilities acquired	(36)
Goodwill on acquisition (note 14)	9,236
Total cost of acquisition	9,200
Satisfied by	
Cash paid during the period	4,700
Cash paid last year	4,500
	9,200

27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) **Acquisition of subsidiaries** (Continued)

(iii) On 30 May 2007, the Group acquired the entire equity interests in Global Great Development Limited from the independent third party at the total cost of acquisition HK$12,024,000 which has been fully paid during the period.

The acquired businesses contributed revenue of HK$5,688,000 and net loss of HK$1,904,000 to the Group from the date of acquisition to 31 December 2007.

The identifiable assets and liabilities, stating at the fair value and net carrying amount, arising from the acquisition are as follows:

	31.12.2007 HK$'000
Property, plant and equipment	19
Trade receivables, other receivables and deposits	2,207
Bank balances and cash	19
Trade and other payables	(2,961)
Net identifiable liabilities acquired	(716)
Goodwill on acquisition (note 14)	12,740
Total cost of acquisition	12,024
Satisfied by	
Cash paid during the period	12,024

27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Acquisition of subsidiaries (Continued)

(iv) On 2 June 2007, the Group acquired the entire equity interests in Interactive Broadband Services Limited from the independent third party at the total cost of acquisition HK$45,466,000, of which HK$66,000 by cash has been paid during the period and 200,000,000 new shares in the Company were issued at HK$0.227 per share during the period.

The acquired businesses contributed revenue of HK$3,150,000 and net loss of HK$178,000 to the Group from the date of acquisition to 31 December 2007.

The identifiable assets and liabilities, stating at the fair value and net carrying amount, arising from the acquisition are as follows:

	31.12.2007 HK$'000
Property, plant and equipment	3
Trade receivables, other receivables and deposits	1,059
Bank balances and cash	19
Trade and other payables	(1,591)
Net identifiable liabilities acquired	(510)
Goodwill on acquisition (note 14)	45,976
Total cost of acquisition	45,466
Satisfied by	
Fair value of shares issued during the period	45,400
Cash paid during the period	66
	45,466

The fair value of the shares issued was based on quoted market bid prices available on the Stock Exchange.

27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Acquisition of subsidiaries (Continued)

(vi) On 1 October 2005 and 27 July 2006, the Group acquired the entire equity interests in Golden Portal Holdings Limited and SLS Investments Limited from the independent third parties at the total cost of acquisition HK$22,000,000 and HK$42,000,000 respectively.

The identifiable assets and liabilities, stating at the fair value and net carrying amount, arising from the acquisition are as follows:

	30.9.2006 HK$'000
Property, plant and equipment	675
Interest in an associate	6,108
Trade receivables, other receivables and deposits	1,640
Trade and other payables	(4,533)
Bank balances	919
Net identifiable assets	4,809
Minority interests	(3,031)
Net identifiable assets acquired	1,778
Goodwill on acquisition (note 14)	62,222
Total cost	64,000
Satisfied by	
Fair value of share issued last year	18,000
Fair value of share issued during the year	30,000
Cash paid last year	4,000
Cash paid during the year	12,000
	64,000

The fair value of the shares issued was based on quoted market bid prices available on the Stock Exchange.

27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Acquisition of subsidiaries (Continued)

	31.12.2007 HK$'000	30.9.2006 HK$'000
Net cash outflow in respect of the acquisitions:		
Cash consideration paid during the period/year	(16,790)	(12,000)
Cash at bank acquired	78	919
	(16,712)	(11,081)

If the acquisitions had occurred on 1 October 2006, the Group's revenue would have been HK$24,272,000 and the loss before allocations would have been HK$2,769,000.

The goodwill is attributable to the significant synergies expected to arise after the Group's acquisitions.

Goodwill impairment is disclosed in note 14 to the financial statements.

28. OPERATING LEASE COMMITMENTS

Group

As at 31 December 2007, the total future minimum lease payments under non-cancellable operating leases are payable by the Group as follows:

	31.12.2007 HK$'000	30.9.2006 HK$'000
Within one year	1,811	265
In the second to fifth years	2,165	126
	3,976	391

The Group leases five (2006: four) properties under the operating leases. The leases run for an initial period of one to three years, with an option to renew the lease terms upon the expiry date or at dates as mutually agreed between the Group and the respective landlords. None of the leases include contingent rentals.

28. OPERATING LEASE COMMITMENTS (Continued)

Company

The Company did not have any significant operating lease commitments as at the balance sheet date.

29. CAPITAL COMMITMENTS

Group

The Group and the Company did not have any significant commitments as at 31 December 2007 (2006: HK$2,000,000).

30. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Estimated impairment of goodwill and property, plant and equipment

The Group tests annually whether goodwill and the property, plant and equipment have suffered any impairment in accordance with the accounting policy stated in note 3. The recoverable amounts of cash-generating units have been determined based on fair value. These calculations require the use of estimates.

If the actual gross margin had been higher than the management's estimates, the Group would not be able to reverse any impairment losses that arose on goodwill.

Share-based payments

The fair value of the options granted is estimated by independent professional valuers based on the various assumptions on volatility, life of options, dividend paid out rate and annual risk-free interest rate, excluding the impact of any non-market vesting conditions, which generally represent the best estimate of the fair value of the options at the date of granting the options.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise cash and bank and time deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as debtors, deposits paid, and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, credit risk and foreign currency risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Cash flow interest rate risk

The Group is exposed to cash flow interest risk through the changes in interest rates relates mainly to the Group's variable-rates bank deposits and balances. The Group's treasury policy is in place to monitor and manage its exposure to fluctuation in interest rates.

(b) Credit risk

The Group's maximum exposure to credit risk in the event of the counterparts' failure to perform their obligations as at 31 December 2007 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regards, the management considers that the Group's credit risk is significantly reduced.

The credit risk on the Group's bank balances and cash is limited because the majority of the counterparties are banks or corporations with high credit standing.

The Group's concentration of credit risk by geographical locations is mainly in Hong Kong, Australia and other regions in the PRC, with exposure spread over a number of counterparties and customers.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Foreign exchange risk

The Group has foreign currency sales and purchases which expose the Group to foreign currency risk. The currency giving rise to this risk is primarily the United States dollars.

(d) Fair value

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

32. POST BALANCE SHEET EVENTS

(i) The Company entered into a warrant placing agreement on 7 November 2007 with an independent placing agent, in relation to procuring not fewer than six placees, 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$0.04 per warrant. 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 eighteen 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 on 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.

The date for the fulfillment of conditions of the placing agreement was extended to on or before 31 May 2008.

(ii) Pursuant to a special resolution at the special general meeting of the Company held on 7 January 2008, the shareholders of the Company approved the capital reorganisation and increase in authorised share capital of the Company as follows:

(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;

32. POST BALANCE SHEET EVENTS (Continued)

(ii) (Continued)

(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;

(d) consolidate every two shares of HK$0.005 each in the issued and unissued share capital of the Company into one consolidated share of HK$0.01 in the issued and unissued share capital of the Company; and

(e) 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 authorising an additional 7,500,000,000 unissued consolidated shares.

(iii) On 30 January 2008, Richy Spring International Limited ("Richy Spring"), a wholly owned subsidiary of the Company, entered into a sale and purchase agreement with Wisdom First Limited ("the Vendor") pursuant to which Richy Spring has agreed to acquire and the Vendor has agreed to sell (a) 75% of the issued share capital of Great Hill Trading Limited ("Great Hill"), beneficial owner of Welford and a wholly-owned subsidiary of the Vendor ("Sale Share"); and (b) all obligations, liabilities and debts owing or incurred by Great Hill to the Vendor amounted to HK$44,999,000 ("Sale Loan").

The aggregate consideration for the Sale Share and Sale Loan shall be the sum of HK$45,000,000, which is to be satisfied to the extent of HK$28,800,000 by issue and allotment of 400,000,000 new shares ("Consideration Shares") in the Company at an issue price of HK$0.072 per share, credited as fully paid at par; and to the extent of HK$16,200,000 by issue of zero coupon convertible bonds ("Conversion Shares"). The proposed transaction is subject to, inter alia, the approval of the Company's shareholders at a special general meeting, the relevant parties obtaining approval from the Stock Exchange to grant the listing of, and permission to deal in Consideration Shares and Conversion Shares.

HK$35,000,000 has been paid to the Vendor as deposit of the possible acquisition on 19 December 2007. Immediately following completion of the sale and purchase agreement, the Vendor shall refund HK$20,000,000 to Richy Spring and retain the HK$15,000,000 as the deposit pursuant to an exclusivity agreement in relation to the acquisition of the balance of 25% issued share capital of Great Hill. Details of this potential acquisition were disclosed in the Company's announcement on 5 February 2008.

32. POST BALANCE SHEET EVENTS (Continued)

(iv) On 31 March 2008, Positive Rise Holdings Limited ("Positive Rise"), a wholly owned subsidiary of the Company, entered into a Heads of Agreement with Rose Bay Group Limited ("Rose Bay") in relation to the possible acquisition by Positive Rise of the entire issued share capital of Rich Winner Global Limited.

HK$60,000,000 refundable deposit has been paid by Positive Rise to Rose Bay for the possible acquisition. The possible acquisition should be completed on or before 15 September 2008. Details of this potential acquisition were disclosed in the Company's announcement on 31 March 2008.

33. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current period's presentation.

FINANCIAL SUMMARY

	Period ended 31 December 2007 HK$'000	Year ended 30 September 2006 HK$'000	2005 HK$'000	2004 HK$'000	2003 HK$'000
Turnover	**57,831**	26,808	42,809	136,989	297,336
Loss from operations	**(147,028)**	(36,286)	(58,055)	(21,233)	(3,115)
Share of profit of an associate	**156**	3	—	—	—
Finance costs	**(37)**	—	(150)	(235)	(185)
Loss before taxation	**(146,909)**	(36,283)	(58,205)	(21,468)	(3,300)
Income tax expense	**(1,654)**	—	—	—	(903)
Loss before minority interests	**(148,563)**	(36,283)	(58,205)	(21,468)	(4,203)
Minority interests	**(2,917)**	357	315	—	—
Loss attributable to shareholders	**(151,480)**	(35,926)	(57,890)	(21,468)	(4,203)

	2007 HK$'000	2006 HK$'000	2005 HK$'000	2004 HK$'000	2003 HK$'000
Total assets	**232,892**	81,999	80,368	144,303	157,211
Total liabilities	**(10,682)**	(9,601)	(7,222)	(31,884)	(85,266)
Minority interests	**(7,009)**	(3,348)	(622)		
Shareholders' funds	**215,201**	69,050	72,524	112,419	71,945