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Capitalised terms used in this circular shall have the same meanings as defined in the section headed "Definitions" in this circular.

**If you are in doubt** as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Sunny Global Holdings Limited, you should at once hand this circular to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

# SUNNY GLOBAL HOLDINGS LIMITED
# 新怡環球控股有限公司*

*(incorporated in Bermuda with limited liability)*

**(Stock Code: 1094)**

# VERY SUBSTANTIAL ACQUISITION,
# SPECIFIC MANDATE TO ISSUE NEW SHARES,
# ALTERATIONS TO BYE-LAWS,
# CHANGE OF COMPANY NAME
# AND
# NOTICE OF SGM

A letter from the board of directors of the Company is set out on pages 7 to 30 of this circular. A notice convening a special general meeting of the Company to be held at 11:00 a.m. on 9 February 2009 at Vinson Room, Pacific Place Conference Centre, Level 5, One Pacific Place, 88 Queensway, Admiralty, Hong Kong is set out on pages N-1 to N-9 of this circular. Whether or not you are able to attend the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar in Hong Kong, Union Registrars Limited at Room 1901-02, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting at the special general meeting or any adjournment of it if you so wish.

16 January 2009

** for identification purpose only*

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*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

| | |
|---|---|
| "2009 Audited Accounts" | the audited financial statements of the Target Group for the year ending 31 December 2009 (or of a shorter period as determined by the Vendors) prepared by auditors appointed by the Purchaser based on the generally accepted accounting principles in Hong Kong and other relevant principles |
| "2010 Audited Accounts" | the audited financial statements of the Target Group for the year ending 31 December 2010 (or of a shorter period as determined by the Vendors) prepared by auditors appointed by the Purchaser based on the generally accepted accounting principles in Hong Kong and other relevant principles |
| "2009 NPAT" | the net profit (after tax and extraordinary expenses) as shown in the 2009 Audited Accounts |
| "2010 NPAT" | the net profit (after tax and extraordinary expenses) as shown in the 2010 Audited Accounts |
| "Acquisition" | the acquisition of the Sale Shares pursuant to the terms and conditions of the Agreement |
| "Agent" | Rose Bay Group Limited |
| "Agreement" | the Original Agreement, as supplemented by the Supplemental Agreement |
| "associates" | has the meaning ascribed thereto in the Listing Rules |
| "Board" | the board of Directors |
| "business day" | a day (excluding Saturday, Sunday, public holiday and any day on which a tropical cyclone warning number 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a "black" rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for business |

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| "BVI" | British Virgin Islands |
| "Company" | Sunny Global Holdings Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange |
| "Completion" | completion of the Acquisition in accordance with the terms and conditions of the Agreement |
| "Completion Date" | the date of Completion, being the date falling five business days after all the conditions of the Agreement have been fulfilled or waived or such later date as may be agreed between the Vendors and the Purchaser |
| "connected persons" | has the meaning ascribed thereto in the Listing Rules |
| "Consideration" | the consideration for the Acquisition, being not more than HK$6,000 million being the aggregate sum of the Basic Consideration and the Earn-out (both terms as defined in the sub-paragraph headed "Consideration" in the paragraph headed "The Agreement" in "Letter from the Board" in this circular) |
| "Consideration Shares" | new Shares to be issued and allotted by the Company at the Consideration Shares Issue Price for settlement of the Basic Consideration for the Acquisition (based on the number of Shares in issue as at the Latest Practicable Date and assuming no further Shares will be issued or repurchased by the Company prior to Completion, 945,635,485 Consideration Shares will be issued) |
| "Consideration Shares Issue Price" | the issue price of HK$0.6667 per Consideration Share as agreed between the Vendors and the Purchaser |
| "Conversion Shares" | the Shares to be issued upon conversion of the Preferred Shares |
| "Directors" | directors of the Company |
| "EJV" | 國采(北京)技術有限公司 (Guocai (Beijing) Technology Company Limited*), a Chinese foreign equity joint venture company established on 9 October 2008 under the PRC laws |

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| "Enlarged Group" | the Company and its subsidiaries immediately after Completion |
| "Great Hill" | Great Hill Trading Limited, a company acquired by the Group in the Great Hill Transaction |
| "Great Hill Enlarged Group" | the Group immediately after completion of the Great Hill Transaction |
| "Great Hill Group" | Great Hill and its subsidiaries before the Great Hill Transaction |
| "Great Hill Transaction" | the acquisition contemplated under a sale and purchase agreement dated 30 January 2008 and was completed on 15 May 2008, details of which were set out in the announcement of the Company dated 5 February 2008 and the circular of the Company dated 26 March 2008 |
| "Group" | the Company and its subsidiaries |
| "Guarantors" | (i) Ho Wai Kong;<br>(ii) Lu Xing;<br>(iii) Wang Dingbo;<br>(iv) Siu Fung (replaced Zheng Zhi pursuant to the Supplemental Agreement); and<br>(v) Fong, Herman Yat Wo,<br><br>being the guarantors under the Agreement and beneficial owner of each of the Vendors respectively |
| "Hong Kong" | the Hong Kong Special Administrative Region of the PRC |
| "Latest Practicable Date" | 13 January 2009, being the latest practicable date prior to printing of this circular for ascertaining certain information contained therein |
| "Listing Rules" | the Rules Governing the Listing of Securities on the Stock Exchange |
| "Original Agreement" | the conditional agreement dated 31 August 2008 and entered into between the Purchaser, the Vendors, the Original Guarantors and the Company in respect of the Acquisition |

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| "Original Guarantors" | (i) Ho Wai Kong;<br>(ii) Lu Xing;<br>(iii) Wang Dingbo;<br>(iv) Zheng Zhi; and<br>(v) Fong, Herman Yat Wo,<br><br>the guarantors under the Original Agreement |
| "Platform" | China Public Procurement Online Platform (中國公共採購網) |
| "PRC" | the People's Republic of China, which for the purpose of this circular excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan |
| "PRC Partner" | 國采科技股份有限公司 (Guocai Science & Technology Company Limited*), the PRC partner to the EJV and a party independent of the Company and its connected persons |
| "Preferred Shares" | new preferred shares to be issued and allotted by the Company at the Preferred Shares Issue Price for settlement of the Earn-out for the Acquisition (based on the number of Shares in issue as at the Latest Practicable Date and assuming no further Shares will be issued or repurchased by the Company prior to Completion and the Consideration will be HK$6,000 million, 8,053,914,537 Preferred Shares will be issued) |
| "Preferred Shares Issue Price" | the issue price of HK$0.6667 per Preferred Share as agreed between the Vendors and the Purchaser |
| "Purchaser" | Positive Rise Holdings Limited, a company incorporated in the BVI and a wholly-owned subsidiary of the Company and the purchaser named under the Agreement |
| "Promotion Agreement" | the exclusive promotion and consultation services agreement dated 22 August 2008 (as supplemented by a supplemental agreement dated 17 October 2008) entered into between the EJV and the PRC Partner |
| "Sale Shares" | 4,350,100 ordinary shares of nominal value US$1.00 each in the issued share capital of the Target, representing the entire issued share capital of the Target |

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| "Service Agreement" | the exploration, construction and exclusive know-how services agreement dated 22 August 2008 (as supplemented by a supplemented agreement dated 17 October 2008) entered into between the EJV and the PRC Partner |
| "SFC" | Securities and Futures Commission of Hong Kong |
| "SFO" | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| "SGM" | the special general meeting of the Company to be convened to be held at 11:00 a.m. on 9 February 2009 for the purpose of approving, among other matters, the Acquisition, proposed alterations to the bye-laws and the proposed change of name of the Company |
| "Share(s)" | existing ordinary share(s) of HK$0.01 each in the share capital of the Company |
| "Shareholder(s)" | holder(s) of Shares |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "Subsidiary" | Public Procurement Limited, a company incorporated in Hong Kong and as at the Latest Practicable Date, wholly and beneficially owned by the Target |
| "Supplemental Agreement" | the supplemental agreement dated 28 November 2008 and entered into between the Purchaser, the Vendors, the Original Guarantors, the Guarantors and the Company in relation to the Original Agreement |
| "Takeovers Code" | The Codes on Takeovers and Mergers and Share Repurchases issued by the SFC |
| "Target" | Hero Joy International Limited, a company incorporated in the BVI, and as at the Latest Practicable Date, wholly and beneficially owned by the Vendors in the following proportion:<br>(i) Master Top Investments Limited (48.53%);<br>(ii) Mega Step Investments Limited (14.71%);<br>(iii) Favor Mind Holdings Limited (19.88%);<br>(iv) Magical Power Investments Limited (13.94%); and<br>(v) Huge Ally Group Limited (2.94%) |

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| "Target Group" | the Target, the Subsidiary and the EJV |
| "Vendors" | (i) Master Top Investments Limited (wholly and beneficially held by Ho Wai Kong);<br>(ii) Mega Step Investments Limited (wholly and beneficially held by Lu Xing);<br>(iii) Favor Mind Holdings Limited (wholly and beneficially held by Wang Dingbo);<br>(iv) Magical Power Investments Limited (wholly and beneficially held by Siu Fung); and<br>(v) Huge Ally Group Limited (wholly and beneficially held by Fong, Herman Yat Wo),<br><br>all incorporated in the BVI and being the vendors under the Agreement |
| "HK$" | Hong Kong dollars |
| "RMB" | Renminbi, the lawful currency of the PRC |
| "US$" | United States dollars, the lawful currency of the United States of America |
| "%" | per cent. |

*For the purpose of this circular, unless otherwise specified, conversions of RMB and US$ into HK$ are based on the approximate exchange rate of RMB1.00 to HK$1.13 and US$1.00 to HK$7.8.*

* the English translation of the Chinese name is for information purposes only, and should not be regarded as the official English translation of such name.

# SUNNY GLOBAL HOLDINGS LIMITED
# 新怡環球控股有限公司*

*(incorporated in Bermuda with limited liability)*

**(Stock Code: 1094)**

*Executive Directors:*
Mr. Li Chun Tak
Mr. Wong Hin Shek
Mr. Dai Zhongcheng
Mr. Liu Bo
Mr. Zhao Peilai

*Non-executive Director:*
Mr. Wong Kam Fat, Tony

*Independent non-executive Directors:*
Mr. Au Tin Fung
Mr. Chan Chun Wai
Ms. So Wai Yee, Betty

*Registered office:*
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Head office and principal place of business in Hong Kong:*
Suites 2805-2807
Dah Sing Financial Centre
108 Gloucester Road
Wanchai
Hong Kong

16 January 2009

*To the Shareholders and for information only, to the holder of share options and warrants*

Dear Sir or Madam

## VERY SUBSTANTIAL ACQUISITION, SPECIFIC MANDATE TO ISSUE NEW SHARES, ALTERATIONS TO BYE-LAWS AND CHANGE OF COMPANY NAME

### INTRODUCTION

Reference is made to the announcement of the Company dated 6 October 2008, in which the Company announced the Acquisition.

* *for identification purpose only*

**VERY SUBSTANTIAL ACQUISITION**

**THE AGREEMENT**

**Date:** 31 August 2008 (date of the Original Agreement)

**Parties:**

Purchaser: Positive Rise Holdings Limited, a wholly-owned subsidiary of the Company and an investment holding company

Vendors:

(i) Master Top Investments Limited (wholly and beneficially held by Ho Wai Kong);

(ii) Mega Step Investments Limited (wholly and beneficially held by Lu Xing);

(iii) Favor Mind Holdings Limited (wholly and beneficially held by Wang Dingbo);

(iv) Magical Power Investments Limited (wholly and beneficially held by Siu Fung) *(Note)*; and

(v) Huge Ally Group Limited (wholly and beneficially held by Fong, Herman Yat Wo)

Guarantors:

(i) Ho Wai Kong;

(ii) Lu Xing;

(iii) Wang Dingbo;

(iv) Siu Fung *(Note)*; and

(v) Fong, Herman Yat Wo

Confirmor: The Company

*Note: On 22 October 2008, Zheng Zhi transferred his one share of Magical Power Investments Limited ("**Magical Power**"), being its entire issued share capital, to Top Access Overseas Limited ("**Top Access**") and Top Access became the sole beneficial owner of Magical Power. Top Access is a company incorporated in the BVI and is beneficially owned by Siu Fung ("**Ms. Siu**"). The Supplemental Agreement was entered into on 28 November 2008 and Ms. Siu became one of the guarantors to the Agreement and Zheng Zhi ceased to be a guarantor to the Agreement and his liability as a guarantor was released.*

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Vendors and their ultimate beneficial owners and the Guarantors are third parties independent of the Company and connected persons of the Company. The Company does not have any transactions with the Vendors and their ultimate beneficial owners completed within 12 months prior to the Acquisition and save and except being shareholders of the Target there is no prior or current relationship (business or otherwise) (i) among the Vendors; and (ii) between the Vendors with the Company and/or connected person(s) of the Company.

**Assets to be acquired**

Pursuant to the Agreement, the Purchaser has conditionally agreed to acquire from the Vendors and the Vendors have conditionally agreed to sell to the Purchaser the Sale Shares (being the entire issued share capital of the Target).

**Consideration**

Pursuant to the terms of the Agreement, the Consideration is the aggregate sum of the Basic Consideration (as defined below) and the Earn-out (as defined below) (in any event, the Consideration shall not be more than HK$6,000 million) and which shall be determined and settled in the following manner:

***(i) Basic Consideration***

***Basic Consideration = Value of the Consideration Shares***

Upon Completion, the Purchaser shall procure the Company and the Company shall issue and allot the Consideration Shares to the Vendors or their designated nominees (in proportion to their shareholdings in the Target), provided that the aggregate amount of the Consideration Shares together with the Shares then beneficially held (directly or indirectly) by the Vendors and the parties acting in concert with them shall represent the closest to 29.9% of the then issued shares of the Company as enlarged by the issue and allotment of the Consideration Shares. Such arrangement is a decision commercially made by the parties to the Agreement which is considered to be a more practical approach than the provision of a complicated anti-dilution mechanism to protect interests of the Vendors from dilution by conversions of any convertible securities of the Company (as at the date of the Original Agreement, the Company has 632,000,000 outstanding warrants and 200,000,000 outstanding convertible bonds) during the interim period between the date of Original Agreement and the Completion Date; and *(ii)* ***Earn-out***

Within 14 days after the determination of the Earn-out, the Purchaser shall procure the Company and the Company shall issue and allot the appropriate amount of Preferred Shares to the Vendors or their designated nominees (in proportion to their shareholdings in the Target prior to Completion) according to the amount of the Earn-out as determined. The principal terms of the Preferred Shares are set out in the paragraph headed "Principal terms of the Preferred Shares" below.

***Earn-out = {2009 NPAT or 2010 NPAT (as requested by the Vendors) X 30} — Basic Consideration***

The Purchaser and the Vendors agreed that even if the 2009 NPAT or the 2010 NPAT (whichever is applicable) is more than HK$200 million, HK$200 million will be used for the purposes of determining the amount of the Earn-out so that the Consideration will not exceed HK$6,000 million. Further, as the Basic Consideration is not based on the results of the Target Group, it shall not be refunded (in part or in whole) by the Vendors under any circumstances (including but not limited to where the 2009 NPAT or the 2010 NPAT being equal or less than HK$0).

If no Earn-out is payable by the Purchaser to the Vendors, the Consideration for the Acquisition will be the Basic Consideration.

The amount of HK$200 million is the maximum cap used to determine the Consideration based on the price to earnings ratio of 30. Such amount was adopted by the Vendors based on their requirement and the amount does not constitute a forecast or estimate and the final consideration will be determined by the "Earn-out" formula as set out above.

The Consideration was determined after arm's length negotiations between the Vendors and the Purchaser taking into account the future amount of the 2009 NPAT and the 2010 NPAT and the relevant historical price to earnings ratio of several comparable companies. The Consideration represents approximately an implied price to earnings ratio of 30 times on the 2009 NPAT or the 2010 NPAT. Based on the products, services, markets, earning and growth, capital structure, nature of competition and the characteristics of the underlying investment risk and expected rate of return, the Company has selected four similar comparable companies (two from Hong Kong, one from the PRC and one from Taiwan). The criteria to identify the comparable companies are to select listed enterprises with similar business nature and associated risks. Since listed companies with principal business of public procurement related services are very limited around the world, other listed companies in related industries, like the business-to-business ("**B2B**"), instead, are also used. In the selection process, companies with dominating role and strong bargaining power in the B2B industry are focused on as it is believed that competition to be faced by the PRC Partner and thus the EJV will be minimal in view of the fact that the buyer side (i.e. governmental and public bodies of the PRC) is always available. As at the date of the Original Agreement, the range of the price to earnings ratio of the selected companies was approximately 21.75 to 32.69 with an average and median of approximately 28.14 and 29.07 respectively. The abovementioned implied price to earnings ratio is slightly higher than the average and the median of the comparable companies. The Directors are of the opinion that the Consideration is fair and reasonable and is in the interests of the Shareholders as a whole.

The comparable companies aforesaid include the following companies:

*Alibaba.com Limited*

Alibaba.com Limited is principally engaged in the provision of software, technology and other services on the online B2B marketplaces.

*Li & Fung Group*

Li & Fung Group is a buying agency for consumer goods, managing the supply chain for retailers and brands worldwide. It represents brand owners by distributing their products to consumers. It has a unified IT platform which provides regional visibility of business critical data to its partners. The business partners can have online visibility to sales data, inventory levels allowing better control over various aspects of the supply chain so that sales representatives can take orders efficiently.

*Zhejiang Netsun Co., Ltd.*

Zhejiang NetSun Co., Ltd. is principally engaged in the provision of online industrial information service, industrial e-commerce services, as well as the development of corporate application software. It operates seven websites which act as matchmakers between buyers and sellers throughout the world to provide industrial product information, news update, market trend reports and search engines services.

*Gu Ta Internet Information Co., Ltd.*

Gu Ta Internet Information Co., Ltd. is engaged in the operation of business-to-business websites and internet marketing. It provides trading platforms that offer buyers and sellers to post their products and market their companies online. It also provides services like product-manufacturers search engine and members-authentication and verification process to enhance the efficiency and safety to trade on the Internet.

All of the above comparable companies provide marketplaces which allow matching of buyers and suppliers from around the world and all of them have significant market share in their respective target markets as well as good reputation for their deal-matching efficiency and transparency. Their operations are akin to the online public procurement platform for suppliers and public procurers. The future business of the EJV is expected to be as an exclusive technological support provider and an exclusive promotional agent for an online platform for public procurement of the government and public bodies of the PRC, and only such kinds of sizeable trading enterprises can be comparable to the market position of the EJV.

**Conditions precedent**

Completion is subject to the following conditions having been fulfilled or waived (as the case may be):

(a) the obtaining of all necessary consents and approvals by the Target Group, the Vendors, the Guarantors and the Purchaser in respect of the Agreement and the transactions contemplated thereby (including but not limited to (i) all necessary authorisations, consents and approvals in respect of the amendments to the bye-laws of the Company according to Bermuda laws regarding the creation, issue and allotment and issue of the Preferred Shares and (ii) all necessary applications for foreign exchange registration according to the relevant PRC laws to be made by the EJV and the Guarantors (whoever being a PRC national));

(b) the Vendors' and the Guarantors' warranties contained in the Agreement remaining true and accurate in all respects and the Vendors and the Guarantors having complied with all of their obligations under the Agreement;

(c) the Listing Committee of the Stock Exchange granting the listing of, and the permission to deal, in the Consideration Shares (including the Shares to be issued upon conversion of the Preferred Shares) and (if necessary) to issue and allot the Preferred Shares;

(d) the passing by the Shareholders at the SGM to be convened and held with special resolutions to approve the alterations to the bye-laws of the Company for the creation of the Preferred Shares and the adoption of the terms of the Preferred Shares and ordinary resolution(s) to approve the Agreement and the transactions contemplated thereby, including but not limited to, the issue and allotment of the Consideration Shares to the Vendors at the Consideration Shares Issue Price credited as fully paid, the issue and allotment of the Preferred Shares, the Conversion Shares upon conversion of the Preferred Shares;

(e) the delivery to the Purchaser of a PRC legal opinion (in form and substance satisfactory to the Purchaser) from a PRC legal adviser appointed by the Purchaser in relation to the Agreement and the transactions contemplated thereby and the EJV and the delivery to the Purchaser of a BVI legal opinion (in form and substance reasonably satisfied by the Purchaser) from a BVI legal adviser appointed by the Purchaser in relation to the due incorporation and good standing of the Target;

(f) the Purchaser being satisfied with the results of the due diligence review to be conducted on the assets, liabilities, operations and affairs and the feasibility of the business plan of the Target Group;

(g) the obtaining of a business plan of the EJV provided by the Vendors and the obtaining of a feasibility study (in substance reasonably satisfied by the Purchaser) from a valuer appointed by the Purchaser prepared based on the aforesaid business plan of the EJV (covering areas including business operations, revenue, price to earnings ratio and comparison with similar businesses);

(h) the legal and due establishment of the EJV, the obtaining of all consents and approvals required for its establishment, subsistence, current and future operations, and normal commencement of its business and operations under circumstances reasonably satisfied by the Purchaser;

(i) the ownership of all necessary licences, approvals and consents (including an effective telecommunication and information services business operating permit (the ICP certificate)) for the existing businesses or proposed businesses to be operated by the PRC Partner;

(j) the legality, validity and the due implementation after the respective commencement dates of each of the Promotion Agreement, the Service Agreement, and the know-how agreement (for the provision of know-how to the EJV to enable it to provide the requisite services to the PRC Partner under the Service Agreement) to be entered into between the EJV and Tsinghua University (or its related entities); and

(k) the entering into of cooperation agreements by the EJV or the PRC Partner with 10 procurement centres in the PRC or any other procurement centres to the satisfaction of the Purchaser.

All of the above conditions cannot be waived, except for condition numbered (b) which can be waived by the Purchaser. In the event that (i) the above conditions are not fulfilled (or as the case may be, waived by the Purchaser) on or before 180 days after the date of the Agreement or such later date as the Vendors and the Purchaser may agree in writing; or (ii) the Purchaser giving not less than 14 business days written notice to the Vendors at any time prior to Completion to determine the Agreement (the date of termination specified in such termination notice being not later than the Completion Date), the Agreement shall cease and determine and save and except antecedent breach thereof, neither the Vendors nor the Purchaser shall have any obligations towards each other.

The Directors confirm that as at the Latest Practicable Date, none of the above conditions, except conditions (g), (h), (i) and (k) above, had been fulfilled and the Purchaser has no intention to waive the condition which is capable of being waived and no notice in respect of termination of the Agreement had been served by the Purchaser.

### Completion

Completion shall take place at 4:00 p.m. on the Completion Date.

Upon Completion, the Target will become a wholly-owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the consolidated financial statements of the Company.

Upon Completion, the total assets of the Group will be increased from approximately HK$641,049,000 to approximately HK$6,644,508,696, the total liabilities of the Group will be increased from approximately HK$51,133,000 to approximately HK$51,156,610.

As at the Latest Practicable Date, it was not intended that any of the Guarantors (being the respective beneficial owner of each of the Vendors) would be appointed as Director and it was not expected that there would be any change in the members of the Board upon Completion. Pursuant to the terms of the Agreement, the Vendors have no power to control the composition of a majority of the Board.

## SPECIFIC MANDATE TO ISSUE NEW SHARES

### The Consideration Shares

The Consideration Shares will be issued at the Consideration Shares Issue Price of HK$0.6667 per Consideration Share, credited as fully paid. Such number of Consideration Shares will be issued to the Vendors at Completion which will result in the Vendors and parties acting in concert with them holding (directly or indirectly) such number of issued shares of the Company which is closest to 29.9% of the issued Shares as at the Completion Date (as enlarged by the issue of the Consideration Shares).

The Consideration Shares, when issued and allotted, shall rank pari passu in all respects with the Shares in issue on the date of issue and allotment of the Consideration Shares including the right to all dividends, distributions and other payments made or to be made, the record date for which falls on or after the date of such issue and allotment.

Based on the number of Shares in issue as at the Latest Practicable Date and assuming no further Shares will be issued or repurchased, the Consideration Shares should satisfy up to approximately HK$630,455,178 of the Consideration.

The Consideration Shares Issue Price represents:

(i) a discount of approximately 19.67% to the closing price of HK$0.83 per Share as quoted on the Stock Exchange on 29 August 2008, being the trading day immediately prior to the date of the Original Agreement;

(ii) a discount of approximately 10.15% to the average of the closing prices of HK$0.742 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 29 August 2008, being the trading day immediately prior to the date of the Original Agreement;

(iii) a discount of approximately 8.17% to the average of the closing prices of HK$0.726 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including 29 August 2008, being the trading day immediately prior to the date of the Original Agreement;

(iv) a premium of approximately 66.68% over the closing price of HK$0.40 per Share as quoted on the Stock Exchange on 13 January 2009, being the Latest Practicable Date; and

(v) approximately 6.05 times of the net assets value per Share, being approximately HK$0.1102 per Share, based on the net assets value of approximately HK$222,210,000 for the year ended 31 December 2007 as set out in the 2007 annual report of the Company and the total number of issued Shares as at the date of the announcement of the Company dated 6 October 2008 being 2,017,025,000 Shares.

The Consideration Shares Issue Price and the Preferred Shares Issue Price were arrived at after arm's length negotiation between the parties to the Agreement with reference to the average monthly closing price of the Shares in the eight consecutive months from January 2008 to August 2008. During the eight consecutive months from January 2008 to August 2008, the lowest and highest average monthly closing prices of the Shares as quoted on the Stock Exchange were HK$0.425 per Share recorded in March 2008 and HK$0.8355 per Share recorded in May 2008 respectively. The average of those average monthly closing prices from January 2008 to August 2008 is HK$0.65 per Share.

The Consideration Shares Issue Price and the Preferred Shares Issue Price represent a premium of approximately 2.57% over the average of the average monthly closing prices from January 2008 to August 2008. In light of the recent volatility and generally downward trend of the market, the Company considers that the Consideration Shares Issue Price and the Preferred Shares Issue Price are reasonable.

The Consideration Shares will be issued and allotted on the Completion Date pursuant to the specific mandate to be sought at the SGM.

As at the Latest Practicable Date, there were 2,217,025,000 Shares in issue. As illustrated in the table set out under the paragraph headed "Changes in shareholding structure of the Company" below and based on the assumption that no further Shares will be issued or repurchased by the Company prior to Completion, the maximum number of Consideration Shares to be issued would be approximately 945,635,485 and which represents approximately 42.65% of the issued share capital of the Company as at the Latest Practicable Date and approximately 29.90% of the issued share capital of the Company as enlarged by the issue and allotment of the Consideration Shares.

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares. Since the Purchaser shall procure the Company and the Company shall issue and allot the Consideration Shares to the Vendors or their designated nominees (in proportion to their shareholdings in the Target) upon Completion, an exact number of the Consideration Shares would be determined and available prior to Completion and would be included in the then listing application of the Company.

There is no provision in the Agreement which restricts the Vendors from disposing the Consideration Shares.

**Principal terms of the Preferred Shares**

The principal terms of the Preferred Shares are summarised below:

| | |
|---|---|
| Par value: | HK$0.01 |
| Preferred Shares Issue Price: | HK$0.6667 per Preferred Share |
| Conversion rate for each Preferred Share: | One to one (one Preferred Share can be converted into one ordinary Share) |
| Conversion: | The holders of the Preferred Shares shall have the right to convert the Preferred Shares, in whole or in part, at any time at the conversion rate set out above provided that:<br>(i) any conversion of the Preferred Shares will not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the Preferred Shares holder who exercised the conversion rights; and<br>(ii) the public float of the Shares shall not be less than 25% (or any given percentage as required by the Listing Rules) of the issued Shares of the Company at any one time in compliance with the Listing Rules. |

| | |
|---|---|
| Dividends: | Holders of the Preferred Shares shall be entitled to dividend to the same extent as holders of the ordinary Shares and the Preferred Shares shall rank pari passu with the ordinary Shares in dividend as declared by the Company from time to time |
| Redemption: | The Preferred Shares are non-redeemable |
| Transferability: | The Preferred Shares are transferrable |
| Voting rights: | The Preferred Shares have no voting rights |
| Rights in liquidation: | (i) The Preferred Shares shall rank pari passu with ordinary Shares for return of capital in the event of liquidation; and<br>(ii) The Preferred Shares shall rank pari passu with ordinary Shares for the right to participate in distribution of surplus in the event of liquidation. |
| Governing law: | Hong Kong |

Based on the number of Shares in issue as at the Latest Practicable Date and assuming no further Shares will be issued or repurchased by the Company prior to Completion and the Consideration will be HK$6,000 million, the maximum number of the Preferred Shares to be issued pursuant to the Acquisition will be 8,053,914,537. The Preferred Shares will not be listed and no application will be made to the Stock Exchange for the listing of the Preferred Shares.

As at the Latest Practicable Date, there were 2,217,025,000 Shares in issue. As illustrated in the table set out under the paragraph headed "Changes in shareholding structure of the Company" below and based on the assumption that no further Shares will be issued or repurchased by the Company before Completion and the Consideration will be HK$6,000 million, the maximum number of Conversion Shares to be issued upon full conversion of the Preferred Shares would be 8,053,914,537 and which represents approximately 363.28% of the issued share capital of the Company as at the Latest Practicable Date, approximately 254.66% of the issued share capital of the Company as enlarged by the issue and allotment of the Consideration Shares and approximately 71.80% of the issued share capital of the Company as enlarged by the issue and allotment of the Consideration Shares and the Conversion Shares.

The conversion price of the Preferred Shares is equivalent to the Preferred Shares Issue Price. The Preferred Shares Issue Price represents:

(i) a discount of approximately 19.67% to the closing price of HK$0.83 per Share as quoted on the Stock Exchange on 29 August 2008, being the trading day immediately prior to the date of the Original Agreement;

(ii) a discount of approximately 10.15% to the average of the closing prices of HK$0.742 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 29 August 2008, being the trading day immediately prior to the date of the Original Agreement;

(iii) a discount of approximately 8.17% to the average of the closing prices of HK$0.726 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including 29 August 2008, being the trading day immediately prior to the date of the Original Agreement;

(iv) a premium of approximately 66.68% over the closing price of HK$0.40 per Share as quoted on the Stock Exchange on 13 January 2009, being the Latest Practicable Date; and

(v) approximately 6.05 times of the net assets value per Share, being approximately HK$0.1102 per Share, based on the net assets value of approximately HK$222,210,000 for the year ended 31 December 2007 as set out in the 2007 annual report of the Company and the total number of issued Shares as at the date of the announcement of the Company dated 6 October 2008 being 2,017,025,000 Shares.

The issue of the Preferred Shares and the Conversion Shares to be issued upon conversion of the Preferred Shares will be made pursuant to the specific mandate to be sought at the SGM. As at the Latest Practicable Date, the Company was not aware of any Shareholders disposing of their interest of the Company to the Vendors which would result in a change in control of the Company.

**Dilution effect upon conversion of the Preferred Shares**

In view of the potential dilution effect on the existing Shareholders on exercise of conversion rights attaching to the Preferred Shares, for so long as any of the Preferred Shares are outstanding, the Company will keep the Shareholders informed of the level of dilution and details of conversion pursuant to Rules 13.25A and 13.25B of the Listing Rules by submitting appropriate forms of return as regards changes in issued share capital of the Company to the Stock Exchange (rather than making monthly announcement as stated in the announcement of the Company dated 6 October 2008 due to recent amendments to the Listing Rules) and if the Company forms the view that any issue of Shares will trigger the disclosure requirements under Rule 13.09 of the Listing Rules, then the Company will be obliged to make such disclosure.

## INFORMATION ON THE TARGET

### The Target

The Target is a company incorporated in the BVI and is wholly and beneficially owned by the Vendors. The Target is principally engaged in investment holding. The sole asset of the Target is the entire issued capital of the Subsidiary, which in turn owns 90% of the registered and paid up capital of the EJV while 10% of the registered and paid up capital of the EJV is owned by the PRC Partner. The PRC Partner is principally engaged in the development of computer technology, networking technology, electronic information technology, sale of computer networking equipments and corporate image consultancy. As confirmed by the Vendors, the interest in the PRC Partner is currently held by an individual shareholder and Dongfang Sheng Ye (as defined below). As further confirmed by the Vendors, upon relevant transfer of shares in the PRC Partner becoming effective, the PRC Partner will be held by five shareholders and so far as the Vendors are aware, the background information of such five shareholders and their future shareholdings in the PRC Partner are set out below:

(i) China Venture Capital Co., Ltd. (中國風險投資有限公司) ("**CVC**"), a company engaged in the field of venture capital, which is initiated by the Central Committee of China National Democratic Construction Association (中國民主建國會) ("**CNDCA**"), a democratic party mainly composed of entrepreneurs, economists and other experts and scholars in the economic field. Mr. Cheng Siwei (成思危), who was then the chairman of the Central Committee of the CNDCA and also the vice chairman of the Standing Committee of the National People's Congress of the PRC, is the originator of CVC. CVC will hold 30% shareholding interest in the PRC Partner.

(ii) Dongfang Sheng Ye Investment Ltd. (東方盛業投資有限公司) ("**Dongfang Sheng Ye**"), is an affiliated organisation of CECC (as defined below). Dongfang Sheng Ye will hold 20% shareholding interest in the PRC Partner.

(iii) Tsinghua Infotech Co., Ltd. (北京英泰清軟科技有限公司) ("**Tsinghua Infotech**") which is mainly engaged in research and development of information technology to enhance the effectiveness of information exchange in enterprises and the government of the PRC. Tsinghua Infotech will hold 23% shareholding interest in the PRC Partner.

(iv) Beijing Hualu Dongfang Information System Development Ltd. (北京華錄東方信息系統開發有限公司) ("**Beijing Hualu**") is a state owned enterprise and funded by Development Research Center of the State Council (國務院發展研究中心). Beijing Hualu is mainly engaged in research and development of information system. Beijing Hualu will hold 22% shareholding interest in the PRC Partner.

(v) China Electronic Chamber of Commerce (中國電子商會) ("**CECC**"), established and registered at the Ministry of Civil Affairs of the PRC (中國民政部) in 1988, is a national corporate organisation of electronic industry incorporated on a voluntary basis with companies and organisations dealing in electronic products across the PRC. CECC is under the guidance of the Ministry of Industry and Information Technology of the PRC (中國工業和信息化部) on its business development. CECC is currently one of the largest organisations in the circulation of electronic information products. CECC will hold 5% of shareholding interest in the PRC Partner.

The EJV was established on 9 October 2008 and the capital contribution was completed in December 2008. It is expected that the EJV will commence business in early 2009 and will be principally engaged in technological development, advisory services, business planning and public-relations activities planning of network technologies.

It is intended that the EJV proposes, among other matters, to develop a nationwide online public procurement platform for suppliers and public procurers in the PRC including central and local government and public authorities; to improve the efficiency, effectiveness and transparency of public procurement procedures in the PRC and to promote international public procurement standards in the PRC to satisfy the requirements of the World Trade Organisation (WTO).

As at the Latest Practicable Date, the PRC Partner, together with the Faculty of Software of Tsinghua University, has signed strategic cooperation agreements with procurement centres in 10 cities and/or provinces in the PRC. Pursuant to those agreements, the PRC Partner shall provide financial support while the Faculty of Software of Tsinghua University shall provide technological support for the development of public procurement platform for the procurement centres involved.

***Strategic Cooperation Agreements entered into by the PRC Partner and the Faculty of Software of Tsinghua University with each of:***

***(i) the Procurement Centre of the Hubei province;***

***(ii) the Procurement Centre of Jining city, the Shandong province; and***

***(iii) the Procurement Centre of authorities directly under the Hunan province.***

Pursuant to those agreements, it was agreed that upon completion of the setting up of the relevant procurement platforms, the PRC Partner and the Faculty of Software of Tsinghua University shall own the hardware as well as software of the said platform while each of the relevant procurement centres shall have the right to use the platform at no charge. It was further agreed that five years after the commencement of operation of the said platform, the right to the hardware of the said platform shall be transferred to each of the relevant procurement centres. The right to the software system shall remain with the PRC Partner and the Faculty of Software of Tsinghua University at all times and each of the relevant procurement centres shall have the right to use to the software system at no charge.

The PRC Partner and the Faculty of Software of Tsinghua University have also agreed to utilise a certain portion of the service fees received by them every year from the platform for professional and technological training for the relevant procurement centres and suppliers according to the requests of the relevant centres.

It was agreed by the parties that after the signing of those agreements, specific agreements with relevant entities for the construction of the relevant system will be entered into.

***Strategic Cooperation Agreements entered into by the PRC Partner and the Faculty of Software of Tsinghua University with each of:***

***(i) the Procurement Centre of the Fujian province;***

***(ii) the Procurement Centre of the Qinghai province;***

***(iii) the Procurement Centre of Xining city, the Qinghai province;***

***(iv) the Procurement Centre of Shenyang city, the Liaoning province;***

***(v) the Procurement Centre of Panjin city, the Liaoning province;***

***(vi) the Procurement Centre of Weinan city, the Shaanxi province; and***

***(vii) the Procurement Centre of Handan city, the Hebei province.***

Those agreements set out the basic understanding between the PRC Partner and the Faculty of Software of Tsinghua University and each of the relevant procurement centres in connection with the development of procurement platforms by those centres. It was the understanding that the PRC Partner and the Faculty of Software of Tsinghua University shall provide planning, technological and financial support for the development of such platforms and that further agreement(s) would be entered into by the relevant parties in the course of implementing such agreements to stipulate the terms and conditions for specific matters.

**Target procurement amounts**

As stated in the various strategic cooperation agreements, the target procurement amount for the relevant procurement centres within three years after the setting up of the procurement platform are as follows:

| | **Name of the procurement centre** | **Target procurement amount within three years after the setting up of the relevant platform** *(RMB billion)* |
|---|---|---|
| 1. | 湖北省政府採購中心<br>(Procurement Centre of the Hubei province) | 80* |
| 2. | 山東省濟寧市政府採購中心<br>(Procurement Centre of Jining city, the Shandong province) | 11 |
| 3. | 湖南省省直機關政府採購中心<br>(Procurement Centre of the authorities directly under the Hunan province) | 38 |
| 4. | 福建省政府採購中心<br>(Procurement Centre of the Fujian province) | 20 |
| 5. | 青海省政府採購中心<br>(Procurement Centre of the Qinghai province) | 8 |
| 6. | 青海省西寧市政府採購中心<br>(Procurement Centre of Xining city, the Qinghai province) | 3 |
| 7. | 遼寧省瀋陽市政府採購中心<br>(Procurement Centre of Shenyang city, the Liaoning province) | 150 |
| 8. | 遼寧省盤錦市政府採購中心<br>(Procurement Centre of Panjin city, the Liaoning province) | 0.56 |
| 9. | 陝西省渭南市政府採購中心<br>(Procurement Centre of Weinan city, the Shaanxi province) | 1.6 |
| 10. | 河北省邯鄲市政府採購中心<br>(Procurement Centre of Handan city, the Hebei province) | 5 |
| | **Total:** | **317.16** |

* *Pursuant to the agreement entered into between the PRC Partner and the Faculty of Software of Tsinghua University and the Procurement Centre of the Hubei province, no specific time frame has been stipulated for the achievement of the target procurement amount.*

It is expected that the business model of the EJV will be as follow:

(a) Services to be provided to procurers include access to the online procurement system; training services to procurement professionals; technological support of uploading of electronic tendering documents and online receipt of bids from suppliers; up-to-date market information and news.

(b) Services to be provided to suppliers include access to the online procurement system; linkage to suppliers' website; technological support of downloading of electronic tendering documents and online submission of bids; up-to-date market information and news.

It is also expected that the revenue stream of the EJV will include the following (may subject to change):

(a) service fee received pursuant to the Promotion Agreement and the Service Agreement; and

(b) registration and membership (renewal) fee charged to each member supplier.

According to the unaudited financial statements of the Target prepared under the Hong Kong Financial Reporting Standards, the unaudited net loss from 8 January 2008 (being its incorporation date) to 31 July 2008 was HK$1,700 and the unaudited net liabilities of the Target as at 31 July 2008 was approximately HK$920. According to the unaudited financial statements of the Subsidiary prepared under the Hong Kong Financial Reporting Standards, the unaudited net loss from 29 November 2007 (being its incorporation date) to 31 July 2008 was HK$76,543 and the unaudited net liabilities of the Subsidiary as at 31 July 2008 was approximately HK$66,543. Since the five future shareholders of the PRC Partner are either public affairs units or units governed by the PRC government and/or non-profit making entities, the historical financial figures of them are not publicly available.

## CHANGES IN SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the issue and allotment of the Consideration Shares; and (iii) with the issue and allotment of the Consideration Shares and conversion of the Preferred Shares in full, are as follows:

| | As at the Latest Practicable Date | | Immediately after the issue and allotment of the Consideration Shares *(Note 6)* | | With the issue and allotment of the Consideration Shares and conversion of the Preferred Shares in full (Hypothetical) *(Notes 2 and 7)* | |
|---|---|---|---|---|---|---|
| | *No. of Shares* | *%* | *No. of Shares* | *%* | *No. of Shares* | *%* |
| **The Vendors and parties acting in concert with them** | | | | | | |
| **— Existing Shares** | **—** | **—** | **—** | **—** | **—** | **—** |
| **— Consideration Shares:** | **—** | **—** | **945,635,485** | **29.9** | **945,635,485** | **8.430** |
| Master Top Investments Limited | — | — | 458,916,901 | 14.51 | 458,916,901 | 4.091 |
| Mega Step Investments Limited | | | 139,102,980 | 4.40 | 139,102,980 | 1.240 |
| Favor Mind Holdings Limited | | | 187,992,334 | 5.94 | 187,992,334 | 1.676 |
| Magical Power Investments Limited | | | 131,821,587 | 4.17 | 131,821,587 | 1.175 |
| Huge Ally Group Limited | | | 27,801,683 | 0.88 | 27,801,683 | 0.248 |
| **— Preferred Shares** | **—** | **—** | **—** | **—** | **—** | — |
| **— Conversion Shares:** | **—** | **—** | **—** | **—** | **8,053,914,537** | **71.804** |
| Master Top Investments Limited | — | — | — | — | 3,908,564,725 | 34.846 |
| Mega Step Investments Limited | — | — | — | — | 1,184,730,828 | 10.562 |
| Favor Mind Holdings Limited | — | — | — | — | 1,601,118,210 | 14.275 |
| Magical Power Investments Limited | — | — | — | — | 1,122,715,687 | 10.010 |
| Huge Ally Group Limited | — | — | — | — | 236,785,087 | 2.111 |
| The Vendors and parties acting in concert with them *(Note 1)* | — | — | 945,635,485 | 29.9 | 8,999,550,022 | 80.234 |
| **Director** | | | | | | |
| — Mr. Chan Chun Wai | 420,000 | 0.02 | 420,000 | 0.01 | 420,000 | 0.004 |
| **Director** | **420,000** | **0.02** | **420,000** | **0.01** | **420,000** | **0.004** |
| Existing substantial Shareholders: | | | | | | |
| — Success Way Holdings Limited *(Note 3)* | 254,604,000 | 11.48 | *(Note 4)* | *(Note 4)* | *(Note 4)* | *(Note 4)* |
| **Public Shareholders** | **1,962,001,000** | **88.48** | **2,216,605,000** *(Note 4)* | **70.09** | **2,216,605,000** *(Note 4)* | **19.762** |
| **Total** | **2,217,025,000** | **100.00** | **3,162,660,485** | **100.00** | **11,216,575,022** | **100.000** |

*Notes:*

1. As at the Latest Practicable Date, the Vendors and parties acting in concert with them do not hold any Shares.

2. As stated in the paragraph headed "Principal terms of the Preferred Shares" above, the holders of the Preferred Shares shall have the right to convert the Preferred Shares, in whole or in part, at any time at the conversion rate set out in that paragraph provided that any conversion of the Preferred Shares will not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the Preferred Shares holder who exercised the conversion rights. Hence, the circumstances with the issue and allotment of the Consideration Shares and conversion of the Preferred Shares in full is hypothetical.

3. Success Way Holdings Limited is beneficially owned by Liu Yi Dong Family Trust and the beneficiaries of which are Mr. Liu Yi Dong and his family members.

4. Success Way Holdings Limited will no longer be a substantial Shareholder and will become a public Shareholder both (i) immediately after the issue and allotment of the Consideration Shares and (ii) with the issue and allotment of the Consideration Shares and conversion of the Preferred Shares in full.

5. On the assumption that no further Shares will be issued or repurchased by the Company prior to the Completion.

6. On the assumption that (i) no further Shares will be issued or repurchased by the Company prior to Completion; and (ii) the Consideration will be HK$6,000 million.

If and when a general offer obligation is triggered by the Vendors and the parties acting in concert with them, relevant regulatory requirements including the Takeovers Code will be fully complied with.

## REASONS FOR THE ACQUISITION

The Group is principally engaged in the provision of system integration services, facility management services and information technology infrastructure network development in the PRC and Hong Kong, trading of construction materials and mobile phones.

As mentioned in the 2007 annual report of the Company, the Company is always looking for new opportunities to enhance the profitability of the Group. The Acquisition and the underlying scope of business of the EJV and the Platform would provide the Company with an unique opportunity to participate in an information technology related business activity with lucrative potential. It is intended that the EJV and the Platform would develop a nationwide online public procurement platform for suppliers and public procurers in the PRC including central and local government and public authorities which is expected to be unique in the PRC.

Accordingly and based on the expected business model and revenue stream of the EJV as set out in the paragraph headed "Information on the Target" above, the Directors believe that the Acquisition could enhance the future growth and profitability prospect of the Group. In addition, the Acquisition will be financed by non-cash consideration, a potential significant part of which is based on an "earn-out" basis as described earlier in this circular, the Directors consider that the interest of the Vendors would be in alignment with that of the Company and the Shareholders.

Moreover, the Directors consider that the issue and allotment of the Consideration Shares and the Preferred Shares as settlement of the Consideration could allow the Company to pursue with the Acquisition which is expected to enhance the future growth and profitability of the Group without imposing an immediate negative effect on the cash flow of the Company. Besides, as illustrated above, the Consideration Shares Issue Price and the Preferred Shares Issue Price represent a premium of approximately 2.57% over the average of the average monthly closing prices from January 2008 to August 2008, and which the Directors consider as fair and reasonable.

Taking into account the above factors, the Board is of the view that the terms of the Acquisition are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

## IMPLICATION UNDER THE LISTING RULES

The Acquisition constitutes a very substantial acquisition on the part of the Company under Chapter 14 of the Listing Rules. Accordingly, the Agreement and the transactions contemplated thereunder are subject to the approval of the Shareholders at the SGM.

## POSSIBLE CONTINUING CONNECTED TRANSACTIONS UPON COMPLETION

The EJV has entered into two framework agreements (i.e. the Promotion Agreement and the Service Agreement) with the PRC Partner. Since the PRC Partner intends to promote the research and development, construction and implementation of the Platform, it entered into the Promotion Agreement and the Service Agreement with the EJV.

### (a) Promotion Agreement

Pursuant to the Promotion Agreement, the PRC Partner agreed to appoint and the EJV agreed to act as the exclusive agent of the PRC Partner to recruit suppliers for the Platform and provide necessary services to the suppliers on the Platform. Pursuant to the Promotion Agreement, the

EJV has agreed to pay a lump sum payment of RMB8 million (equivalent to approximately HK$9.04 million) to the PRC Partner within 60 days from the date of the Promotion Agreement; and the EJV, in consideration of the services to be provided to the PRC Partner, will be entitled to receive a service fee which equals 40% of the gross revenue received by the PRC Partner from its business. The Promotion Agreement is effective until terminated by the EJV upon serious breach of the terms of the Promotion Agreement by the PRC Partner.

**(b) Service Agreement**

Pursuant to the Service Agreement, the PRC Partner agreed to engage the EJV and the EJV agreed to provide (i) all necessary capital, know-how, equipment and human resources in relation to the building and setting up of the Platform and (ii) technical support in relation to the operation of the Platform. Pursuant to the Service Agreement, the EJV has agreed to pay a lump sum payment of RMB7 million (equivalent to approximately HK$7.91 million) to the PRC Partner within 60 days from the date of the Service Agreement; and the EJV, in consideration of the services to be provided to the PRC Partner, will be entitled to receive a service fee which equals 60% of the gross revenue received by the PRC Partner from its business. The Service Agreement is effective until terminated by the EJV upon serious breach of the terms of the Service Agreement by the PRC Partner. As confirmed by the Vendors, the source of the resources to be provided by the EJV to the PRC Partner would be based on the know-how agreement to be entered into between the EJV and the Tsinghua University (or its related entities) as mentioned in sub-paragraph (j) under the paragraph headed "Conditions precedent" above.

It is expected that 100% of the PRC Partner's gross revenue from its business will be levied under the Promotion Agreement and the Service Agreement. However, the substantial income of the EJV is expected to be directly generated by the EJV and that from the PRC Partner should not be significant when the EJV first comes into operation. Upon Completion, the EJV will become an indirect non wholly-owned subsidiary of the Company. The PRC Partner, being a substantial shareholder of the EJV, will become a connected person of the Company upon Completion. As such, the transactions contemplated under the Promotion Agreement and the Service Agreement will constitute connected transactions for the Company under Chapter 14A of the Listing Rules upon Completion. Written agreements with relevant maximum cap of the transactions involved under each of the Promotion Agreement and the Service Agreement will be entered into between the EJV and the PRC Partner from time to time subsequent to the Completion. Reporting, announcement and independent shareholders' approval requirements pursuant to the Listing Rules will be complied with where applicable.

## INFORMATION AS TO COMMISSION TO BE PAID BY THE COMPANY IN RELATION TO THE ACQUISITION

It is agreed between the Agent and the Company that a commission, based on 2.5% of the Consideration, would be paid by the Company to the Agent for the procurement and assistance offered by the Agent in relation to the Acquisition. So far as the Directors are aware, the Agent is a company incorporated in the BVI and its management is experienced in trading and merchandising business. The Agent has been assisting the Company to acquire a trading-related company. Save as disclosed above, the Directors are not aware of any prior or current relationship (business or otherwise) between the Agent and the Company and its connected persons.

Since the Agent is familiar with the PRC market and has offered assistance to the Company during the early negotiation process in connection with the structure of the Acquisition, the Directors consider that it is beneficial for the Company to engage the Agent. So far as the Directors are aware, the rate of commission to the Agent is in line with normal market practice for similar types of transactions, and was decided after an arm's length commercial negotiation between the Company and the Agent and in consideration of the Agent's efforts and contribution, it is considered that the payment of the commission at 2.5% of the Consideration is reasonable. In particular, the Agent provided assistance to the Company in the following aspects: (i) introducing the Vendors to the Company; (ii) explaining the business model of the EJV to the Company; and (iii) taking part in the early negotiation process on the preliminary terms and skeleton structure of the Acquisition between the Vendors and the Purchaser. Furthermore, the Directors believe that the Acquisition would enhance the future growth and profitability prospects of the Group and the payment of the commission is fair and reasonable and in the interest of the Company and the Shareholders as a whole. As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of the Agent and its ultimate beneficial owner(s) is a third party independent of the Company and connected persons of the Company, the Vendors and the Target.

## PROPOSED CHANGE OF COMPANY NAME

The Board proposes to change the official registered English name of the Company from "Sunny Global Holdings Limited" to "China Public Procurement Limited" ("**Change of English Name**") and, upon the Change of English Name becoming effective, to adopt the new Chinese name "中國公共採購有限公司" as its secondary name to replace the existing Chinese name of the Company "新怡環球控股有限公司" which has been adopted by the Company for identification purpose only (the Change of English Name and adoption of new Chinese name as its secondary name as defined herein together as "**Change of Company Name**").

The Change of English Name shall be subject to (i) the passing of a special resolution by the Shareholders at the SGM to approve the proposed change of name; (ii) Completion taking place; and (iii) the approval by the Registrar of Companies in Bermuda. The adoption of the new Chinese name as its secondary name will be subject to (i) the passing of a special resolution by the Shareholders at the SGM to approve the proposed adoption of the new Chinese name, (ii) the Change of English Name becoming effective, and (iii) the approval by the Registrar of Companies in Bermuda.

The Change of English Name will take effect from the date of entry of the new English name on the register of companies maintained by the Registrar of Companies in Bermuda. The adoption of new Chinese name as its secondary name will take effect from the date of entry of the new Chinese name on the register of companies maintained by the Registrar of Companies in Bermuda. The Company will then carry out all necessary filing procedures in respect of the Change of Company Name with the Registrar of Companies in Hong Kong.

The Board believes that the Change of Company Name will better reflect the core business of the Group in the future and provide the Company with a new corporate identity which is in the interests of the Company and the Shareholders as a whole.

The Change of Company Name will not affect any of the rights of any Shareholders. All existing share certificates in issue bearing the existing English and Chinese names of the Company will, after the Change of Company Name becomes effective, continue to be evidence of legal title to Shares and will be valid for trading, settlement and registration purposes. However, Shareholders, if so elect, may exchange the existing share certificates for new share certificates bearing the new names of the Company at the branch share registrar of the Company in Hong Kong, Union Registrars Limited at Room 1901-02, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong free of charge for one month from the effective date of the Change of Company Name.

Further announcement will be made by the Company in relation to the effective dates of the Change of Company Name and change in stock short name of Shares in both English and Chinese and the arrangement for exchanging share certificates.

**SGM**

A notice of the SGM to be held at Vinson Room, Pacific Place Conference Centre, Level 5, One Pacific Place, 88 Queensway, Admiralty, Hong Kong at 11:00 a.m. on 9 February 2009 is set out on pages N-1 to N-9 of this circular for the purpose to consider and, if thought fit, to approve, among other matters, the Acquisition; proposed alterations to the bye-laws and the Change of Company Name.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll and results of the poll shall be announced accordingly. The SGM will be convened at which resolutions will be proposed to seek the approval of the Shareholders by way of a poll for the Agreement and the transactions contemplated thereby, including, amongst other things, the Acquisition, the issue and allotment of the Consideration Shares and the Preferred Shares and the Conversion Shares upon conversion of the Preferred Shares, the creation of the Preferred Shares, the payment of commission to the Agent, alterations to the bye-laws of the Company and the Change of Company Name.

The form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch registrar in Hong Kong, Union Registrars Limited at Room 1901-02, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong as soon as possible and in any event not later 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment of it, if you so wish.

## RECOMMENDATION

The Directors consider that the Acquisition is on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole and therefore recommend the Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Agreement and the transactions contemplated thereby and the Change of Company Name.

## ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully
For and on behalf of the Board of
**Sunny Global Holdings Limited**
**Liu Bo**
*Executive Director*

## 1. FINANCIAL SUMMARY

Set out below is the summary of the financial information extracted from the relevant annual reports of the Company, the auditors' reports contained in the annual reports of the Company for the audited financial statements of the Group for the two years ended 30 September 2006 and the fifteen months ended 31 December 2007 and the unaudited interim report for the six months ended 30 June 2008.

### (i) Consolidated Income Statement

| | Six months ended 30 June 2008 | Fifteen months ended 31 December 2007 | Year ended 30 September 2006 | 2005 |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Turnover | 57,004 | 57,831 | 26,808 | 42,809 |
| Loss before taxation | (60,103) | (146,909) | (36,283) | (58,205) |
| Tax | (2,186) | (1,654) | — | — |
| Loss attributable to Shareholders | (62,289) | (151,480) | (35,926) | (57,890) |
| Dividends | — | — | — | — |
| Loss per Share | 3.60 cents | 13.68 cents | 5.96 cents | 5.63 cents |

*Note:* For each of the three years ended 31 December 2007, no extraordinary item, exceptional item or minority interest is applicable to be disclosed in the audited financial statements of the Group of the relevant periods.

### (ii) Consolidated Assets and liabilities

| | As at 30 June 2008 | As at 31 December 2007 | As at 30 September 2006 | 2005 |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Non-current assets | 381,933 | 80,567 | 53,553 | 24,064 |
| Current assets | 259,116 | 152,325 | 28,446 | 56,304 |
| Total assets | 641,049 | 232,892 | 81,999 | 80,368 |
| Non-current liabilities | — | — | — | — |
| Current liabilities | 51,133 | 10,682 | 9,601 | 7,222 |
| Total liabilities | 51,133 | 10,682 | 9,601 | 7,222 |
| Net Assets | 589,916 | 222,210 | 72,398 | 73,146 |

**(iii) Reports of the auditors for the financial statements of the Group for the two years ended 30 September 2006 and the fifteen months ended 31 December 2007**

**A. Report of the auditors for the financial statements of the Group for the year ended 30 September 2005**

*The following is the full text of the reproduced report of Grant Thornton, the auditors of the Company, for the year ended 30 September 2005 extracted from page 20 of the annual report of the Company for the year ended 30 September 2005 ("**2005 Annual Report**"). The page references in this reproduced report are the same as those in the 2005 Annual Report.*

Grant Thornton
均富

**To the members of Sunny Global Holdings Limited**
*(incorporated in Bermuda with limited liability)*

We have audited the financial statements on pages 21 to 59 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

**RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements 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.

## BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

## OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 September 2005 and of the Group's loss and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Grant Thornton**
*Certified Public Accountants*
Hong Kong

22 February 2006

**B. Report of the auditors for the financial statements of the Group for the year ended 30 September 2006**

*The following is the full text of the reproduced report of Grant Thornton, the auditors of the Company, for the year ended 30 September 2006 extracted from pages 21 to 22 of the annual report of the Company for the year ended 30 September 2006 ("**2006 Annual Report**"). The page references in this reproduced report are the same as those in the 2006 Annual Report.*

Grant Thornton
均富

Independent auditors' report
**To the members of Sunny Global Holdings Limited**
*(incorporated in Bermuda with limited liability)*

We have audited the consolidated financial statements of Sunny Global Holdings Limited (the "Company") set out on pages 23 to 67, which comprise the consolidated and company balance sheets as at 30 September 2006, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

**DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of 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 financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

**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 Company and its subsidiaries (the "Group") as at 30 September 2006 and of the Group's loss and cash flows for the year then ended 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.

**Grant Thornton**
*Certified Public Accountants*
13th Floor, Gloucester Tower, The Landmark
15 Queen's Road Central
Hong Kong

27 February 2007

**C. Reports of the auditors for the financial statements of the Group for the fifteen months ended 31 December 2007**

*The following is the full text of the reproduced report of Morison Heng, the auditors of the Company, for the fifteen months ended 31 December 2007 extracted from pages 28 to 29 of the annual report of the Company for the fifteen months ended 31 December 2007 ("**2007 Annual Report**"). The page references in this reproduced report are the same as those in the 2007 Annual 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.

**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

## 2. SUMMARY OF AUDITED FINANCIAL STATEMENTS

Set out below is the audited financial statements together with the relevant notes to the financial statements of the Group as extracted from the 2007 Annual Report of the Company for the fifteen months ended 31 December 2007.

### 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** *(Continued)*

*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 |

**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 |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the fifteen months ended 31 December 2007*

| | Equity attributable to equity holders of the Company | | | | |
|---|---|---|---|---|---|
| | Share capital | Other reserves | Accumulated losses | Minority interests | Total equity |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Balance 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 |

## CONSOLIDATED CASH FLOW STATEMENT

*For the fifteen months ended 31 December 2007*

| | 1.10.2006 to 31.12.2007 | 1.10.2005 to 30.9.2006 |
|---|---|---|
| | *HK$'000* | *HK$'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** *(Continued)*

*For the fifteen months ended 31 December 2007*

| | 1.10.2006 to 31.12.2007 | 1.10.2005 to 30.9.2006 |
|---|---|---|
| | *HK$'000* | *HK$'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.

**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** | **Corporate** | **Others** | **Total** |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'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** | **1.10.2005 to 30.9.2006** |
|---|---|---|
| | *HK$'000* | *HK$'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).

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 | 2006 |
|---|---|---|
| | *'000* | *'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 | Salaries and allowances | Retirement scheme contributions | Share-based payments | Total |
|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *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 | Salaries and allowances | Retirement scheme contributions | Total |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'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** | **1.10.2005 to 30.9.2006** |
|---|---|---|
| | *HK$'000* | *HK$'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 | Motor vehicles | Leasehold improvements | Network equipment | Total |
|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *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 |

## 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** | **30.9.2006** |
|---|---|---|
| | *HK$'000* | *HK$'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.

## 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 | Attributable equity interests held by the Company 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 | Attributable equity interests held by the Company: 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 | 30.9.2006 |
|---|---|---|
| | *HK$'000* | *HK$'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 | 30.9.2006 |
|---|---|---|
| | *HK$'000* | *HK$'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** | **30.9.2006** |
|---|---|---|
| | *HK$'000* | *HK$'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** | **30.9.2006** |
|---|---|---|
| | *HK$'000* | *HK$'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** | **30.9.2006** |
|---|---|---|
| | *HK$'000* | *HK$'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** | **30.9.2006** |
|---|---|---|
| | *HK$'000* | *HK$'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** | **30.9.2006** |
|---|---|---|
| | *HK$'000* | *HK$'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** | **30.9.2006** |
|---|---|---|
| | *HK$'000* | *HK$'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** | **30.9.2006** | **31.12.2007** | **30.9.2006** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'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 | Period ended 31.12.2007 *HK$'000* | Year ended 30.9.2006 Number of shares | Year ended 30.9.2006 *HK$'000* |
|---|---|---|---|---|
| Authorised: | | | | |
| Ordinary shares of HK$0.10 each | 5,000,000,000 | 500,000 | 5,000,000,000 | 500,000 |

| | 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:

| | | **31.12.2007** | **30.9.2006** |
|---|---|---|---|
| **Exercise period** | **Exercise price** | **Number** | **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 | 30.9.2006 |
|---|---|---|
| | *'000* | *'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.

**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

| | | | OTHER RESERVES | | | | |
|---|---|---|---|---|---|---|---|
| | Share Premium | Warrant reserve | 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** | **30.9.2006** |
|---|---|---|
| | *HK$'000* | *HK$'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** | **30.9.2006** |
|---|---|---|
| | *HK$'000* | *HK$'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.

**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)*

(v) 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** | **30.9.2006** |
|---|---|---|
| | *HK$'000* | *HK$'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** | **30.9.2006** |
|---|---|---|
| | *HK$'000* | *HK$'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.

### (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;

(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.

**32. POST BALANCE SHEET EVENTS** *(Continued)*

(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.

(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.

## 3. MANAGEMENT DISCUSSION AND ANALYSIS

### (i) For the year ended 30 September 2005

The following is the management discussion and analysis extracted from the 2005 Annual Report. The page references in the reproduced information are the same as those in the 2005 Annual Report.

**OPERATING AND FINANCIAL REVIEW**

During the financial year under review, the Group recorded a turnover of approximately HK$42.8 million, representing a decrease of around 68.8% as compared to the previous period HK$137.0 million, because of the disposal of the manufacturing arm under the footwear business. The disposal was attributable to the upsurge of direct labor costs in the PRC, fluctuation in raw material prices and tough competition footwear business environment around the world. Amongst the turnover, the footwear business section participated 38.8% of sales.

After having been diversifying into the information technology business since the last financial year, the IT business contributed a turnover of HK$26.2 million, whereas it was underlying an around 61.2% of the Group's turnover.

**The following table provides an analysis of the Group's revenue by geographical market and business segmentation**

| | For the financial year ended 30 September 2005 | | For the financial year ended 30 September 2004 | | Percentage of change Yr. to Yr. |
|---|---|---|---|---|---|
| | *HK$'000* | *%* | *HK$'000* | *%* | *%* |
| Footwear Business | 16,606 | 39 | 105,884 | 7 | (84) |
| IT Business | | | | | |
| — Trading | 20,326 | | 31,059 | | |
| — Services | 5,877 | | 46 | | |
| | 26,203 | 61 | 31,105 | 23 | (16) |
| TOTAL | 42,809 | 100 | 136,989 | 100 | (69) |

The gross profit margin improved from -15% to 4.7% partly in reflection of the implementation of an appropriate strategy under such an adverse atmosphere in the footwear industry. Throughout the past two years, the footwear industry has been facing an unprecedented challenge regarding an exceptional volatile raw material price and inflation of direct labor cost in the PRC. As a result, the Group disengaged its manufacturing subsidiary, Kaitai Group, in order to minimize the operational risks and reduce the direct cost. Along with a conservative strategy by the Group to focus in acquiring trading business with an acceptable rate of return, a positive gross profit margin figure was reported in the footwear business during this financial year.

Regarding the IT division, it also furnished a positive gross profit margin during this financial year although it was going through its development stage.

Due to the shrinkage of sales volumes in footwear business and experiencing a development stage in the IT stream under our revenue diversification model, the net profit margin excluding those impairment of goodwill gave a figure of negative 15.0% as a result of not attaining economies of scale in operation. Nevertheless, the Group is still implementing a tight cost control policy in the coming year.

Amongst the operating expenses, over 83.9% of operating expenses (i.e. HK$51.8 million) was non-cash expenditure items in relation to the impairment of goodwill for subsidiaries. This figure represented the early adoption of the new accounting treatment as recommended by the Hong Kong Institute of Certified Public Accountants commencing 1 January 2006 while the management concurred to accept a prudent opinion in these items as well.

The Group recorded a loss attributable to shareholders amounted to approximately HK$58.2 million because of (1) net operational loss stemming from the disposed manufacturing arm, (2) lacking optimal economies of scale in IT section and (3) significant impairment for the IT business division.

**NEW BUSINESS**

The Group had acquired three IT companies in Hong Kong and the PRC, they were Excel Star Technology Limited ("Excel Star"), Popular Asset Limited ("Popular Asset") and Golden Portal Holdings Limited ("Golden Portal"), since last financial year end.

Excel Star holds 51% interest in a Sino-foreign equity joint venture enterprise, Jiaxing Easeful Communication Co., Ltd. ("JV Company"), established in the PRC. The JV Company is principally engaged in the provision of system integration, telecom-related and software development services in the PRC. Details of this acquisition were disclosed in the Company's circular dated 14 October 2004.

Popular Asset is principally engaged in the business of the provision of information technology and telecommunication facility management services. Details of this acquisition were disclosed in the Company's circular dated 28 January 2005.

Golden Portal indirectly holds 70% interests in Bartech (International) Information Network Limited ("Bartech"). Bartech is principally engaged in the provision of on-line financial information of Hong Kong, the PRC and certain American and European markets. Details of this acquisition were disclosed in the Company's circular dated 16 September 2005.

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

As of 20 February 2006, the Company is going to acquire SLS Investments Limited ("SLS") as disclosed. SLS indirectly holds 100% interests in Woda Taifeng and 70% interests in Tianxun (collectively "SLS Group"). SLS Group engaged in the provision of system development, integration and consulting services on internet network & applications development and indirectly holds 40% interest in 北京市海淀區有綫廣播電視網絡信息有限公司(Beijing Haidian District Cable Television Broadcasting and Network Information Limited ("Haidian")). Haidian 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. Details of this potential acquisition were disclosed in the Company's announcement dated 20 February 2006.

## OUTLOOK

As disclosed in the Chairman's Statement, the Group is anticipated to encounter envisaged challeges in the coming year.

Currently, the Group has participated in the IT business of system integration, IT & telecommunication facility management services, telecom-related & software development services and financial information content provider. After having been diversifying into information technology business for two years, the IT division is still undergoing its development stage. The Group will continue to execute the inorganic growth strategy in acquisition of potential business opportunities with synergy to our existing IT portfolio.

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

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

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2005, the Group maintained cash and bank balances of approximately HK$20.0 million (30 September 2004: HK$54.9 million) without any borrowings (30 September 2004: HK$3.2 million).

The gearing ratio of the Group as of 30 September 2005 was reduced to null (30 September 2004: 2.8%) after the disposal of the manufacturing factory. During the year under review, the Group had allotted 120,000,000 new shares as part of consideration to acquire a financial information content provider. As a result, the share capital was increased from HK$103 million to HK$115 million after the acquisition.

As of 30 September 2005, the Group's working capital (net current assets) and current ratio were approximately HK$49.1 million (30 September 2004: HK$75.5 million) and 7.8x (30 September 2004: 3.4x) respectively. In term of the quality of current assets, over 34% of current assets were cash at banks. As a result, the Group is expected to preserve a healthy liquidity position.

The existing available cash and bank balances are considered sufficient to adequate liquidity and capital resources for the Group's operating requirements.

## PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 30 September 2005, no asset (30 September 2004: HK$1.9 million) was pledged by the Group to secure any bank facility after the disposal of the manufacturing arm.

The Group had no significant contingent liabilities as at 30 September 2005 (2004: Nil).

## FOREIGN EXCHANGE EXPOSURE

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

## STAFF AND REMUNERATION POLICY

The Group determines staff remuneration in accordance with market terms and individual qualifications and performance. Staff recruitment and promotion is based on individuals' merit and their development potential for the positions offered. As at 30 September 2005, the Group employed approximately 30 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 year, no share option was granted or exercised.

**(ii) For the year ended 30 September 2006**

The following is the management discussion and analysis extracted from the 2006 Annual Report. The page references in the reproduced information are the same as those in the 2006 Annual Report.

**OPERATING AND FINANCIAL REVIEW**

During the financial year under review, the Group recorded a turnover of approximately HK$26.8 million, representing a decrease of around 37% as compared to the previous period of HK$42.8 million.

The IT business contributed to a turnover of HK$26.6 million, whereas it was underlying an around 99% of the Group's turnover.

This year our general trading contributed a turnover of HK$183 thousand.

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

| | For the financial year ended 30 September 2006 | | For the financial year ended 30 September 2005 | | Percentage of change Yr. to Yr. |
|---|---|---|---|---|---|
| | *HK$'000* | *%* | *HK$'000* | *%* | *%* |
| IT Business | | | | | |
| — Trading | 18,819 | | 20,326 | | |
| — Services | 7,806 | | 5,877 | | |
| | 26,625 | 99 | 26,203 | 61 | 2 |
| Footwear Business | — | 0 | 16,606 | 39 | (100) |
| General Trading | 183 | 1 | — | 0 | N/A |
| TOTAL | 26,808 | 100 | 42,809 | 100 | (37) |

The gross profit margin improved from 4.7% to 16.9% partly in reflection of the change in business focus from footwear manufacturing to IT business.

The Group recorded a loss attributable to shareholders amounted to approximately HK$36.3 million because of (1) net operational loss stemming from the disposed manufacturing arm, (2) lacking of optimal economies of scale in IT section and (3) delay on 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.

**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. The carrying amount of goodwill at 30 September 2006 was HK$38.2 million (2005: Nil).

**NEW BUSINESS**

The Group had acquired an IT companies, SLS Investments Limited ("SLS"), in this financial year end. SLS holds 89% interests in Beijing Woda Taifeng Consultation Limited Company ("Woda Taifeng") which holds 70% interest in 北京天迅視通科技發展有限公司 ("Tianxun") (collectively ("SLS Group"). SLS Group is engaged in the provision of system development, integration and consulting services on internet network and applications development and indirectly holds 24.92% interest in 北京市海淀區有綫廣播電視網絡信息有限公司 (Beijing Haidian Direct Cable Television Broadcasting and Network Information Limited ("Haidian")). Haidian 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. Details of this acquisition were disclosed in the Company's circular dated 30 June 2006.

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

As of 12 January 2007, the Company is going to acquire approximately 80% of the voting right of DigiSat Network Limited ("DigiSat"). DigiSat was incorporated on 18 August 2003 and is principally engaged in the operation of internet protocol television platform which provides to its customers an interactive, high quality, reliable video delivery and multimedia entertainment via the internet using state of the art digital broadcast technology. Details of this potential acquisition were disclosed in the Company's announcement dated 8 January 2007.

## OUTLOOK

As disclosed in the Chairman's Statement, the Group is anticipating to encounter envisaged challenges in the coming year.

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

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

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

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2006, the Group maintained fixed deposits, cash and bank balances of approximately HK$17.9 million (30 September 2005: HK$20.0 million) without any borrowings (30 September 2005: Nil).

The gearing ratio of the Group as of 30 September 2006 was null (30 September 2005: Nil). During the year under review, the Group had allotted 300,000,000 new shares as part of consideration to acquire a IT Company. As a result, the share capital was increased from HK$115 million to HK$145 million after the acquisition.

As of 30 September 2006, the Group's working capital (net current assets) and current ratio were approximately HK$18.8 million (30 September 2005: HK$49.1 million) and 3.0x (30 September 2005: 7.8x) respectively. In term of the quality of current assets, over 63% of current assets were cash at banks. As a result, the Group is expected to preserve a healthy liquidity position.

The existing available cash and bank balances are considered sufficient to adequate liquidity and capital resources for the Group's operating requirements.

## PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 30 September 2006, no asset was pledged by the Group to secure a bank facility.

The Group had contingent liabilities at 30 September 2006 in respect of the litigation of about HK$416,000 for the claim including the estimated legal charges in respect of the case.

## FOREIGN EXCHANGE EXPOSURE

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 Renminbi.

## STAFF AND REMUNERATION POLICY

The Group determines staff remuneration in accordance with market terms and individual qualifications and performance. Staff recruitment and promotion is based on individuals merit and their development potential for the positions offered. As at 30 September 2006, the Group employed approximately 30 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 year, no share option was granted or exercised.

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

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

## COMPLIANCE WITH CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the Code of Best Practice (the "Code") (which was in force prior to 1 January 2005) as set out in Appendix 14 to the Listing Rules throughout the year ended 30 September 2006, except that the independent non-executive directors of the Company are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's bye-laws (the "Bye-laws").

The Code was replaced by a new Code on Corporate Governance Practices (the "New Code") which has become effective for the accounting period commencing on or after 1 January 2005. The New Code is applicable to the Company for the financial year commencing on 1 October 2005. The Company has taken appropriate actions to comply with the New Code.

**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 year ended 30 September 2006.

**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. Tsui Pak Hang, Mr. Liu Kwok Wah and Mr. Chan Wai Ming, the independent non-executive directors of the Company.

The Audit Committee has reviewed with the management and the auditors the audited consolidated annual results of the Group for the year ended 30 September 2006.

**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. Tsui Pak Hang, Mr. Liu Kwok Wah and Mr. Chan Wai Ming, the independent non-executive directors of the Company. The Remuneration Committee is to review and determine the remuneration policy and other remuneration related matters of the Directors and the senior management of the Group.

**(iii) For the fifteen months ended 31 December 2007**

The following is the management discussion and analysis extracted from the 2007 Annual Report. The page references in the reproduced information are the same as those in the 2007 Annual Report.

**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 | | For the financial year ended 30 September 2006 | | Percentage of change period to year |
|---|---|---|---|---|---|
| | *HK$'000* | *%* | *HK$'000* | *%* | *%* |
| 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.

**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.

## 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.

## 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.

## 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.

**(iv) For the Target Group**

**MANAGEMENT DISCUSSION AND ANALYSIS**

**Hero Joy International Limited ("Hero Joy") (Date of incorporation on 8 January 2008), Public Procurement Limited, and Guocai (Beijing) Technology Company Limited (Date of incorporation on 9 October 2008) (collectively the "Target Group")**

***For the period ended 31 December 2008***

*Turnover and operating results*

The Target Group did not generate any turnover during the period. As such, expenses substantially represent operating expenses. For the period ended 31 December 2008, the Target Group recorded a loss of approximately HKD285,000.

*Liquidity and financial resources*

As at 31 December 2008, the Target Group current ratio (i.e., the ratio of total current assets to total current liabilities was approximately 1,576 and the cash and cash equivalent balance was approximately HKD18,491,000.

As at 31 December 2008, the Target Group did not have any bank borrowings.

*Pledge of assets and corporate guarantees*

As at 31 December 2008, the Target Group did not have any contingencies relating to pledge of assets and corporate guarantees provided by Hero Joy for credit facilities granted to any of its subsidiaries.

*Capital structure and gearing*

As at 31 December 2008, Hero Joy had 4,350,100 shares at US$1 each issued and outstanding. The gearing ratios (i.e., total liabilities to shareholders' equity) of the Target Group was approximately 0.0007.

Investment, material acquisition and disposal of subsidiaries and affiliated companies

During the period, none of the companies have acquired any companies nor committed material investment.

*Segment comments*

As no revenue was generated by the Target Group during the period, no segment information is disclosed.

*Future plans for material investments or capital assets*

As at 31 December 2008, save as the possible investment cost to establish a Chinese equity joint venture company, the Target Group had no future plans for material investment or capital assets.

*Exposure to fluctuation in exchange rates*

As at 31 December 2008, the Target Group did not expose to significant exchange rate risk due to limited foreign currency transactions.

*Employee information*

As at 31 December 2008, the Target Group did not have any employees.

**MANAGEMENT DISCUSSION AND ANALYSIS**

**Public Procurement Limited ("Public Procurement")**

***For the period ended 29 November 2007 (Date of incorporation) to 31 December 2007***

*Turnover and operating results*

During the period, Public Procurement did not generate any turnover nor recorded any losses.

*Liquidity and financial resources*

As at 31 December 2007, Public Procurement did not have any cash and cash equivalent and since it did not have any liabilities, current ratio (i.e., being the ratio of total current assets to total current liabilities) was not applicable.

As at 31 December 2007, Public Procurement did not have any bank borrowings.

*Pledge of assets and corporate guarantees*

As at 31 December 2007, Public Procurement did not have any assets pledged nor guarantee for any credit facilities.

*Capital structure and gearing*

As at 31 December 2007, Public Procurement had 1 share at HKD1 each issued and outstanding. The gearing ratio (i.e., total liabilities to shareholders' equity) of the Company was zero.

Investment, material acquisition and disposal of subsidiaries and affiliated companies

During the period, Public Procurement did not have any investments nor material acquisitions and disposal of subsidiaries and affiliated companies.

Segment comments

As no revenue was generated by Public Procurement during the period, no segment information is disclosed.

Future plans for material investments or capital assets

As at 31 December 2007, Public Procurement had no future plans for material investment or capital assets.

Exposure to fluctuation in exchange rates

As at 31 December 2007, Public Procurement did not expose to significant exchange rate risk due to limited foreign currency transactions.

Employee information

As at 31 December 2007, Public Procurement did not have any employees.

## 4. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material changes in the financial or trading position or prospects of the Group since 31 December 2007, being the date the latest audited consolidated financial statements of the Group to which was made up.

## 5. BUSINESS PROSPECTS

### Trend of the business of the Group

Since 31 December 2007, the Group has been engaged in the IT business and energy trading business. The energy trading division was still going through its development stage to build up an energy trading platform for the Group.

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

### Financial and trading prospects of the Group for the current financial year

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

*The following is the full text of the reproduced report of Morison Heng in the circular of the Company dated 26 March 2008 in respect of the accountants' report on the Great Hill Group.*

MORISON HENG
Chartered Accountants
Certified Public Accountants

Date: March 26, 2008

The Directors
**Sunny Global Holdings Limited**
10B Lee West Commercial Building
375-379 Hennessy Road
Wanchai
Hong Kong

Dear Sirs,

We set out below our report on the financial information regarding Great Hill Trading Limited ("Great Hill") and its subsidiaries (hereinafter collectively referred to as the "Great Hill Group") for the period ended January 31, 2008 and for the period from January 10, 2008 (date of incorporation) to January 31, 2008 (the "Relevant Period") for inclusion in the circular dated March 26, 2008 issued by Sunny Global Holdings Limited ("the Company") in connection with the proposed acquisition of 75% equity interest in Great Hill (the "Circular").

Great Hill was incorporated in the British Virgin Islands with limited liability on January 10, 2008. The principal activity of Great Hill is investment holding.

At the date of this report, the particulars of Great Hill's subsidiaries are as follows:

| Name of subsidiary | Place and date of incorporation | Issued and fully paid share capital | Proportion of equity held by Great Hill | | Principal activities |
|---|---|---|---|---|---|
| | | | Direct | Indirect | |
| Welford International Industrial Limited | Hong Kong | HK$10,000 | 100% | — | Investment holding |
| Kings Union International Limited | British Virgin Islands | US$1 | — | 100% | Dormant |

The Great Hill Group has adopted December 31 as its financial year end date. Up to the date of this report, no audited financial statements have been prepared for Great Hill Group since its date of incorporation as there are no statutory requirements.

For the purpose of this report, the directors of Great Hill have prepared the consolidated financial statements of the Great Hill Group for the Relevant Period in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements"). We have undertaken an independent audit of the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKIPCA.

The Financial Information of the Great Hill Group for the Relevant Period has been prepared from the Underlying Financial Statements for the purpose of preparing our report for inclusion in the Circular. No adjustment was deemed necessary to the Underlying Financial Statements in preparing our report for inclusion in the Circular. We have examined the Underlying Financial Statements for the Relevant Period in accordance with the Auditing Guideline 3.340 "Prospectus and the Reporting Accountant" as recommended by the HKICPA.

The Underlying Financial Statements are the responsibility of the directors of Great Hill who approved their issues. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information together with the notes thereon gives, for the purpose of this report, a true and fair view of the state of affairs of Great Hill and the Great Hill Group as at January 31, 2008 and of the consolidated results and consolidated cash flows of the Great Hill Group for the Relevant Period.

## FINANCIAL INFORMATION

## CONSOLIDATED INCOME STATEMENT

| | Notes | Period from January 10, 2008 (date of incorporation) to January 31, 2008 |
|---|---|---|
| | | HK$ |
| Turnover | 7 | — |
| Other revenue | 7 | 30 |
| Administrative expenses | | (159,539) |
| Loss from operations | | (159,509) |
| Finance cost | | — |
| Loss before taxation | | (159,509) |
| Taxation | 9 | — |
| Net loss for the period | 10 | (159,509) |

## CONSOLIDATED BALANCE SHEETS AS AT JANUARY 31, 2008

| | *Notes* | *HK$* |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | | |
| Other receivables | *13* | 60,000,000 |
| Bank balances and cash | *14* | 35,882 |
| | | 60,035,882 |
| **Current liabilities** | | |
| Amount due to ultimate holding company | *15* | 60,204,654 |
| **NET LIABILITIES** | | (168,772) |
| **CAPITAL AND RESERVES** | | |
| Share capital | *16* | 780 |
| Reserve | *17* | (169,552) |
| | | (168,772) |

## BALANCE SHEETS OF GREAT HILL TRADING LIMITED AS AT JANUARY 31, 2008

| | *Notes* | *HK$* |
|---|---|---|
| **ASSETS** | | |
| **Non-current assets** | | |
| Interests in subsidiaries | *12* | 60,186,654 |
| **Current assets** | | |
| Bank balances and cash | *14* | 780 |
| **Current liabilities** | | |
| Amount due to ultimate holding company | *15* | 60,195,654 |
| **Net current liabilities** | | (60,194,874) |
| **NET LIABILITIES** | | (8,220) |
| **CAPITAL AND RESERVES** | | |
| Share capital | *16* | 780 |
| Accumulated losses | | (9,000) |
| | | (8,220) |

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| | Share Capital | Accumulated losses | Merger reserve | Total |
|---|---|---|---|---|
| | *HK$* | *HK$* | *HK$* | *HK$* |
| Issue of share capital | 780 | — | — | 780 |
| Net loss for the period | — | (159,509) | — | (159,509) |
| Addition through merger | — | — | (10,043) | (10,043) |
| Balance at January 31, 2008 | 780 | (159,509) | (10,043) | (168,772) |

## CONSOLIDATED CASH FLOW STATEMENTS

| | **Period from January 10, 2008 (date of incorporation) to January 31, 2008** |
|---|---|
| | *HK$* |
| **Operating activities** | |
| Loss before taxation | (159,509) |
| Adjustment for: | |
| Interest income | (30) |
| **Operating loss before working capital changes** | (159,539) |
| Increase in other receivables | (60,000,000) |
| Increase in amount due to ultimate holding company | 60,204,654 |
| **Net cash from operating activities** | 45,115 |
| **Cash flows from investing activities** | |
| Interest received | 30 |
| Acquisition of subsidiaries | (10,043) |
| **Net cash used in investing activities** | (10,013) |
| **Cash flows from financing activities** | |
| Proceeds from issuance of share capital | 780 |
| **Net cash from financing activities** | 780 |
| **Net increase in cash and cash equivalents and at the end of the period** | 35,882 |
| **Analysis of cash and cash equivalent at the end of the period** | |
| Bank balances and cash | 35,882 |

## NOTES TO THE FINANCIAL INFORMATION

### 1. GENERAL INFORMATION

Great Hill is incorporated in the British Virgin Islands with limited liability on January 10, 2008. The address of the registered office of Great Hill is P.O. Box 957, Offshore Incorporation Centre, Road Town, Tortola, British Virgin Islands.

Great Hill is an investment holding company. The principal activities of its subsidiaries are investment holding. The Financial Information is presented in Hong Kong dollars, which is the presentation and functional currency of the Company.

The Financial Information of the Relevant Periods has been prepared in accordance with the accounting policies adopted by Sunny Global, details of which are set out in Note 4, which conform with Hong Kong Financial Reporting Standards ("HKFRSs"). In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

### 2. BASIS OF PREPARATION OF FINANCIAL INFORMATION

The Financial Information has been prepared on a going concern basis because Wisdom First Limited has agreed to provide adequate funds to enable the Great Hill Group to meet in full its financial obligations as they fall due so long as it remains as its controlling shareholder. The Company has also agreed that upon completion of its acquisition of 75% equity interests in Great Hill, it will provide financial support to the Great Hill Group to enable it to meet its financial obligations as they fall due for the foreseeable future.

### 3. ADOPTION OF NEW AND REVISED HONG KONG ACCOUNTING STANDARDS.

At the date of this report, HKICPA issued the following new and revised HKFRSs, Hong Kong Accounting Standards ("HKAS") and Interpretations (hereinafter collectively referred to as "new HKFRSs") that have been issued but are not yet effective. However, Great Hill Group has not early applied these new and revised standards or interpretations. The directors of Great Hill anticipate that the application of these new HKFRSs will have no material impact on the results and financial position of Great Hill Group.

| | |
|---|---|
| HKAS 23 (Revised) | Borrowing Costs[1] |
| HKFRS 8 | Operating Segments[1] |
| HK(IFRIC) — Int 11 | HKFRS 2 Group and Treasury Share Transactions[2] |
| HK(IFRIC) — Int 12 | Service Concession Arrangements[3] |

[1] Effective for annual periods beginning on or after January 1, 2009

[2] Effective for annual periods beginning on or after March 1, 2007

[3] Effective for annual periods beginning on or after January 1, 2008

## 4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared under the historical cost convention and in accordance with the accounting principles as set out below which conform with HKFRSs.

The Financial Information include the results, cash flows and change in equity of companies comprising the Great Hill Group as if the Widsom First Limited had always been the holding company of the Great Hill Group resulting from the Reorganization by using the principles of merger accounting.

**Basis of consolidation**

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

**Merger accounting for business combinations involving entities under common control**

The Financial Information incorporate the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of controlling party. The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognized in respect of goodwill or excess of acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest. The consolidated income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination. The comparative amounts in the Financial Information are presented as if the entities or businesses had been combined at the previous balance date or when they first came under common control, whichever is the shorter.

**Subsidiaries**

A subsidiary is an enterprise in which the Great Hill has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

Investments in subsidiaries are included in the Great Hill's balance sheet at cost less any impairment losses. The results of the subsidiaries are accounted for by the Great Hill on the basis of dividend received and receivable.

**4. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

**Taxation**

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

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable and deductible.

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

**Financial instruments**

Financial assets and financial liabilities are recognized on the Great Hill Group's balance sheet when the Great Hill Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value.

***Financial assets***

The Great Hill Group's financial assets include loans and receivables. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchase or sales are purchases or sales of financial assets that requires delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets set out below.

(i) Loans and receivables

Loans and receivables (including other receivables and bank balances and cash) are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables are carried at amortized cost using the effective interest method, less any identified impairment losses. An impairment loss is recognized in income statement when there is objective evidence that the asset is impaired, and is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognized, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Financial instruments** *(Continued)*

***Impairment of financial assets***

At each balance sheet date, financial assets are reviewed to determine whether there is objective evidence of impairment. If any such evidence exists, the impairment loss is measured and recognized as follows:

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial assets' original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognized in income statement of the period in which the reversal occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal is recognized in income statement of the period in which the reversal occurs.

***Financial liabilities***

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

The Great Hill Group's financial liabilities are generally classified into other financial liabilities.

***Other financial liabilities***

Other financial liabilities including amount due to ultimate holding company are subsequently measured at amortized cost, using the effective interest method.

***Derecognition***

Financial assets are derecognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Great Hill Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received or receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss. For financial liabilities, they are removed from the Great Hill Group's balance sheet (i.e. when the obligation specified in the relevant contract is discharged, cancelled or expires). The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

**4. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

**Recognition of income**

Revenue is recognized when it is probable that the economic benefits will flow to the Great Hill Group and when the revenue can be measured reliably, on the following bases:

Interest income from bank deposits is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable;

**Related parties**

A party is considered to be related to the Great Hill Group if:

(a) the party, directly, or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Great Hill Group; (ii) has an interest in the Great Hill Group that gives it significant influence over the Great Hill Group; or (iii) has joint control over the Great Hill Group;

(b) the party is a jointly-controlled entity;

(c) the party is a member of the key management personnel of the Great Hill Group;

(d) the party is a close member of the family of any individual referred to in (a) or (c);

(e) the party is an entity that is controlled, jointly-controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (c) or (d); or

(f) the party is a post-employment benefit plan for the benefit of employees of the Great Hill Group, or of any entity that is a related party of the Great Hill Group.

**Foreign currencies translation**

The Financial Information are presented in Hong Kong dollars (HK$), which is also the functional currency of the Great Hill Group. In the separate 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 recognized in the income statement under "other financial income" or "administrative and other operating expenses", respectively.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined 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.

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Foreign currencies translation *(Continued)*

In the Financial Information, all separate financial statements of subsidiaries, originally presented in a currency different from the Great Hill Group's presentation currency, have been converted into Hong Kong dollars. Assets and liabilities have been translated into Hong Kong dollars at the closing rate 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 rate.

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 recognized in the income statement as part of the gain or loss on sale.

### 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 Great Hill's cash management.

### Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with issuing of shares are deducted from share premium to the extent they are incremental costs directly attributable to the equity transaction.

## 5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimates and judgments are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Nevertheless, the resulting accounting estimates will 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.

### Estimate impairment of other receivables

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Management reassesses the adequacy of impairment on a regular basis. Where the actual cash flows are less than expected, a material impairment loss may arise.

5. **CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY** *(Continued)*

**Fair values of other financial assets and liabilities**

The fair values of loans and receivables and financial liabilities are accounted for or disclosed in the financial statements. The calculation of fair values requires the Great Hill Group to estimate the future cash flows expected to arise from those assets and liabilities and suitable discount rates. Variations in the estimated future cash flows and the discount rates used may result in adjustments to the carrying amounts of these assets and liabilities and the amounts disclosed in the financial statements.

6. **FINANCIAL INSTRUMENT**

a. **Categories of financial instruments**

| | Period from January 10, 2008 (date of incorporation) to January 31, 2008 |
|---|---|
| | *HK$* |
| **Financial asset** | |
| Loan and receivables (including cash and cash equivalent) | 60,035,882 |
| **Financial liability** | |
| Financial liability at amortized cost | 60,204,654 |

b. **Financial risk management objectives and policies**

The Great Hill Group's major financial instruments include other receivable, bank balances and amount due from ultimate holding company. The details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

***Credit risk***

As at January 31, 2008, the Great Hill Group's maximum exposure to credit risk which will cause a financial loss to the Great Hill Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Great Hill Group is arising from:

— the carrying amount of the respective recognized financial assets as stated in the balance sheet.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

**6. FINANCIAL INSTRUMENT** *(Continued)*

**b. Financial risk management objectives and policies** *(Continued)*

***Foreign exchange risk***

Currency risk is the risk that the holding of foreign currencies will affect the Great Hill Group's position as a result of a change in foreign currency exchange rates. The Great Hill Group's foreign exchange risk positions arise from foreign exchange dealing, commercial banking operations and structural foreign currency exposures. The Great Hill Group's assets and liabilities are mainly denominated in Hong Kong dollars of which the exchange rates have remained relatively stable among each other for the period ended January 31, 2008.

***Liquidity risk***

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Great Hill Group's short, medium and long-term funding and liquidity management requirements. The Great Hill Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables detail the Great Hill Group's remaining contractual maturity for its non-derivate financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Great Hill Group can be required to pay. The table includes both interest and principal cash flows.

| **At January 31, 2008** | **Weighted average effective interest rate** | **Less than 1 year** | **Between 1 and 2 years** | **Between 2 and 5 years** | **Over 5 years** |
|---|---|---|---|---|---|
| | | *HK$* | *HK$* | *HK$* | *HK$* |
| Amount due to ultimate holding company | N/A | 60,204,654 | — | — | — |

***Interest rate risk***

The Great Hill Group has no significant interest-bearing assets, the Great Hill Group's income and operating cash flow are substantially independent of change in market interest rates.

**6. FINANCIAL INSTRUMENT** *(Continued)*

**c. Fair value**

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions. The directors of the Great Hill Group consider that the carrying amounts of financial assets and financial liabilities at amortized cost in the financial statements approximate their fair values. The carrying amounts of significant financial assets and liabilities are approximate their respective fair values as at January 31, 2008.

**d. Capital risk management**

The Great Hill Group manages its capital to ensure that entity will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance.

The directors of the Great Hill Group review the capital structure on an annual basis. As a part of this review, the directors of the Great Hill Group consider the cost of capital and other sources of funds other than issuance of shares, including borrowings from related parties. Based on the recommendation of the directors of the Great Hill Group, the Great Hill Group will balance its overall capital structure through raising or repayment of borrowings. No changes were made in the objectives, policies or processes during the Relevant Periods.

**7. TURNOVER AND REVENUE**

The Great Hill Group is engaged in investment holding. Revenue recognized during the Relevant Period is as follows:

| | **Period from January 10, 2008 (date of incorporation) to January 31, 2008** *HK$* |
|---|---:|
| Turnover | — |
| Other revenue | |
| Bank interest income | 30 |
| Total revenue | 30 |

## 8. SEGMENT INFORMATION

No business or geographical segment analysis is presented as all operations, assets and liabilities of the Great Hill Group during the Relevant Period are related to investment holding.

## 9. TAXATION

No Hong Kong Profits Tax has been provided in the financial statements as the Great Hill Group did not derive any assessable profits during the Relevant Period.

No deferred tax has bee provided as the Great Hill Group did not have any significant temporary differences which gave rise to a deferred tax asset or liability at the balance sheet date for the period presented.

## 10. LOSS ATTRIBUTABLE TO EQUITY HOLDER OF GREAT HILL

Of the consolidated loss attributable to equity holder of Great Hill of HK$159,509, a loss of HK$9,000 has been dealt with in the accounts of Great Hill.

## 11. DIRECTORS' REMUNERATION

No directors' remuneration was paid or payable during the Relevant Period.

## 12. INTERESTS IN SUBSIDIARIES

| | **January 31, 2008** |
|---|---|
| | *HK$* |
| Unlisted shares, at cost | 10,000 |
| Advance to subsidiary | 60,176,654 |
| | 60,186,654 |

Details of the Great Hill's subsidiaries as at January 31, 2008 are as follows:

| **Name** | **Place of incorporation** | **Place of operation** | **Class of share held** | **Proportion of Nominal value of issued capital held by Great Hill** | | **Principal activity** |
|---|---|---|---|---|---|---|
| | | | | **Direct** | **Indirect** | |
| Welford International Industrial Limited | Hong Kong | Hong Kong | Ordinary | 100% | — | Investment holding |
| Kings Union International Limited | British Virgin Islands | Hong Kong | Ordinary | — | 100% | Dormant |

## 13. OTHER RECEIVABLES

| | **January 31, 2008** |
|---|---|
| | *HK$* |
| Other receivables | 60,000,000 |

The aged analysis of other receivable is as follow:

| | **January 31, 2008** |
|---|---|
| | *HK$* |
| Within one year | 60,000,000 |
| Between one and two year | — |
| Between two and five years | — |
| At end of the Relevant Period | 60,000,000 |

## 14. BANK BALANCES AND CASH

Bank balances and cash comprised of bank deposit with short maturity at market interest rate and cash on hand.

## 15. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

The balance is unsecured, interest-free and with no fixed term of repayment.

## 16. SHARE CAPITAL

| | **January 31, 2008** |
|---|---|
| | *HK$* |
| Authorised: | |
| 50,000 ordinary shares at no par value | — |
| Issued and fully paid: | |
| 100 ordinary share of US$1 each | 780 |

Great Hill was incorporated with 50,000 ordinary shares at no par value of which 100 ordinary share of US$1 was allotted at par for cash to a subscriber as initial capital.

## 17. RESERVES

### Merger reserve

Merger reserve represents the difference between the equity interests of the subsidiaries acquired pursuant to the Reorganization and the related investment cost by Great Hill.

## 18. CAPITAL COMMITMENTS

Welford International Industrial Limited, the wholly owned subsidiary of Great Hill is negotiating with certain third parties to establish joint ventures in which the Welford International Industrial Limited will invest RMB23,000,000 (equivalent to approximately HK$25,000,000) to develop exploitation, trading, selling of oil and oil retailed products in the PRC.

In addition to the above, the Great Hill Group's share of the capital commitments of its joint ventures are as follows:

| | **January 31, 2008** |
|---|---|
| | *HK$* |
| Contracted for but not provided | 25,000,000 |

## 19. POST BALANCE SHEET EVENT

No significant events have taken place subsequent to January 31, 2008.

## 20. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Great Hill Group in respect of any period subsequent to January 31, 2008.

**Morison Heng**
*Chartered Accountants*
*Certified Public Accountants*

Hong Kong: March 26, 2008

The following is the unaudited pro forma financial information of the Group and Great Hill as if the Great Hill Transaction had been completed. This pro forma statement of assets and liabilities as at 31 January 2008 (i.e. section 1 and 2 below) is extracted from the circular of the Company dated 26 March 2008.

## 1. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is a summary of the unaudited pro forma statement of assets and liabilities of the Enlarged Group, assuming that the Proposed Acquisition had been completed as at February 6, 2008 for the purpose of illustrating how the transaction might have affected the financial position of the Group.

The unaudited pro forma statement of assets and liabilities of the Enlarged Group has been prepared based on the unaudited consolidated balance sheet of the Group as at September 30, 2007 as extracted from the second interim report of the Group for the twelve months ended September 30, 2007 and the audited consolidated accounts of Great Hill Group as at January 31, 2008 as set out in Appendix II to this circular.

The unaudited pro forma statement of assets and liabilities is prepared to provide financial information of the Enlarged Group as a result of the completion of the Proposed Acquisition. As it is prepared for illustrative purpose only, it may not purport to present what the assets and liabilities of the Enlarged Group are on the completion of the Proposed Acquisition.

| | The Group as at September 30, 2007 | Great Hill Group as at January 31, 2008 | Sub-total | | Adjustment | The Enlarged group |
|---|---|---|---|---|---|---|
| | *HK$* | *HK$* | *HK$* | *Note* | *HK$* | *HK$* |
| | (unaudited) | | | | | |
| | *(Note 1a)* | *(Note 1b)* | | | | |
| **ASSETS** | | | | | | |
| **Non-current assets** | | | | | | |
| Property, plant and equipments | 6,340,000 | — | 6,340,000 | | | 6,340,000 |
| Interest in an associate | 2,786,000 | — | 2,786,000 | | | 2,786,000 |
| Interest in a joint venture | 1,053,000 | — | 1,053,000 | | | 1,053,000 |
| Goodwill | 119,949,000 | — | 119,949,000 | *4* | 11,369,486 | 131,318,486 |
| | 130,128,000 | — | 130,128,000 | | | 141,497,486 |
| **Current assets** | | | | | | |
| Trade receivable, other receivables and deposits | 13,995,000 | 60,000,000 | 73,995,000 | | | 73,995,000 |
| Loan to a minority shareholder | 484,000 | — | 484,000 | | | 484,000 |
| Bank balance and cash | 184,974,000 | 35,882 | 185,009,882 | | | 185,009,882 |
| | 199,453,000 | 60,035,882 | 259,488,882 | | | 259,488,882 |
| **Current liabilities** | | | | | | |
| Trade and other payables | 7,276,000 | — | 7,276,000 | | | 7,276,000 |
| Convertible bond liability | — | — | — | *2* | 13,679,115 | 13,679,115 |
| Amount due to a minority shareholder | — | 60,204,654 | 60,204,654 | *3* | (44,999,415) | 15,205,239 |
| | 7,276,000 | 60,204,654 | 67,480,654 | | | 36,160,354 |
| **Net current assets/(liabilities)** | 192,177,000 | (168,772) | 192,008,228 | | | 223,328,528 |
| **Net asset/(liabilities)** | 322,305,000 | (168,772) | 322,136,228 | | | 364,826,014 |
| **EQUITY** | | | | | | |
| Share capital | 318,316,000 | 780 | 318,316,780 | *2* | 31,320,105 | 349,636,885 |
| Other reserve | 128,646,000 | (10,043) | 128,635,957 | | | 128,635,957 |
| Accumulated losses | (127,746,000) | (159,509) | (127,905,509) | *5* | 159,509 | (127,746,000) |
| Minority interests | 3,089,000 | — | 3,089,000 | *4* | 11,210,172 | 14,299,172 |
| | 322,305,000 | (168,772) | 322,136,228 | | | 364,826,014 |

*Note:*

1(a) The figures are extracted from the Group's second interim report for the twelve months ended September 30, 2007 dated December 21, 2007.

1(b) The figures are extracted from the financial information set out in Appendix III to this circular.

2. The adjustment represents the acquisition by the Group 75% equity interest in Great Hill for a consideration of HK$45,000,000 to be satisfied as to (1) HK$28,800,000 by the allotment and issuance of new shares and (2) HK$16,200,000 by the issue of the Convertible Bonds. The fair value of the liability portion and the equity portion of the Convertible Bonds at January 31, 2008 are HK$13,679,115 and HK$31,320,885 respectively.

3. As the amount due to minority shareholder (HK$44,999,415) included in current liabilities of HK$60,204,654 of Great Hill Group will be taken over by the Group, the amount is eliminated.

4. The adjustment represent goodwill arising from the acquisition 75% equity interest in Great Hill based on the consideration of the acquisition paid over the fair value of the identifiable assets and liabilities of Great Hill Group as at January 31, 2008. The followings show the calculation of goodwill recognized:

| | **January 31, 2008** |
|---|---|
| | *HK$* |
| Net liabilities attributable to equity holder of the Great Hill extracted from accountants' report to this circular | (158,729) |
| Loan of Great Hill Group taken up by the Group | 44,999,415 |
| | 44,840,686 |
| Minority interest (25% share of fair value of net assets of Great Hill Group) | (11,210,172) |
| 75% share of fair value of net assets of Great Hill Group attributable to the Group | 33,630,514 |
| Consideration paid | (45,000,000) |
| Goodwill | (11,369,486) |

5. The adjustment represents the elimination of pre-acquisition profits of Great Hill Group upon consolidation.

## 2. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

MORISON HENG
Chartered Accountants
Certified Public Accountants

Date: March 26, 2008

The Directors
Sunny Global Holdings Limited
10B Lee West Commercial Building
375-379 Hennessy Road
Wanchai
Hong Kong

Dear Sirs,

We report on the unaudited Pro Forma Financial Information of Sunny Global Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") and Great Hill Trading Limited ("Great Hill") (hereinafter collectively referred to as the "Enlarged Group"), which has been prepared by the directors of the Company for illustrative purpose only, to provide information about how the proposed acquisition of 75% equity interest in Great Hill (the "Acquisition") might have affected the financial information presented, for inclusion in Appendix IV of the circular dated March 26, 2008 (the "Circular"). The basis of preparation of the unaudited pro forma financial information is set out in Appendix IV to this Circular.

### RESPECTIVE RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND REPORTING ACCOUNTANTS

It is the responsibility solely of the directors of the Company to prepare the unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

**BASIS OF OPINION**

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with the sources documents, considering the evidence supporting the adjustments and discussing the unaudited Pro Forma Financial Information with the directors of the Company. The engagement did not involve independent examination of any underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Enlarged Group as January 31, 2008 or future date; or the results of the Enlarged Group for the period ended January 31, 2008 or any future period.

**OPINION**

In our opinion:

(a) the unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**Morison Heng**
*Chartered Accountants*
*Certified Public Accountants*

Hong Kong: March 26, 2008

## 3. UNAUDITED PRO FORMA INCOME STATEMENT OF THE GREAT HILL ENLARGED GROUP

| | The Group as at for the period from January 1, 2007 to September 30, 2007 | Great Hill Group as at for the period from January 10, 2008 to January 31, 2008 | Sub-total | | Pro forma Adjustment | The Enlarged Group |
|---|---|---|---|---|---|---|
| | *HK$* | *HK$* | *HK$* | *Note* | *HK$* | *HK$* |
| | (unaudited) | (unaudited) | | | | |
| Revenue | 44,040,000 | — | 44,040,000 | | | 57,004,000 |
| Cost of sales | (39,644,000) | — | (39,644,000) | | | (53,655,000) |
| Gross profits | 4,396,000 | — | 4,396,000 | | | 3,349,000 |
| Other revenue | 1,121,000 | 30 | 1,121,030 | | | 527,000 |
| Administrative and other operating expenses | (31,201,000) | (159,539) | (31,360,539) | *1* | 121,383 | (19,064,000) |
| Impairment loss on goodwill | (5,000,000) | — | (5,000,000) | | | (45,579,000) |
| Loss from operation | (30,684,000) | (159,509) | (30,843,509) | | | (60,767,000) |
| Share of loss of associate | (3,407,000) | — | (3,407,000) | | | (60,767,000) |
| Other financial income | 1,872,000 | — | 1,872,000 | *1* | (51,388) | 666,000 |
| Finance costs | (14,000) | — | (14,000) | | | (2,000) |
| Loss before taxation | (32,233,000) | (159,509) | (32,392,509) | | | (60,103,000) |
| Income tax | — | — | — | | | (2,186,000) |
| Loss for the period | (32,233,000) | (159,509) | (32,392,509) | | | (62,289,000) |
| Attributable to: | | | | | | |
| Equity holders of the Company | (31,580,000) | (159,509) | (31,739,509) | | | (61,435,000) |
| Minority Interests | (653,000) | — | (653,000) | | | (854,000) |
| | (32,233,000) | (159,509) | (32,392,509) | | | (62,289,000) |

*The following is the text of a report on the Target Group, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, Morison Heng, Certified Public Accountants, Hong Kong.*

Date: January 16, 2009

The Directors
**Sunny Global Holdings Limited**
Suites 2805-2807
Dah Sing Financial Centre
108 Gloucester Road
Wanchai
Hong Kong

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding Hero Joy International Limited ("Hero Joy") and its subsidiaries (hereinafter collectively referred to as the "Hero Joy Group") for the period from January 8, 2008 (date of incorporation) to December 31, 2008 (the "Relevant Period") for inclusion in the circular dated January 16, 2009 issued by Sunny Global Holdings Limited ("the Company") in connection with the proposed acquisition of 100% equity interest in Hero Joy (the "Circular").

Hero Joy was incorporated in the British Virgin Islands with limited liability on January 8, 2008. Hero Joy was become the holding company of Hero Joy Group in May 2008.

Particulars of Hero Joy's subsidiaries' are as follows:

| Name of subsidiary | Place of incorporation | Issued and fully paid share capital | Proportion of equity held by Hero Joy | | Principal activities |
|---|---|---|---|---|---|
| | | | Direct | Indirect | |
| Public Procurement Limited ("Public Procurement") | Hong Kong | HK$10,000 | 100% | — | Investment holding |

| Name of subsidiary | Place and date of incorporation | Issued and fully paid share capital | Proportion of equity held by Hero Joy | | Principal activities |
|---|---|---|---|---|---|
| | | | Direct | Indirect | |
| Guocai (Beijing) Technology Company Limited | The People's Republic of China | RMB 30,000,000 | — | 90% | Development of computer technology, networking technology, electronic information technology, sale of computer networking equipments and investment and investment management |

The Hero Joy Group has adopted December 31 as its financial year end date. No statutory audited financial statements have been prepared for Hero Joy Group as these companies were incorporated in jurisdictions where there was no statutory audit requirement. For the purpose of this report, we have reviewed all the relevant transactions of Hero Joy Group, and carried out such procedures as we considered necessary for inclusion in the Financial Information.

For the purpose of this report, the directors of Hero Joy have prepared the consolidated financial statements of the Hero Joy Group for the period from January 8, 2008 (date of incorporation) to December 31, 2008 in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the Relevant Period (the "Underlying Financial Statements") and we have performed an independent audit on the Underlying Financial Statements in accordance with the Hong Kong Standards on Auditing issued by the HKICPA and have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectus and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements on the basis set out in note 2, after making such adjustments as we consider appropriate for the purpose of preparing our report for inclusion in the Circular.

The directors of Hero Joy are responsible for preparing the Underlying Financial Statements and also the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in note 2 to the Financial Information, the Financial Information together with the notes thereon gives, for the purpose of this report, a true and fair view of the state of affairs of Hero Joy and the Hero Joy Group as at December 31, 2008 and of the consolidated results and consolidated cash flows of the Hero Joy Group for the Relevant Period.

## FINANCIAL INFORMATION

## CONSOLIDATED INCOME STATEMENT

| | Notes | Period from January 8, 2008 (date of incorporation) to December 31, 2008 |
|---|---|---|
| | | HK$ |
| Turnover | 8 | — |
| Other revenue | 8 | 199,677 |
| Administrative expenses | | (464,483) |
| Loss from operations | 9 | (264,806) |
| Finance cost | | — |
| Loss before taxation | | (264,806) |
| Taxation | 10 | (20,127) |
| Net loss for the period | 11 | (284,933) |
| Attributable to: | | |
| Equity holders of the Company | | (310,417) |
| Minority interests | | 25,484 |
| | | (284,933) |

## CONSOLIDATED BALANCE SHEETS AS AT DECEMBER 31, 2008

| | *Notes* | *HK$* |
|---|---|---|
| **ASSETS** | | |
| **Non-current assets** | | |
| Property, plant and equipment | *14* | 19,270 |
| Intangible assets | *15* | 10,756 |
| | | 30,026 |
| **Current assets** | | |
| Other receivables and deposits | | 17,212,928 |
| Amounts due from minority shareholders | *16* | 1,505,105 |
| Amounts due from directors | *17* | 780 |
| Bank balances and cash | | 18,491,098 |
| | | 37,209,911 |
| **Current liabilities** | | |
| Accruals | | 3,460 |
| Tax payable | | 20,150 |
| | | 23,610 |
| **Net current assets** | | 37,186,301 |
| **NET ASSETS** | | 37,216,327 |
| **CAPITAL AND RESERVES** | | |
| Share capital | *19* | 33,930,780 |
| Reserve | | (150,539) |
| | | 33,780,241 |
| **Minority interests** | | 3,436,086 |
| **Total equity** | | 37,216,327 |

## BALANCE SHEETS OF HERO JOY INTERNATIONAL LIMITED AS AT DECEMBER 31, 2008

| | *Notes* | *HK$* |
|---|---|---|
| **ASSETS** | | |
| **Non-current assets** | | |
| Interests in subsidiaries | *13* | 33,993,950 |
| **Current liabilities** | | |
| Amounts due to directors | *18* | 9,220 |
| **NET ASSETS** | | 33,984,730 |
| **CAPITAL AND RESERVES** | | |
| Share capital | *19* | 33,930,780 |
| Reserve | *20* | 53,950 |
| | | 33,984,730 |

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| | Equity attributable to equity holders of the Company | | | | | |
|---|---|---|---|---|---|---|
| | **Share Capital** | **Share Premium** | **Other Reserve** | **Accumulated Losses** | **Minority Interests** | **Total** |
| | *HK$* | *HK$* | *HK$* | *HK$* | *HK$* | *HK$* |
| Issue of share capital | 33,930,780 | — | — | — | — | 33,930,780 |
| Issue of shares at premium | — | 70,000 | — | — | — | 70,000 |
| Acquisition of a subsidiary | — | — | — | — | 3,429,300 | 3,429,300 |
| Currency translation | — | — | 89,878 | — | (18,698) | 71,180 |
| Net loss for the period | — | — | — | (310,417) | 25,484 | (284,933) |
| Balance at December 31, 2008 | 33,930,780 | 70,000 | 89,878 | (310,417) | 3,436,086 | 37,216,327 |

## CONSOLIDATED CASH FLOW STATEMENTS

| | Period from January 8, 2008 (date of incorporation) to December 31, 2008 |
|---|---|
| | *HK$* |
| **Operating activities** | |
| Loss before taxation | (264,806) |
| Adjustment for: | |
| Amortization of intangible assets | 90 |
| Interest income | (113,935) |
| **Operating loss before working capital changes** | (378,651) |
| Increase in other receivables and deposit | (17,212,928) |
| Increase in amounts due from directors | (780) |
| Increase in accruals | 3,460 |
| **Net cash used in operating activities** | (17,588,899) |
| **Cash flows from investing activities** | |
| Interest received | 113,935 |
| Purchase of property, plant and equipment | (19,270) |
| Purchase of intangible assets | (10,846) |
| **Net cash from investing activities** | 83,819 |
| **Cash flows from financing activities** | |
| Increase in amounts due from minority shareholders | (1,505,105) |
| Share capital contributed by minority shareholders of a subsidiary | 3,429,300 |
| Proceeds from issue of share capital | 34,000,780 |
| **Net cash from financing activities** | 35,924,975 |
| **Net increase in cash and cash equivalents** | 18,419,855 |
| **Effect of foreign exchange rate change** | 71,203 |
| **Cash and cash equivalent at the end of the period** | 18,491,098 |
| **Analysis of cash and cash equivalent at the end of the period** | |
| Bank balances and cash | 18,491,098 |

## NOTES TO THE FINANCIAL INFORMATION

### 1. GENERAL INFORMATION

Hero Joy is incorporated in the British Virgin Islands with limited liability on January 8, 2008. The address of the registered office of Hero Joy is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.

Hero Joy is an investment holding company. The Financial Information is presented in Hong Kong dollars, which is the presentation and functional currency of the Company.

The Financial Information of the Relevant Periods has been prepared in accordance with the accounting policies adopted by Sunny Global, details of which are set out in Note 4, which conform with Hong Kong Financial Reporting Standards ("HKFRSs"). In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

### 2. ADOPTION OF NEW AND REVISED HONG KONG ACCOUNTING STANDARDS

At the date of this report, HKICPA issued the following new, revised or amended HKFRSs, Hong Kong Accounting Standards ("HKAS") and Interpretations (hereinafter collectively referred to as "new HKFRSs") that have been issued but are not yet effective. However, Hero Joy Group has not early applied these new, revised or amended standards or interpretations. The directors of Hero Joy anticipate that the application of these new HKFRSs will have no material impact on the results and financial position of Hero Joy Group.

| | |
|---|---|
| HKAS 1 (Revised) | Presentation of financial statements[1] |
| HKAS 23 (Revised) | Borrowing Costs[1] |
| HKAS 27 (Revised) | Consolidated and separate financial statements[2] |
| HKAS 32 & 1 (Amendment) | Puttable financial instruments and obligations arising on liquidation[1] |
| HKFRS 2 | Vesting conditions and cancellations[1] |
| HKFRS 3 (Revised) | Business Combination[2] |
| HKFRS 8 | Operating Segments[1] |
| HK(IFRIC) — Int 13 | Customer loyalty programmes[3] |
| HK(IFRIC) — Int 15 | Agreement for construction of real estates[1] |
| HK(IFRIC) — Int 16 | Hedges of a net investment in a foreign operation[4] |

1 Effective for annual periods beginning on or after January 1, 2009
2 Effective for annual periods beginning on or after July 1, 2009
3 Effective for annual periods beginning on or after July 1, 2008
4 Effective for annual periods beginning on or after October 1, 2008

## 3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared under the historical cost basis and in accordance with HKFRSs issued by the HKICPA. In addition, the Financial Information includes disclosure required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The principal accounting policies adopted as follows:

The Financial Information include the results, cash flows and changes in equity of companies comprising the Hero Joy Group as if the Positive Rise Holdings Limited had always been the holding company of the Hero Joy Group resulting from the Reorganization by using the principles of merger accounting.

**Merger accounting for business combinations involving entities under common control**

The Financial Information incorporate the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of controlling party. The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognized in respect of goodwill or excess of acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest. The consolidated income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

**Subsidiaries**

A subsidiary is an enterprise in which the Hero Joy has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

Investments in subsidiaries are included in the Hero Joy's balance sheet at cost less any impairment losses. The results of the subsidiary are accounted for by the Hero Joy on the basis of dividend received and receivable.

**Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is provided to write off the cost of property, plant and equipment over their expected useful lives using the straight line method at the following rates per annum:

| | |
|---|---|
| Office equipment | 20% |
| Computer equipment | 33% |

3. **SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

**Intangible assets**

On initial recognition, intangible assets acquired separately are recognized at cost and at fair value respectively. After initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

**Financial instruments**

Financial assets and financial liabilities are recognized on the balance sheet when Hero Joy Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

***Financial assets***

The Hero Joy Group's financial assets include loans and receivables. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchase or sales are purchases or sales of financial assets that requires delivery of assets within the time frame established by regulation or convention in the marketplace.

***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including amount due from a director and time deposits) are carried at amortized cost using the effective interest method, less any identified impairment losses (see accounting policy in respect of impairment loss on financial assets below).

***Impairment of financial assets***

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

3. **SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

**Financial instruments** *(Continued)*

***Impairment of financial assets*** *(Continued)*

For all other financial assets, objective evidence of impairment could include:

— significant financial difficulty of the issuer or counterparty; or

— default or delinquency in interest or principal payments; or

— it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Hero Joy Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, an impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount 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 loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

***Financial liabilities and equity***

Financial liabilities and equity instruments issued by the Hero Joy Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Hero Joy Group after deducting all of its liabilities. The Hero Joy Group's financial liabilities are generally classified into other financial liabilities.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial instruments *(Continued)*

***Other financial liabilities***

Other financial liabilities (including amount due to a director and accruals) are subsequently measured at amortized cost, using the effective interest method.

***Derecognition***

Financial assets are derecognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Hero Joy Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss. If the Hero Joy Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Hero Joy Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

### Taxation

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

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable and deductible.

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

### Recognition of income

Revenue is recognized when it is probable that the economic benefits will flow to the Hero Joy Group and when the revenue can be measured reliably, on the following bases:

Interest income from bank deposits is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable;

3. **SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

**Related parties**

A party is considered to be related to the Hero Joy Group if:

(a) the party, directly, or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Hero Joy Group; (ii) has an interest in the Hero Joy Group that gives it significant influence over the Hero Joy Group; or (iii) has joint control over the Hero Joy Group;

(b) the party is a jointly-controlled entity;

(c) the party is a member of the key management personnel of the Hero Joy Group;

(d) the party is a close member of the family of any individual referred to in (a) or (c);

(e) the party is an entity that is controlled, jointly-controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (c) or (d); or

(f) the party is a post-employment benefit plan for the benefit of employees of the Hero Joy Group, or of any entity that is a related party of the Hero Joy Group.

**Foreign currencies translation**

The Financial Information are presented in Hong Kong dollars (HK$), which is also the functional currency of the Hero Joy Group. In the separate 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 recognized in the income statement under "other financial income" or "administrative and other operating expenses", respectively.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined 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 Financial Information, all separate financial statements of subsidiaries, originally presented in a currency different from the Hero Joy Group's presentation currency, have been converted into Hong Kong dollars. Assets and liabilities have been translated into Hong Kong dollars at the closing rate 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.

**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 Hero Joy's cash management.

## 4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimates and judgments are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Nevertheless, the resulting accounting estimates will 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.

**Fair values of other financial assets and liabilities**

The fair values of loans and receivables and other financial liabilities are accounted for or disclosed in the Financial Information. The calculation of fair values requires the Hero Joy Group to estimate the future cash flows expected to arise from those assets and liabilities and suitable discount rates. Variations in the estimated future cash flows and the discount rates used may result in adjustments to the carrying amounts of these assets and liabilities and the amounts disclosed in the Financial Information.

**Estimation of useful lives of property, plant and equipment and intangible assets**

The directors estimate the useful lives of property, plant and equipment and intangible assets. The estimated useful lives are based on the expected lifespan of those property, plant and equipment and intangible assets. The useful lives of property, plant and equipment and intangible assets could change significantly as a result of technical obsolescence. When the actual useful lives of property, plant and equipment and intangible assets due to the change of commercial and technological environment are different from their estimated useful lives, such difference will impact the deprecation/amortization charges and the amounts of assets written down for future periods.

The carrying amount of property, plant and equipment and intangible assets at December 31, 2008 are HK$19,270 and HK$10,756 respectively.

## 5. CAPITAL MANAGEMENT

The Hero Group's objectives when managing capital are:

(a) To safeguard the Hero Group's ability to continue as a going concern, so that it continues to provide returns and benefits for stakeholders;

(b) To support the Hero Group's stability and growth; and

(c) To provide capital for the purpose of strengthening the Hero Group's risk management capability.

The Hero Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Hero Joy and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Hero Joy currently does not adopt any formal dividend policy. Management regards total equity as capital, for capital management purpose.

## 6. FINANCIAL INSTRUMENTS

### (i) Categories of financial instruments

**HERO JOY GROUP**

| | December 31, 2008 |
|---|---|
| | *HK$* |
| **Financial asset** | |
| Other receivables and deposits | 17,212,928 |
| Amounts due from minority shareholders | 1,505,105 |
| Amount due from a director | 780 |
| Bank balances and cash | 18,491,098 |
| **Financial liability** | |
| Accruals | 3,460 |

**HERO JOY**

| | December 31, 2008 |
|---|---|
| | *HK$* |
| **Financial liability** | |
| Amounts due to directors | 9,220 |

### (ii) Financial risk management objectives and policies

The Hero Joy Group's major financial instruments include time deposits, amount due from a director, amounts due to directors and accruals. The details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The directors manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

***(a) Market risk***

*i. Foreign exchange risk*

Currency risk is the risk that the holding of foreign currencies will affect the Hero Joy Group's position as a result of a change in foreign currency exchange rates. The Hero Joy Group's foreign exchange risk positions arise from foreign exchange dealing, commercial banking operations and structural foreign currency exposures. The Hero Joy Group's assets and liabilities are mainly denominated in Hong Kong dollars of which the exchange rates have remained relatively stable among each other for the period ended December 31, 2008.

**6. FINANCIAL INSTRUMENTS** *(Continued)*

**(ii) Financial risk management objectives and policies** *(Continued)*

***(a) Market risk*** (Continued)

*ii. Price risk*

The Hero Joy's Group is not exposed to any equity securities risk or commodity price risk.

*iii. Interest rate risk*

The Hero Joy Group has no exposure to interest rate risk as all of its financial liabilities are stated at amortized cost and are interest free.

***(b) Credit risk***

Credit risk arises from the possibility that customers may not be able to settle obligations within the normal terms of transactions. The Hero Joy Group reviews the recoverable amount for each individual accounts receivables at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regards, the directors of the Hero Joy Group consider that the Hero Joy Group's credit risk is effectively controlled and significantly reduced.

At the balance sheet date, there were no major concentrations of credit risk.

The maximum exposure to credit risk is therefore represented by the carrying amount of each financial asset as stated in the balance sheet.

***(c) Liquidity risk***

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due; and it results from amount and maturity mismatches of assets and liabilities. Investments of the Hero Joy Group are kept sufficiently liquid to meet the operating needs. The Hero Joy Group had regularly monitored current and expected liquidity requirement to ensure that it maintains sufficient reserves of cash and readily realizable marketable securities to meet its liquidity requirements in the short or longer term.

**6. FINANCIAL INSTRUMENTS** *(Continued)*

**(iii) Fair value of financial instruments**

The fair value of financial assets and financial liabilities are determined as follows:

— The fair value of financial assets and financial liabilities (including derivative instruments) with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively; and

— The fair value of other financial assets and financial liabilities (including derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

The directors of the Hero Joy Group consider that the carrying amounts of financial assets and financial liabilities recorded in the financial statements approximated their fair values.

**7. SEGMENT INFORMATION**

As per HKAS 14 "Segment Reporting", no business analysis and segment reporting information such as segment revenue, results, assets, liabilities and other information are shown substantially as Hero Joy Group did not generate revenue during the Relevant Period. It is therefore not considered appropriate to disclose segment information.

**8. TURNOVER AND REVENUE**

The Hero Joy Group is engaged in investment holding and development of computer technology, networking technology, electronic information technology, sale of computer networking equipments and investment and investment management. Revenue recognized during the Relevant Period is as follows:

| | **Period from January 10, 2008 (date of incorporation) to December 31, 2008** *HK$* |
|---|---|
| Turnover | — |
| Other revenue | |
| Bank interest income | 113,935 |
| Exchange gain | 85,742 |
| Total revenue | 199,677 |

## 9. LOSS FROM OPERATIONS

Loss from operations is arrived at:

| | Period from January 10, 2008 (date of incorporation) to December 31, 2008 |
|---|---|
| | *HK$* |
| After charging: | |
| Preliminary expenses | 7,980 |
| Amortization of intangible assets | 90 |
| and after crediting: | |
| Bank interest income | 113,935 |

## 10. TAXATION

| | Period from January 10, 2008 (date of incorporation) to December 31, 2008 |
|---|---|
| | *HK$* |
| Current tax | |
| — Hong Kong Profits Tax | — |
| — Overseas taxation | 20,127 |
| | 20,127 |

No Hong Kong Profits Tax has been provided in the Financial Information as the Hero Joy Group did not derive any assessable profits during the Relevant Period. Taxation in other jurisdictions is calculated at the rates applicable in the respective jurisdictions in which Hero Joy Group operates, based on existing legislation, interpretations and practices in respect thereof.

**10. TAXATION** *(Continued)*

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

| | **Period from January 10, 2008 (date of incorporation) to December 31, 2008** |
|---|---|
| | *HK$* |
| Loss before taxation | (264,806) |
| Tax at the applicable income tax rate | (43,693) |
| Tax effect of income not taxable for tax purposes | (32,947) |
| Tax effect of expenses not deductible for tax purposes | 76,640 |
| Effect of overseas taxation | 20,127 |
| Taxation charge | 20,127 |

No deferred tax has been provided as the Hero Joy Group did not have any significant temporary differences which gave rise to a deferred tax asset or liability at the balance sheet date for the period presented.

**11. LOSS ATTRIBUTABLE TO EQUITY HOLDER OF HERO JOY**

Of the consolidated loss attributable to equity holder of Hero Joy of HK$310,417, a loss of HK$16,050 has been dealt with in the accounts of Hero Joy.

**12. DIRECTORS' REMUNERATION**

No directors' remuneration was paid or payable during the Relevant Period.

**13. INTERESTS IN SUBSIDIARIES**

| | **December 31, 2008** |
|---|---|
| | *HK$* |
| Unlisted shares, at cost | 10,000 |
| Amount due from a subsidiary | 33,983,950 |
| | 33,993,950 |

The amount due is unsecured, interest free and with no fixed terms of repayment.

### 13. INTERESTS IN SUBSIDIARIES *(Continued)*

Details of Hero Joy's subsidiaries as at December 31, 2008 are as follows:

| Name | Place of incorporation | Place of operation | Class of share held | Proportion of Nominal value of issued capital held by Hero Joy Direct | Indirect | Principal activity |
|---|---|---|---|---|---|---|
| Public Procurement Limited | Hong Kong | Hong Kong | Ordinary | 100% | — | Investment holding |
| Guocai (Beijing) Technology Company Limited | The People's Republic of China | The People's Republic of China | Ordinary | — | 90% | Development of computer technology, networking technology, electronic information technology, sale of computer networking equipments and investment and investment management |

### 14. PROPERTY, PLANT AND EQUIPMENT

| | Computer equipments *HK$* | Office equipments *HK$* | Total *HK$* |
|---|---|---|---|
| **COST** | | | |
| Additions and at December 31, 2008 | 2,160 | 17,110 | 19,270 |

The directors of Hero Joy Group are of the opinion that no depreciation has been provided during the Relevant Period as all the property, plant and equipment of Hero Joy Group were acquired in December 2008.

### 15. INTANGIBLE ASSETS

| | Computer software *HK$* |
|---|---|
| **COST** | |
| Additions and at December 31, 2008 | 10,846 |
| **ACCUMULATED AMORIZATION** | |
| Charge for the period and at December 31, 2008 | 90 |
| **NET BOOK VALUE** | |
| At December 31, 2008 | 10,756 |

## 16. AMOUNTS DUE FROM MINORITY SHAREHOLDERS

The amounts due are unsecured, interest free and with no fixed terms of repayment.

## 17. AMOUNTS DUE FROM DIRECTORS

| Name | Balance at December 31, 2008 | Maximum amount outstanding during the period |
|---|---|---|
| | *HK$* | *HK$* |
| Ho Wai Kong | 468 | 6,000 |
| Lu Xing | 312 | 4,000 |
| | 780 | |

The amounts due are unsecured, interest free and with no fixed terms of repayment.

## 18. AMOUNTS DUE TO DIRECTORS

The amounts due are unsecured, interest free and with no fixed terms of repayment.

## 19. SHARE CAPITAL

| | December 31, 2008 |
|---|---|
| | *HK$* |
| Authorized: | |
| 10,000,000 ordinary shares at US$1.00 each | 78,000,000 |
| Issued and fully paid: | |
| Shares issued at May 9, 2008 *(note a)* | 780 |
| Shares issued at August 22, 2008 *(note b)* | 33,930,000 |
| | 33,930,780 |

*Notes:*

(a) On May 9, 2008, Hero Joy issued 100 share at US$1 each.

(b) On August 22, 2008, Hero Joy issued additional 4,350,000 at aggregate amount of HK$33,930,000, resulting in share premium of HK$70,000.

**20. RESERVES**

| | Share premium | Accumulated losses | Total |
|---|---|---|---|
| | | *HK$* | *HK$* |
| Issue of shares at premium | 70,000 | — | 70,000 |
| Loss for the period | — | (16,050) | (16,050) |
| At December 31, 2008 | 70,000 | (16,050) | 53,950 |

**21. POST BALANCE SHEET EVENT**

No significant events have taken place subsequent to December 31, 2008.

**22. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared for the Hero Joy Group in respect of any period subsequent to December 31, 2008.

**Morison Heng**
*Certified Public Accountants*

## 1. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

### A. Unaudited Pro Forma Income Statement of the Enlarged Group

The following table is an illustrative unaudited pro forma income statement of the Enlarged Group which has been prepared on the basis set out below for the purpose of illustration as if the Completion (defined below) had taken place at December 31, 2008.

The unaudited pro forma income statement of the Enlarged Group is prepared as if the acquisition of the entire equity interest in Hero Joy and issuance by the Company of Consideration Shares had been completed ("Completion") on December 31, 2008 and is based on the consolidated income statement of the Hero Joy Group for the period from January 8, 2008 (date of incorporation) to December 31, 2008 as extracted from the accountants' report of the Hero Joy Group as set out in Appendix II to this circular, and the unaudited condensed consolidated income statement of the Group for period from January 1, 2008 to June 30, 2008 as which has been extracted from the published interim report of the Company for the six months ended June 30, 2008, and after making certain pro forma adjustments as set out below.

The unaudited pro forma income statement of the Enlarged Group is prepared by the directors of the Company to provide unaudited Pro Forma Financial Information on the Enlarged Group as a result of the Completion. As it is prepared for illustrative purpose only, it does not purport to give a true picture of the results of the Enlarged Group are on the completion of the Proposed Acquisition or any future financial periods.

## A. Unaudited Pro Forma Income Statement of the Enlarged Group *(Continued)*

| | The Group for the period from January 1, 2008 to June 30, 2008 | Hero Joy Group for the period from January 8, 2008 to December 31, 2008 | Sub-total | | Pro forma Adjustment | The Enlarged Group |
|---|---|---|---|---|---|---|
| | *HK$* | *HK$* | *HK$* | *Note* | *HK$* | *HK$* |
| | (unaudited) | (unaudited) | | | | |
| Revenue | 57,004,000 | — | 57,004,000 | | | 57,004,000 |
| Cost of sales | (53,655,000) | — | (53,655,000) | | | (53,655,000) |
| Gross profits | 3,349,000 | — | 3,349,000 | | | 3,349,000 |
| Other revenue | 527,000 | 199,677 | 726,677 | *1* | (199,677) | 527,000 |
| Administrative and other operating expenses | (19,064,000) | (464,483) | (19,528,483) | *1* | 464,483 | (19,064,000) |
| Equity settled share-based payment expenses | (45,579,000) | — | (45,579,000) | | | (45,579,000) |
| Loss from operation | (60,767,000) | (264,806) | (61,031,806) | | | (60,767,000) |
| Other financial income | 666,000 | — | 666,000 | | | 666,000 |
| Finance costs | (2,000) | — | (2,000) | | | (2,000) |
| Loss before taxation | (60,103,000) | (264,806) | (60,367,806) | | | (60,103,000) |
| Income tax | (2,186,000) | (20,127) | (2,206,127) | *1* | 20,127 | (2,186,000) |
| Loss for the period | (62,289,000) | (284,933) | (62,573,933) | | | (62,289,000) |
| Attributable to: | | | | | | |
| Equity holders of the Company | (61,435,000) | (310,417) | (61,745,417) | | | (61,435,000) |
| Minority Interests | (854,000) | 25,484 | (828,516) | *1* | (25,484) | (854,000) |
| | (62,289,000) | (284,933) | (62,573,933) | | | (62,289,000) |

*Note:*

1. The adjustment represents the elimination of pre-acquisition loss of Hero Joy Group.

## B. Unaudited Pro Forma Balance Sheet of the Enlarged Group

The following table is an illustrative unaudited pro forma balance sheet of the Enlarged Group which has been prepared on the basis set our below for the purpose of illustration as if the Completion had taken place at December 31, 2008.

The unaudited pro forma balance sheet of the Enlarged Group is prepared as if the Completion had been taken place on December 31, 2008 and is based on the consolidated balance sheet as at December 31, 2008 as extracted from the accountants' report of the Hero Joy Group as set out in Appendix II to this circular, and the unaudited condensed consolidated balance sheet of the Group for six months ended June 30, 2008 as which has been extracted from the published interim report of the Group for the six months ended June 30, 2008, and after making certain pro forma adjustments as set out below.

The unaudited pro forma balance sheet of the Enlarged Group is prepared by the directors of the Company to provide unaudited Pro Forma Financial Information on the Enlarged Group as a result of the Completion. As it is prepared for illustrative purpose only, it does not purport to give a true picture of the results of the Enlarged Group are on the completion of the Proposed Acquisition or any future financial periods.

## B. Unaudited Pro Forma Balance Sheet of the Enlarged Group *(Continued)*

| | The Group as at June 30, 2008 HK$ (unaudited) | Hero Joy Group as at December 31, 2008 HK$ (unaudited) | Sub-total HK$ | Note | Adjustment HK$ | The Enlarged Group HK$ |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| **Non-current assets** | | | | | | |
| Property, plant and equipments | 3,188,000 | 19,270 | 3,207,270 | | | 3,207,270 |
| Intangible assets | — | 10,756 | 10,756 | | | 10,756 |
| Available-for-sale investments | 12,871,000 | — | 12,871,000 | | | 12,871,000 |
| Goodwill | 365,874,000 | — | 365,874,000 | *1* | 5,966,219,759 | 6,332,093,759 |
| | 381,933,000 | 30,026 | 381,963,026 | | | 6,348,182,785 |
| **Current assets** | | | | | | |
| Trade receivable, other receivables and deposits | 142,652,000 | 17,213,708 | 159,865,708 | | | 159,865,708 |
| Amounts due from minority shareholders | — | 1,505,105 | 1,505,105 | | | 1,505,105 |
| Bills receivable | 26,883,000 | — | 26,883,000 | | | 26,883,000 |
| Pledged deposits | 15,083,000 | — | 15,083,000 | | | 15,083,000 |
| Bank balance and cash | 74,498,000 | 18,491,098 | 92,989,098 | | | 92,989,098 |
| | 259,116,000 | 37,209,911 | 296,325,911 | | | 296,325,911 |
| **Current liabilities** | | | | | | |
| Trade and other payables | 3,505,000 | 3,460 | 3,508,460 | | | 3,508,460 |
| Bills payable | 13,581,000 | — | 13,581,000 | | | 13,581,000 |
| Receipts in advance | 5,650,000 | — | 5,650,000 | | | 5,650,000 |
| Obligation under finance leases | 29,000 | — | 29,000 | | | 29,000 |
| Amount due to a minority shareholder | 15,236,000 | — | 15,236,000 | | | 15,236,000 |
| Tax payable | — | 20,150 | 20,150 | | | 20,150 |
| Convertible bond | 13,132,000 | — | 13,132,000 | | | 13,132,000 |
| | 51,133,000 | 23,610 | 51,156,610 | | | 51,156,610 |
| **Net current assets** | 207,983,000 | 37,186,301 | 245,169,301 | | | 245,169,301 |
| **Net asset** | 589,916,000 | 37,216,327 | 627,132,327 | | | 6,593,352,086 |

## B. Unaudited Pro Forma Balance Sheet of the Enlarged Group *(Continued)*

| | The Group as at June 30, 2008 | Hero Joy Group as at December 31, 2008 | Sub-total | | Adjustment | The Enlarged Group |
|---|---|---|---|---|---|---|
| | *HK$* | *HK$* | *HK$* | *Note* | *HK$* | *HK$* |
| | (unaudited) | (unaudited) | | | | |
| **EQUITY** | | | | | | |
| Share capital | 20,080,000 | 33,930,780 | 54,010,780 | *2(a), 2(b)* | 56,064,720 | 110,075,500 |
| Other reserve | 872,336,000 | 159,878 | 872,495,878 | *2* | 5,909,844,622 | 6,782,340,500 |
| Accumulated losses | (309,081,000) | (310,417) | (309,391,417) | *2* | 310,417 | (309,081,000) |
| Minority interests | 6,581,000 | 3,436,086 | 10,017,086 | | | 10,017,086 |
| | 589,916,000 | 37,216,327 | 627,132,327 | | | 6,593,352,086 |

*Note:*

1. The adjustment represents goodwill arising from the acquisition 100% equity interest in Hero Joy based on the consideration of the acquisition paid over the fair value of the identifiable assets and liabilities of Hero Joy Group as at December 31, 2008. The followings show the calculation of goodwill recognized

| | **December 31, 2008** |
|---|---|
| | *HK$* |
| Fair value of net assets of Hero Joy Group | 37,216,327 |
| Minority interest | (3,436,086) |
| Goodwill | 5,966,219,759 |
| Total consideration | 6,000,000,000 |
| Total consideration will be settled as follows: | |
| Basic consideration | 573,581,198 |
| Earn-out | 5,426,418,802 |
| | 6,000,000,000 |

## B. Unaudited Pro Forma Balance Sheet of the Enlarged Group *(Continued)*

*Note: (Continued)*

2. In accordance with the agreement, the consideration is the aggregate sum of the Basic Consideration and the Earn-out which shall be up to a maximum aggregate amount of HK$6,000 million and shall be settled as follows:

   **(i) Basic consideration = Value of the Consideration Shares**

   Upon Completion, the Purchaser shall procure the Company and the Company shall issue and allot the Consideration Shares to the Vendors or their designated nominees (in proportion to their shareholdings in the Target), provided that the aggregate amount of the Consideration Shares together with the Shares then beneficially held (directly or indirectly) by the Vendors and the parties acting in concert with them shall represent the closest to 29.9% of the issued shares of the Company as enlarged by the issue and allotment of the Consideration Shares. Based on the number of shares in issue at the date of this circular and assuming no further shares will be issued or repurchased, the Consideration Shares should satisfy up to approximately HK$573,581,198.

   **(ii) Earn-out = 2009 NPAT or 2010 NPAT (as requested by the Vendors) x 30 — Basic consideration**

   The Purchaser and the Vendors agreed that even if the 2009 NPAT or the 2010 NPAT (whichever is applicable) is more than HK$200 million, HK$200 million will be used for the purposes of determining the amount of the Earn-out and the Consideration will not exceed HK$6,000 million. Based on the number of Shares in issue as at the date of the announcement of the Company dated October 6, 2008 and assuming no further Shares will be issued or repurchased prior to Completion and the Consideration will be HK$6,000 million, the maximum number of the Preferred Shares to be issued pursuant to the Acquisition will be 8,139,221,242. The Preferred Shares should satisfy up to approximately HK$5,426,418,802.

   For the purpose of this unaudited Pro Forma Financial Information, the total consideration is assumed to be HK$6,000 million.

   The adjustments reflect:

   (a) The payment of the Basic Consideration approximately HK$573,581,198 by issuance of 860,328,780 preferred shares with par value of HK$0.01 each. The issue price of the preferred shares will be HK$0.6667 per share and share premium of HK$8,603,288 will be generated.

   (b) The payment of the Earn-out approximately HK$5,426,418,802 by issuance of 8,139,221,242 preferred shares with par value of HK$0.01 each. The issue price of the preferred shares will be HK$0.6667 per share and share premium of HK$5,345,026,590 will be generated.

   (c) The elimination represents the elimination of share capital (HK$33,930,780), share premium (HK$70,000), exchange reserve (HK$89,878) and the pre-acquisition reserves (HK$310,417) upon consolidation.

## C. Unaudited Pro Forma Cash Flow Statement of the Enlarged Group

The following table is an illustrative unaudited pro forma cash flow statement of the Enlarged Group which has been prepared on the basis set out below for the purpose of illustration as if the Completion had taken place at December 31, 2008.

The unaudited pro forma cash flow statement of the Enlarged Group is prepared as if the Completion had been taken place on December 31, 2008 and is based on the condensed consolidated balance sheet of the Hero Joy Group for period from January 8, 2008 (date of incorporation) to December 31, 2008 as extracted from the accountants' report of the Hero Joy Group as set out in Appendix II to this circular, and the unaudited condensed consolidated cash flow statement of the Group for the six months ended June 30, 2008.

The unaudited pro forma cash flow statement of the Enlarged Group is prepared by the directors of the Company to provide unaudited Pro Forma Financial Information on the Enlarged Group as a result of the Completion. As it is prepared for illustrative purpose only, it does not purport to give a true picture of the results of the Enlarged Group are on the completion of the Proposed Acquisition or any future financial periods.

## C. Unaudited Pro Forma Cash Flow Statement of the Enlarged Group *(Continued)*

| | The Group for the period from January 1, 2008 to June 30, 2008 | Hero Joy Group for the period from January 8, 2008 to December 31, 2008 | Sub-total | | Pro forma Adjustment | The Enlarged Group |
|---|---|---|---|---|---|---|
| | *HK$* | *HK$* | *HK$* | *Note* | *HK$* | *HK$* |
| | (unaudited) | (unaudited) | | | | |
| **Cash flow from operating activities** | | | | | | |
| Loss before taxation | (60,103,000) | (284,933) | (60,387,933) | *1* | 284,933 | (60,103,000) |
| Adjustments for: | | | | | | |
| Depreciation | 472,000 | — | 472,000 | | | 472,000 |
| Amortization | — | 90 | 90 | *1* | (90) | — |
| Equity settled share-based payment expenses | 45,579,000 | — | 45,579,000 | | | 45,579,000 |
| Interest expenses | 2,000 | — | 2,000 | | | 2,000 |
| Interest income | (405,000) | (113,935) | (518,935) | *1* | 113,935 | (405,000) |
| **Operating loss before working capital changes** | (14,455,000) | (398,778) | (14,853,778) | | | (14,455,000) |
| Increase in trade receivables, other receivables and deposits | (43,298,000) | (17,213,708) | (60,511,708) | *1* | 17,213,708 | (43,298,000) |
| Increase in bills receivable | (26,883,000) | — | (26,883,000) | | | (26,883,000) |
| Decrease in trade and other payables | (4,312,000) | 3,460 | (4,308,540) | *1* | (3,460) | (4,312,000) |
| Increase in bills payable | 13,581,000 | — | 13,581,000 | | | 13,581,000 |
| Increase in receipts in advances | 4,623,000 | — | 4,623,000 | | | 4,623,000 |
| **Cash used in operations** | (70,744,000) | (17,609,026) | (88,353,026) | | | (70,744,000) |
| Tax paid | (3,921,000) | — | (3,921,000) | | | (3,921,000) |
| Interest paid | (2,000) | — | (2,000) | | | (2,000) |
| **Net cash used in operating activities** | (74,667,000) | (17,609,026) | (92,276,026) | | | (74,667,000) |

## C. Unaudited Pro Forma Cash Flow Statement of the Enlarged Group *(Continued)*

| | The Group for the period from January 1, 2008 to June 30, 2008 *HK$* (unaudited) | Hero Joy Group for the period from January 8, 2008 to December 31, 2008 *HK$* (unaudited) | Sub-total *HK$* | *Note* | Pro forma Adjustment *HK$* | The Enlarged Group *HK$* |
|---|---|---|---|---|---|---|
| **Cash flows from investing activities** | | | | | | |
| Purchase of property, plant and equipment | (167,000) | (19,270) | (186,270) | *1* | 19,270 | (167,000) |
| Purchase of intangible assets | — | (10,846) | (10,846) | *1* | 10,846 | — |
| Acquisition of subsidiaries, net of cash acquired | 36,000 | — | 36,000 | *2* | 18,491,098 | 18,527,098 |
| Interest received | 405,000 | 113,935 | 518,935 | *1* | (113,935) | 405,000 |
| Increase in pledged deposit | (62,000) | — | (62,000) | | | (62,000) |
| Purchase of available-for-sales investments | (10,869,000) | — | (10,869,000) | | | (10,869,000) |
| **Net cash (used in)/from investing activities** | (10,657,000) | 83,819 | (10,573,181) | | | 7,834,098 |
| **Cash flows from financing activities** | | | | | | |
| Repayment of obligation under finance leases | (56,000) | — | (56,000) | | | (56,000) |
| Proceeds from issue of warrants | 25,440,000 | — | 25,440,000 | | | 25,440,000 |
| Share capital contributed by minority interests of a subsidiary | — | 3,429,300 | 3,429,300 | *1* | (3,429,300) | — |
| Proceeds from issue of share capitals | 450,000 | 34,000,780 | 34,450,780 | *1* | (34,000,780) | 450,000 |
| Increase in amounts due from minority shareholders | — | (1,505,105) | (1,505,105) | *1* | 1,505,105 | — |
| Increase in amount due to a minority shareholder | 15,236,000 | — | 15,236,000 | | | 15,236,000 |
| **Net cash flow from financing activities** | 41,070,000 | 34,000,780 | 76,994,975 | | | 41,070,000 |
| **Net (decrease)/increase in cash and cash equivalent** | (44,254,000) | 18,399,768 | (25,854,232) | | | (25,762,902) |
| **Effect of foreign exchange rate changes** | 539,000 | 91,330 | 630,330 | *1* | (91,330) | 539,000 |
| **Cash and cash equivalents at the beginning of the period** | 118,213,000 | — | 118,213,000 | | | 118,213,000 |
| **Cash and cash equivalents at the end of the period** | 74,498,000 | 18,491,098 | 92,989,098 | | | 92,989,098 |
| **Analysis of cash and cash equivalent at the end of the period** | | | | | | |
| Bank balances and cash | 74,498,000 | 18,491,098 | 92,989,098 | | | 92,989,098 |

## C. Unaudited Pro Forma Cash Flow Statement of the Enlarged Group *(Continued)*

*Note:*

1. The elimination represents the elimination of share capital (HK$33,930,780), share premium (HK$70,000), exchange reserve (HK$89,878) and the pre-acquisition reserves (HK$310,417) upon consolidation.

2. The adjustment represents the bank balances and cash of Hero Joy Group acquired.

## 2. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Date: January 16, 2009

The Directors
**Sunny Global Holdings Limited**
Suites 2805-2807
Dah Sing Financial Centre
108 Gloucester Road
Wanchai
Hong Kong

Dear Sirs,

We report on the unaudited Pro Forma Financial Information of Sunny Global Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") and Hero Joy International Limited ("Hero Joy") and its subsidiary (the "Hero Joy Group, together with the Group hereinafter collectively referred to as the "Enlarged Group"), which has been prepared by the directors of the Company for illustrative purpose only, to provide information about how the proposed acquisition of 100% equity interest in Hero Joy might have affected the financial information presented, for inclusion in Appendix III of the circular dated January 16, 2009 (the "Circular"). The basis of preparation of the unaudited Pro Forma Financial Information is set out in Appendix III to this Circular.

### RESPECTIVE RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND REPORTING ACCOUNTANTS

It is the responsibility solely of the directors of the Company to prepare the unaudited Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

**BASIS OF OPINION**

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with the sources documents, considering the evidence supporting the adjustments and discussing the unaudited Pro Forma Financial Information with the directors of the Company. The engagement did not involve independent examination of any underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29 of Chapter 4 of the Listing Rules.

The unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgments and assumptions of the directors of the Company, and because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of

— the financial position of the Enlarged Group as December 31, 2008 or any future date; or

— the results and cash flows of the Enlarged Group for the period ended December 31, 2008 or any future period.

**OPINION**

In our opinion:

(a) the unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**Morison Heng**
*Certified Public Accountants*

Hong Kong: January 16, 2009

## 3. INDEBTEDNESS STATEMENT

**Borrowing**

As at the close of business on November 30, 2008, being the latest practicable date for ascertaining certain information relating to this indebtedness statement, apart from intra-group liabilities and normal trade payables in the normal course of business, as at the close of business on November 30, 2008, the Enlarged Group did not have any debt securities, issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgage, charges, hire purchase commitments, guarantees or other material contingent liabilities.

**Pledge of assets:**

As at the close of business on November 30, 2008, bank deposit of approximately HK$15,000,000 was pledged by the Enlarged Group to banks in order to secure general banking facilities granted by these banks to the Enlarged Group.

**Contingent liabilities**

As at the close of business on November 30, 2008, the Enlarged Group had no significant contingent liabilities.

The Directors are not aware of any material adverse change in the Enlarged Group's indebtedness and contingent liabilities since the close of business on November 30, 2008.

## 4. WORKING CAPITAL

In determining the sufficiency of the working capital of the Enlarged Group, the Directors have made the assumption that the Company will raise sufficient funds (including but not limited to equity financing such as placement of new shares) to finance its cash payment obligations under the S&P Agreement and the operation of the Enlarged Group (including but not limited to its capital expenditure)

The Directors are of the opinion that after taking account of the internal resources, available bank borrowing facilities and based on the assumption set out in the preceding paragraph, the Enlarged Group, following the Completion will have sufficient working capital, in the absence of unforeseen circumstances, for its present requirements, that is for at least the next 12 months from the date of this circular.

*The following is the full text of a letter, and valuation certificate prepared for the sole purpose of inclusion in this circular, received from Grant Sherman Appraisal Limited, being an independent valuer, in connection with the valuation of the Group property interests as at 31 October 2008.*

**GRANT SHERMAN APPRAISAL LIMITED**

Room 1701 on 17/F,
Jubilee Centre,
18 Fenwick Street,
Wanchai,
Hong Kong

16 January 2009

The Directors
Sunny Global Holdings Limited
Suites 2805-2807 on the 28/F,
Dah Sing Financial Centre,
No. 108 Gloucester Road,
Wanchai,
Hong Kong

Dear Sirs,

In accordance with the instructions from Sunny Global Holdings Limited (the "Company") and its subsidiaries (together referred to as the "Group") to value the property interests of the Group, we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing our opinion of the market value of such property interests as at 31 October 2008.

Our valuation is our opinion of market value which we would define as intended to mean the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

We have valued the property by comparison approach assuming sale in their existing state by making reference to comparable sales evidences as available in the relevant market.

We are of the opinion that no commercial value attribute to the property due mainly to the short term nature or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rents.

We have assumed that the owner sells the property on the open market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to affect the property value. In addition, no forced sale situation in any manner is assumed in our valuations.

In valuing the property interests, we have complied with all the requirements contained in Chapter 5 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and The HKIS Valuation Standards on Properties (1st Edition 2005) published by The Hong Kong Institute of Surveyors.

We have caused searches to be made at the Land Registry. However, we have not examined the original documents to verify ownership or to ascertain the existence of any amendments. We have relied on a considerable extent on information provided by the Company on such matters as statutory notices, easements, tenure, particulars of occupancy, identification of the properties, floor areas and all other relevant matters. All documents and leases have been used as reference only. All dimensions, measurements and areas are approximations.

We have not carried out on-site measurements to verify the site areas of the property and we have assumed that the site area shown on the copies of the documents handed to us are correct. We have had no reason to doubt the truth and accuracy of the information provided to us by the Company which is material to the valuations. We were also advised by the Company that no material facts have been omitted from the information supplied.

We have inspected the exteriors and where possible, the interiors of the properties. However, no structural survey has been carried out and it was not possible to inspect the wood work and other parts of the structure which were covered, unexposed or inaccessible. We are therefore, unable to report that the properties are free of rot, infestation or any structural defects. No tests have been carried out on any of the building services.

No allowance has been made in our report for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

We enclose herewith the valuation certificate.

Yours faithfully,
For and on behalf of
**GRANT SHERMAN APPRAISAL LIMITED**
**Peggy Y. Y. Lai**
*MRICS MHKIS RPS (GP)*
Associate Director
Real Estate Group

*Note:* Ms. Peggy Y.Y. Lai is a member of the Royal Institution of Chartered Surveyors, a member of the Hong Kong Institute of Surveyors and Registered Professional Surveyors in the General Practice Section, who has over 5 years experience in the valuation of properties in Hong Kong, the PRC and the Asian Region.

## VALUATION CERTIFICATE

### Property interests leased by the Group

| Property | Description and Tenure | Particulars of Occupancy | Capital value in existing state as at 31 October 2008 *(HK$)* |
|---|---|---|---|
| 1. Suites 2805-2807 on 28th Floor, Dah Sing Financial Centre, 108 Gloucester Road, Wanchai, Hong Kong | The property comprises an office unit on the 28th Floor of a 39-storey commercial building completed in about 1991.<br><br>The total saleable floor area of the property is approximately 2,340 sq.ft.<br><br>Inland Lot No. 8745, the land which the subject building constructed on, is held under Conditions of Exchange No. 12100 for a term commencing from 16 May 1990 until 30 June 2047 at a government rent of 3% rateable value of the lot. | The property is occupied by the Group as office.<br><br>The property is leased from Wing Siu Company Limited (an independent third party to the Group) to the Company under a lease agreement for a term of 3 years commencing from 1 October 2007 to 30 September 2010 at a monthly rent of HK$111,000 exclusive of management fee, rates and all the outgoings. Rent free period from 16 August 2010 to 30 September 2010 has been granted. | No Commercial Value |

## 1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular concerning the Company and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts not contained in this circular the omission of which would make any statement herein misleading.

## 2. SHARE CAPITAL

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; (ii) immediately following Completion and issue and allotment of the Consideration Shares; and (iii) upon conversion in full of the Preferred Shares were and will be as follows:

| | | |
|---|---|---|
| *Authorised:* | | *HK$* |
| 10,000,000,000 | Shares | 100,000,000.00 |
| *Issued and fully paid or credited as fully paid or to be issued pursuant to the Acquisition:* | | |
| 2,217,025,000 | Shares as at the Latest Practicable Date | 22,170,250.00 |
| 945,635,485 | Consideration Shares to be issued *(Note)* | 9,456,354.85 |
| 8,053,914,537 | Conversion Shares to be issued upon conversion in full of the Preferred Shares *(Note)* | 80,539,145.37 |
| 11,216,575,022 | Shares | 112,165,750.22 |

*Note:* As at the Latest Practicable Date, there were 2,217,025,000 Shares in issue. The numbers of the Consideration Shares and Preferred Shares upon conversion in full are the maximum numbers calculated based on the assumption that (i) no further Shares will be issued or repurchased by the Company prior to Completion and (ii) the Consideration to be HK$6,000 million.

All the Shares in issue and to be issued rank and will rank pari passu in all respects with each other including rights to dividends, voting and return of capital.

The Shares are listed on the Stock Exchange. No part of the share or loan capital of the Company is listed or dealt in, nor is listing or permitted to deal in the share or loan capital of the Company being, or proposed to be, sought on any other stock exchange.

## 3. DISCLOSURE OF INTERESTS

### (a) Directors' interests and short positions in the securities of the Company and its associated corporations

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

| Name of Director | Number or attributable number of Shares or underlying shares held or short positions | | Nature of interests | Approximate percentage or attributable percentage of shareholding *(%)* |
|---|---|---|---|---|
| Wong Kam Fat, Tony *(Note 1)* | 14,206,000 | (L) | Beneficial owner | 0.64 |
| Au Tin Fung *(Note 2)* | 600,000 | (L) | Beneficial owner | 0.03 |
| Chan Chun Wai *(Note 3)* | 420,000 | (L) | Beneficial owner | 0.02 |
| Li Chun Tak *(Note 4)* | 140,000,000 | (L) | Beneficial owner | 6.31 |
| Wong Hin Shek *(Note 5)* | 3,000,000 | (L) | Beneficial owner | 0.14 |
| Dai Zhongcheng *(Note 6)* | 3,000,000 | (L) | Beneficial owner | 0.14 |

*L: Long Position*

*Notes:*

1. These interests in 14,206,000 Shares represent 14,206,000 Shares to be issued and allotted upon the exercise of the share options granted to Wong Kam Fat, Tony under a share option scheme of the Company ("Share Option Scheme").

2. These interests in 600,000 Shares represent 600,000 Shares to be issued and allotted upon the exercise of the share options granted to Au Tin Fung under the Share Option Scheme.

3. These interests in 420,000 Shares represent 420,000 Shares issued upon the exercise of the share options granted to Chan Chun Wai under the Share Option Scheme.

4. These interests in 140,000,000 Shares represent 140,000,000 Shares to be issued and allotted upon the exercise of the share options granted to Li Chun Tak under the Share Option Scheme.

5. These interests in 3,000,000 Shares represent 3,000,000 Shares to be issued and allotted upon the exercise of the share options granted to Wong Hin Shek under the Share Option Scheme.

6. These interests in 3,000,000 Shares represent 3,000,000 Shares to be issued and allotted upon the exercise of the share options granted to Dai Zhongcheng under the Share Option Scheme

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

**(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO**

So far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

| Name of Shareholder | Number or attributable number of Shares or underlying shares held or short positions | | Nature of interests | Approximate percentage or attributable percentage of shareholding *(%)* |
|---|---|---|---|---|
| Success Way Holdings Limited *(Note 1)* | 254,604,000 | (L) | Beneficial owner | 11.48 |
| China Peaceful Development Foundation Limited *(Note 2)* | 170,324,000 | (L) | Interest in controlled corporation | 7.68 |
| Wong Sau Lan *(Note 3)* | 170,324,000 | (L) | Interest in controlled corporation | 7.68 |
| Wisdom First Limited | 170,324,000 | (L) | Beneficial owner | 7.68 |
| Master Top Investments Limited | 4,367,481,626 | | Beneficial owner | 197.00 |
| Ho Wai Kong *(Note 4)* | 4,367,481,626 | | Interest in controlled corporation | 197.00 |
| Favor Mind Holdings Limited | 1,789,110,544 | | Beneficial owner | 80.70 |
| Wang Dingbo *(Note 5)* | 1,789,110,544 | | Interest in controlled corporation | 80.70 |
| Mega Step Investments Limited | 1,323,833,808 | | Beneficial owner | 59.71 |
| Lu Xing *(Note 6)* | 1,323,833,808 | | Interest in controlled corporation | 59.71 |
| Magical Power Investments Limited | 1,254,537,273 | | Beneficial owner | 56.59 |
| Siu Fung *(Note 7)* | 1,254,537,273 | | Interest in controlled corporation | 56.59 |

*L: Long Position*

*Notes:*

1. Success Way Holdings Limited is beneficially owned by Liu Yi Dong Family Trust and the beneficiaries of which are Mr. Liu Yi Dong and his family members.

2. China Peaceful Development Foundation Limited holds 50% equity interest in Wisdom First Limited and is deemed to be interested in the 170,324,000 Shares or underlying shares held by Wisdom First Limited.

3. Wong Sau Lan holds 50% equity interest in Wisdom First Limited and is deemed to be interested in the 170,324,000 Shares or underlying Shares held by Wisdom First Limited.

4. Ho Wai Kong is the sole beneficial owner of the entire issued share capital of Master Top Investments Limited, one of the Vendors.

5. Wang Dingbo is the sole beneficial owner of the entire issued share capital of Favor Mind Holdings Limited, one of the Vendors.

6. Lu Xing is the sole beneficial owner of the entire issued share capital of Mega Step Investments Limited, one of the Vendors.

7. Siu Fung is the sole beneficial owner of Top Access Overseas Limited which is the sole beneficial owner of the entire issued share capital of Magical Power Investments Limited, one of the Vendors.

**(c) Substantial shareholders of other members of the Enlarged Group**

As at the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Enlarged Group.

As at the Latest Practicable Date, none of the Directors was a director or employee of a company which had, or was deemed to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

## 4. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the Company and/or member(s) of the Enlarged Group within the two years immediately preceding the date of this circular and are or may be material:

(a) the subscription agreement dated 13 March 2007 between the Company as issuer and Rainbow Bridge Group Limited as subscriber in relation to the subscription for an aggregate of 50,000,000 subscription Shares at the subscription price of HK$0.10 per Share by the subscriber;

(b) the subscription agreement dated 19 March 2007 between the Company as issuer and Lucky Rider Investment Limited as subscriber in relation to the subscription for an aggregate of 70,000,000 subscription Shares at the subscription price of HK$0.14 per Share by the subscriber;

(c) the subscription agreement dated 3 April 2007 between the Company, Rainbow Bridge Group Limited and Mr. Luk Kam in relation to the subscription of 48,000,000 non-listed warrants of the Company at the issue price of HK$0.016 per warrant and an exercise price of HK$0.134 per Share;

(d) the subscription agreement dated 3 April 2007 between the Company, Wellington International Invest Limited and Mr. Pun Yan Chak in relation to the subscription of 130,000,000 non-listed warrants of the Company at the issue price of HK$0.016 per warrant and an exercise price of HK$0.156 per Share;

(e) the sale and purchase agreement dated 10 May 2007 entered into between Joy Century Holding Limited, a wholly owned subsidiary of the Company, as purchaser and Mr. Ngai Tin Yee and New Concept Management Limited as vendor in relation to the acquisition of the entire issued share capital of Interactive Broadband Services Limited at a consideration of HK$32,800,000;

(f) the placing agreement dated 16 July 2007 entered into between the Company as issuer and Grand Vinco Capital Limited as placing agent in relation to the placing of 469,000,000 new Shares at the placing price of HK$0.235 per placing Share;

(g) the conditional subscription agreement dated 7 November 2007 and entered into between the Company as issuer and Excalibur Securities Limited as placing agent in relation to the placing of 636,000,000 non-listed warrants of the Company at the issue price of HK$0.04 per warrant and an exercise price of HK$0.20 per Share and the relevant extension letters dated 17 January 2008, 29 February 2008 and 30 May 2008 respectively;

(h) the sale and purchase agreement dated 3 December 2007 entered into between Beijing Tianxun Shitong Technology Development Company Limited, a non-wholly owned subsidiary of the Company and Beijing Teletron Telecom Engineering Co. Ltd. in relation to the disposal of approximately 40% of the registered capital of Beijing Haidian District Cable Television Broadcasting and Network Information Limited at a consideration of RMB18,000,000;

(i) the conditional sale and purchase agreement dated 30 January 2008 entered into between Richy Spring International Limited, a wholly-owned subsidiary of the Company, and Wisdom First Limited in relation to the sale and purchase of 75 ordinary shares of US$1.00 in the issued share capital of Great Hill and all obligations, liabilities and debts owing or incurred by Great Hill to Wisdom First Limited on or at any time prior to completion at a consideration of HK$45,000,000;

(j) the heads of agreement for the sale and purchase of the entire issued share capital in Rich Winner Global Limited dated 31 March 2008 entered into between the Agent and the Purchaser and the supplemental heads of agreement dated 26 August 2008;

(k) the placing agreement dated 24 April 2008 entered into between the Company as issuer and Hong Tong Hai Securities Limited as placing agent in relation to the placing of 321,000,000 new Shares at the placing price of HK$0.56 per Share and the relevant extension letter dated 26 September 2008;

(l) the conditional sale and purchase agreement dated 18 July 2008 entered into between Capital Access Limited, Harvest Mill Commercial Limited and Huge Summit Enterprises Limited in relation to the sale and purchase of 7,000,000 shares of Bartech International Information Network Limited ("Bartech") and 3,000,000 shares of Bartech at a consideration of HK$1,295,000 and HK$555,000 respectively; and

(m) the Agreement.

## 5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

## 6. LITIGATION

So far as the Directors were aware, no member of the Enlarged Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Enlarged Group as at the Latest Practicable Date.

## 7. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or substantial Shareholder or any of their respective associates had any interest in business which competes with or may compete with the business of the Group or has any other conflict of interests which any person has or may have with the Group.

## 8. INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, no contract or arrangement of significance in relation to the Enlarged Group's business to which the Company or any of its subsidiaries was a party and in which any of the Directors had a material interest, whether directly or indirectly, subsisted as at the Latest Practicable Date.

None of the Directors nor expert referred to in paragraph 9 below has any direct or indirect interests in any assets which had been acquired or disposed of by or leased to, or which are proposed to be acquired or disposed of by or leased to, the Company and/or member(s) of the Enlarged Group during the period since 31 December 2007, the date to which the latest published audited financial statements of the Group were made up, up to and including the Latest Practicable Date.

## 9. EXPERTS

The following are the qualifications of the experts who have given an opinion or advice contained in this circular:

| Name | Qualification |
|---|---|
| Morison Heng | Certified Public Accountants |
| Grant Sherman Appraisal Limited ("Grant Sherman") | Chartered Surveyors |

As at the Latest Practicable Date, Morison Heng and Grant Sherman did not have any interests, either direct or indirect, in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2007, the date to which the latest published audited consolidated financial statements of the Group were made up.

As at the Latest Practicable Date, each of Morison Heng and Grant Sherman was not interested beneficially or non-beneficially in any Shares in the Company or any of its subsidiaries or any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Each of Morison Heng and Grant Sherman has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its respective letter and/or report and/or reference to its name in the form and context in which it respectively appears.

## 10. MISCELLANEOUS

(a) The principal share registrar and transfer office of the Company is Butterfield Fund Services (Bermuda) Limited whose address is Rosebank Centre, 11 Bermudiana Road, Pembroke, Bermuda.

(b) The branch share registrar and transfer office of the Company in Hong Kong is Union Registrars Limited at Room 1901-02, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong.

(c) The company secretary of the Company is Mr. Chiu Yu Choi, Nelson. He graduated from the Hong Kong Polytechnic University with a Bachelor's honours degree in Accountancy. He is a member of the HKICPA, HKICS and ICSA, and a fellow member of ACCA.

## 11. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company in Hong Kong at Suites 2805-2807, Dah Sing Financial Centre, 108 Gloucestor Road, Wanchai, Hong Kong during normal business hours on any business day from the date of this circular up to and including the date of the SGM:

(a) the memorandum of association and bye-laws of the Company;

(b) the written consent from the experts referred to under the paragraph headed “Experts” in this appendix;

(c) the material contracts referred to under the paragraph headed “Material contracts” in this appendix;

(d) the accountants’ report of the Group for the financial years/period ended 30 September 2006 and 31 December 2007;

(e) the accountants’ report on the Great Hill Group;

(f) the report issued by Morison Heng in connection with the unaudited pro forma financial information on the Great Hill Enlarged Group;

(g) the accountants’ report on the Target Group;

(h) the report issued by Morison Heng in connection with the unaudited pro forma financial information on the Enlarged Group;

(i) the property valuation report issued by Grant Sherman;

(j) the circular of the Company dated 26 March 2008;

(k) this circular; and

(l) the annual reports of the Company for each of the financial years/period ended 30 September 2006 and 31 December 2007.

## TERMS OF THE PREFERRED SHARES

In this appendix, unless the context otherwise requires:

"Ordinary Shares" means ordinary shares of HK$0.01 each in the capital of the Company, or ordinary shares of such par value in the capital of the Company from time to time.

### (A) As regards terms of the Preferred Shares and conversion

(i) The term of the Preferred Shares commences from the date of issue of the relevant Preferred Shares.

(ii) During the period of the existence of the Preferred Shares, each holder of the Preferred Shares shall have the right at any time and from time to time to convert all or part (any conversion in part being in amounts or integral multiples of 4,000 Ordinary Shares or such other number as may for the time being be a board lot of Ordinary Shares on the Stock Exchange or such other stock exchange which in the opinion of the board of the Company is the principal stock exchange on which the Ordinary Shares are listed or traded) of his holding of such Preferred Shares into fully paid Ordinary Shares (subject as provided below) in accordance with the conversion price set out below.

(iii) The right to convert shall be exercisable on any date by completing the notice of conversion endorsed on the certificate relating to the Preferred Shares to be converted ("**Conversion Notice**") and delivering it (together with such other evidence (if any) as the Directors may reasonably require to prove the title of the person exercising such right) to the registrars for the time being of the Company, such Conversion Notice to specify the date when the conversion is to become effective ("**Conversion Date**") provided that if any Conversion Date would otherwise fall on a Saturday, Sunday or other day which is a public holiday in Hong Kong, such Conversion Date shall be the next day which is not such a public holiday. A Conversion Notice once given may not be withdrawn without the consent in writing of the Company.

(iv) One Preferred Share can be converted into one Ordinary Share.

(v) Conversion of the Preferred Shares may be effected in such manner as the board shall from time to time reasonably determine (subject to the provisions of the applicable laws and regulations). Notwithstanding any provisions herein to the contrary, the Company shall have the right to defer the issue and allotment of the Ordinary Shares to a date falling ninety (90) days after conversion or such longer period as the board of the Company shall reasonably consider appropriate and necessary in the event a conversion will (i) trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the Preferred Shares holder who exercised the conversion rights; or (ii) result in the failure by the Company to comply with the level of public float prescribed in the Listing Rules from time to time ("**Public Float Requirement**"). Notwithstanding any provision to the contrary contained herein, the Company shall be entitled to defer the issue and allotment of the Ordinary Shares to until the proposal by the holder of the Preferred Shares to restore the public float is implemented to its satisfaction.

(vi) The Company shall not later than the expiration of twenty-eight (28) days after conversion despatch certificates for the Ordinary Shares resulting from conversion and, if appropriate, certificates for any balance of the Preferred Shares remaining unconverted.

(vii) The Preferred Shares and Ordinary Shares resulting from conversion shall carry the right to receive all dividends and other distributions declared made or paid on the ordinary share capital of the Company. Ordinary Shares resulting from conversion shall rank pari passu in all other respects and form one class with the ordinary share capital of the Company then in issue and fully paid.

(viii) The Company shall use its best endeavours to ensure that the Listing Committee of the Stock Exchange grants permission to deal in and listing of all the Ordinary Share arising on conversion.

(ix) If whilst any of the Preferred Share remains capable of conversion, the Company shall make any issue by way of capitalisation of profits or reserves including any share premium account to members of the Company, such issue shall be made only to the holders of the Ordinary Shares and shall be in the form of fully paid Ordinary Shares and the number of Ordinary Shares arising on any subsequent conversion of Preferred Shares shall be increased pro rata. Provided that (A) no such adjustment shall be made if the said issue of fully paid Ordinary Shares shall have been made in lieu of the payment of any dividend (or part thereof) pursuant to arrangements whereby a holder of Ordinary Shares shall be given the right in respect of the same to make an election to receive cash or to receive new Ordinary Shares issued by way of capitalisation and (B) the Company shall not make any such capitalisation issue (other than such a capitalisation issue as is referred to in proviso (A) above) unless the Company has sufficient profits or reserves.

(x) If the Company shall sub-divide or consolidate the Ordinary Shares while there remain outstanding any Preferred Shares capable of being converted into Ordinary Shares the number of Ordinary Shares into which the Preferred Shares may be converted on any subsequent conversion shall in the case of a sub-division be increased or in the case of a consolidation be reduced in due proportion as if the Preferred Shares were also so sub-divided or consolidated.

(xi) If whilst any of the Preferred Share remains capable of conversion, any offer or invitation by way of rights or otherwise (not being an offer or invitation to which the provisions of sub-paragraph (xii) below apply) is made to the holders of the Ordinary Shares of the Company, the Company shall make or, so far as it is able, procure that there is made a like offer or invitation at the same time to each holder of Preferred Shares as if his conversion rights had been exercisable and exercised in full on the record date for such offer or invitation.

(xii) If whilst any of the Preferred Shares remain capable of conversion, an offer is made to the holders of Ordinary Shares of the Company (or such holders other than the offeror and/or any company controlled by the offeror and/or any persons acting in concert with the offeror) to acquire the whole or any of the issued Ordinary Shares and the Company becomes aware that the right to cast more than fifty (50) per cent of the votes which may ordinarily be cast on a poll at a general meeting of the Company has or will become vested in the offeror and/or such companies or persons aforesaid, the Company shall give written notice to all holders of the Preferred Shares of such vesting as soon as practicable but in no event later than fourteen (14) days of its becoming so aware.

(xiii) If whilst any of the Preferred Shares remain capable of conversion a notice is given by the Company to the Members to convene a general meeting for the purposes of considering and, if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same day as or soon after it despatches such notice to each Member give notice thereof to all holders of Preferred Shares (together with a notice of the existence of this provision) and thereupon, each holder of Preferred Shares shall be entitled to exercise all or any of his conversion rights at any time no later than five (5) business days prior to the proposed general meeting of the Company by giving the Conversion Notice to the Company whereupon the Company shall as soon as possible and, in any event, no later than two clear business days immediately prior to the date of the proposed general meeting referred to above, issue and allot the relevant number of Ordinary Shares to such holder of Preferred Shares credited as fully paid.

**(B) As regards income and capital**

(i) The Preferred Shares shall rank pari passu with the Ordinary Shares as to the right to receive dividends and other distributions declared made or paid on the ordinary share capital of the Company.

(ii) The Preferred Shares shall rank pari passu with the Ordinary Shares for return of capital on liquidation and participation in the distribution of surplus assets of the Company with all other shares in the capital of the Company for the time being in issue.

**(C) As regards further participation**

The Preferred Shares shall not carry any right to participate in profits or assets of the Company beyond such rights as are expressly set out in the terms of the Preferred Shares.

**(D) As regards voting**

The Preferred Shares shall not entitle the holders to any voting rights save and except as provided in paragraph (G) below.

**(E) As regards restrictions on the Company**

For so long as any Preferred Shares remain outstanding, the Company shall at all times maintain sufficient unissued Ordinary Shares available in order to implement conversion in full of all the Preferred Shares then outstanding.

**(F) As regards documents**

While any of the Preferred Shares remain outstanding, the Company shall send to the holders of Preferred Shares, for information, a copy of every document sent to the holders of other shares of the Company at the same time as it is sent to such holders.

**(G) As regards variation of rights**

Subject to the applicable laws, the Company shall not vary, alter or abrogate, or permit or cause the variation, alteration or abrogation of, all or any of the rights or privileges attached to the Preferred Shares without both the prior consent of a majority of the holders of the Ordinary Shares and a separate consent of the Preferred Shares holders of not less than seventy-five (75) per cent of the outstanding Preferred Shares for the time being.

**(H) As regards dealings by connected person**

Subject to the requirements of the Listing Rules from time to time (in particular those in relation to connected transactions) and the restriction on transfer as provided in paragraph (K) below and any other applicable regulations, the Preferred Shares may be issued to any connected person of the Company (as defined in the Listing Rules).

**(I) As regards pre-emptive rights**

In the event that the Company shall at any time issue to holders of new Ordinary Shares securities convertible into Ordinary Shares, the Company shall not be obliged to offer such shares/securities to the holders of Preferred Shares.

**(J) As regards listing**

The Preferred Shares will not be listed on any stock exchange.

**(K) As regards transferability**

The Preferred Shares are freely transferable by the holders thereof. Once a Conversion Notice is served by the holder of the Preferred Shares, the Preferred Shares subject to the Conversion Notice shall not be transferable except where such conversion will result in the Company failing to comply with the Public Float Requirement, in which case, the holder of the Preferred Shares may transfer the Preferred Shares subject to the Conversion Notice.

# SUNNY GLOBAL HOLDINGS LIMITED
# 新 怡 環 球 控 股 有 限 公 司*

*(incorporated in Bermuda with limited liability)*

**(Stock Code: 1094)**

**NOTICE IS HEREBY GIVEN** that a special general meeting ("**Meeting**") of Sunny Global Holdings Limited ("**Company**") will be held on Monday, 9 February 2009 at 11:00 a.m. at Vinson Room, Pacific Place Conference Centre, Level 5, One Pacific Place, 88 Queensway, Admiralty, Hong Kong for the purpose of considering and, if thought fit, passing the following resolutions with or without amendments as ordinary and special resolutions (as the case may be):

## ORDINARY RESOLUTION

**(1) "THAT:**

(a) the form and substance of each of (1) the agreement ("**Original Agreement**") dated 31 August 2008 and entered into between Positive Rise Holdings Limited, a wholly-owned subsidiary of the Company, as purchaser; (i) Master Top Investments Limited; (ii) Mega Step Investments Limited; (iii) Favor Mind Holdings Limited; (iv) Magical Power Investments Limited; and (v) Huge Ally Group Limited, as vendors; (i) Ho Wai Kong; (ii) Lu Xing; (iii) Wang Dingbo; (iv) Zheng Zhi; and (v) Fong, Herman Yat Wo, as guarantors; and the Company; and (2) the supplemental agreement ("**Supplemental Agreement**") (the Original Agreement and the Supplemental Agreement are collectively referred to as the "**Agreement**") dated 28 November 2008 and entered into between the parties to the Original Agreement and Siu Fung in relation to the acquisition ("**Acquisition**") of 4,350,100 ordinary shares of nominal value US$1.00 each in the issued share capital of Hero Joy International Limited ("**Target**") at a consideration ("**Consideration**") of not more than HK$6,000 million (a copy of the Agreement has been produced to the meeting and marked "A" and initialed by the chairman of the meeting for identification purpose), as mentioned in the circular ("**Circular**") of the Company dated 16 January 2009 (a copy of which has been produced to the meeting marked "B" and signed by the chairman of the meeting for the purpose of identification) and all the transactions contemplated thereby (including without limitation payment of commission to the Agent (as defined in the Circular)) be and are hereby approved, confirmed and ratified;

** for identification purpose only*

(b) subject to completion of the Acquisition, the directors ("**Directors**") of the Company be and are hereby generally and specifically authorised to issue and allot such number of new ordinary shares of HK$0.01 each in the capital of the Company as Consideration Shares (as defined in the Circular) in accordance with the terms and conditions of the Agreement;

(c) subject to completion of the Acquisition, the authorised share capital of the Company be and is hereby increased from HK$100,000,000 to HK$200,000,000 by the creation of an additional 10,000,000,000 new preferred shares of par value HK$0.01 each, having the rights and restrictions as set out in the alterations to the bye-laws of the Company in resolution (2) under the Special Resolutions set out in this notice;

(d) subject to completion of the Acquisition, the creation and issue of the Preferred Shares (as defined in the Circular), on and subject to the terms of the Agreement, be and is hereby approved and the issue and allotment of the Ordinary Shares (as such term is described in Appendix VI to the Circular) upon the exercise of the conversion rights attaching to the Preferred Shares be and are hereby approved; and

(e) the Directors be and are hereby authorised to do all such acts and things, to sign and execute all such further documents and to take such steps as the Directors in their discretion may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Agreement, the issue and allotment of the Consideration Shares, the creation of the Preferred Shares, the issue and allotment of the Preferred Shares and ordinary shares of the Company upon exercise of the conversion rights attaching to the Preferred Shares or any of the transactions contemplated under the Agreement and to agree to such variation, amendments or waiver or matters relating thereto (including any variation, amendments or waiver of such documents, which are not fundamentally different from those as provided under the Agreement) as are, in the opinion of the Directors, in the interest of the Company and its shareholders as a whole."

## SPECIAL RESOLUTIONS

(2) "**THAT** the Bye-laws of the Company be and are hereby amended as follows:

(i) by the addition of the following new definitions into the section headed "Interpretation" in Bye-law 1:

| | |
|---|---|
| "Preferred Shares" | preferred shares with a par value of HK$0.01 each in the share capital of the Company, entitling the holder to convert into Ordinary Shares, the terms of which are set out in Bye-law 15A |
| "Shares" | ordinary shares of HK$0.01 each in the share capital of the Company |

| | |
|---|---|
| "Ordinary Shares" | Shares or ordinary shares of such par value constituting the ordinary share capital of the Company from time to time |

(ii) by deleting "$0.10 each" in Bye-law 3(1) and replacing it with "$0.01 each".

(iii) by inserting the following new Bye-law 15A immediately after the existing Bye-law 15:

"15A Notwithstanding other provisions of these Bye-laws, the Preferred Shares shall confer on the registered holders thereof the following rights and privileges and be subject to the following rights, restrictions and provisions.

**(A) As regards terms of the Preferred Shares and conversion**

(i) The term of the Preferred Shares commences from the date of issue of the relevant Preferred Shares.

(ii) During the period of the existence of the Preferred Shares, each holder of the Preferred Shares shall have the right at any time and from time to time to convert all or part (any conversion in part being in amounts or integral multiples of 4,000 Ordinary Shares or such other number as may for the time being be a board lot of Ordinary Shares on the Designated Stock Exchange) of his holding of such Preferred Shares into fully paid Ordinary Shares (subject as provided below) in accordance with the conversion price set out below.

(iii) The right to convert shall be exercisable on any date by completing the notice of conversion endorsed on the certificate relating to the Preferred Shares to be converted ("**Conversion Notice**") and delivering it (together with such other evidence (if any) as the Directors may reasonably require to prove the title of the person exercising such right) to the registrars for the time being of the Company, such Conversion Notice to specify the date when the conversion is to become effective ("**Conversion Date**") provided that if any Conversion Date would otherwise fall on a Saturday, Sunday or other day which is a public holiday in Hong Kong, such Conversion Date shall be the next day which is not such a public holiday. A Conversion Notice once given may not be withdrawn without the consent in writing of the Company.

(iv) One Preferred Share can be converted into one Ordinary Share.

(v) Conversion of the Preferred Shares may be effected in such manner as the Board shall from time to time reasonably determine (subject to the provisions of the applicable laws and regulations). Notwithstanding any provisions herein to the contrary, the Company shall have the right to defer the issue and allotment of the Ordinary Shares to a date falling ninety (90) days after conversion or such longer period as the Board shall reasonably consider appropriate and necessary in the event a conversion will (i) trigger a mandatory offer obligation under Rule 26 of The Codes on Takeovers and Mergers and Share Repurchases issued by the Securities and Futures Commission of Hong Kong on the part of the Preferred Shares holder who exercised the conversion rights; or (ii) result in the failure by the Company to comply with the level of public float prescribed in the Listing Rules from time to time ("**Public Float Requirement**"). Notwithstanding any provision to the contrary contained herein, the Company shall be entitled to defer the issue and allotment of the Ordinary Shares to until the proposal by the holder of the Preferred Shares to restore the public float is implemented to its satisfaction.

(vi) The Company shall not later than the expiration of twenty-eight (28) days after conversion despatch certificates for the Ordinary Shares resulting from conversion and, if appropriate, certificates for any balance of the Preferred Shares remaining unconverted.

(vii) The Preferred Shares and Ordinary Shares resulting from conversion shall carry the right to receive all dividends and other distributions declared made or paid on the ordinary share capital of the Company. Ordinary Shares resulting from conversion shall rank pari passu in all other respects and form one class with the ordinary share capital of the Company then in issue and fully paid.

(viii) The Company shall use its best endeavours to ensure that the Listing Committee of the Designated Stock Exchange grants permission to deal in and listing of all the Ordinary Shares arising on conversion.

(ix) If whilst any of the Preferred Share remains capable of conversion, the Company shall make any issue by way of capitalisation of profits or reserves including any share premium account to members of the Company, such issue shall be made only to the holders of the Ordinary Shares and shall be in the form of fully paid Ordinary Shares and the number of Ordinary Shares arising on any subsequent conversion of Preferred Shares shall be increased pro rata. Provided that (A) no such adjustment shall be made if the said issue of fully paid Ordinary Shares shall have been made in lieu of the payment of any dividend (or part thereof) pursuant to arrangements whereby a holder of Ordinary Shares shall be given the right in respect of the same to make an election to receive cash or to receive new Ordinary Shares issued by way of capitalisation and (B) the Company shall not make any such capitalisation issue (other than such a capitalisation issue as is referred to in proviso (A) above) unless the Company has sufficient profits or reserves.

(x) If the Company shall sub-divide or consolidate the Ordinary Shares while there remain outstanding any Preferred Shares capable of being converted into Ordinary Shares the number of Ordinary Shares into which the Preferred Shares may be converted on any subsequent conversion shall in the case of a sub-division be increased or in the case of a consolidation be reduced in due proportion as if the Preferred Shares were also so sub-divided or consolidated.

(xi) If whilst any of the Preferred Share remains capable of conversion, any offer or invitation by way of rights or otherwise (not being an offer or invitation to which the provisions of sub-paragraph (xii) below apply) is made to the holders of the Ordinary Shares, the Company shall make or, so far as it is able, procure that there is made a like offer or invitation at the same time to each holder of Preferred Shares as if his conversion rights had been exercisable and exercised in full on the record date for such offer or invitation.

(xii) If whilst any of the Preferred Shares remain capable of conversion, an offer is made to the holders of Ordinary Shares (or such holders other than the offeror and/or any company controlled by the offeror and/or any persons acting in concert with the offeror) to acquire the whole or any of the issued Ordinary Shares and the Company becomes aware that the right to cast more than fifty (50) per cent of the votes which may ordinarily be cast on a poll at a general meeting of the Company has or will become vested in the offeror and/or such companies or persons aforesaid, the Company shall give written notice to all holders of the Preferred Shares of such vesting as soon as practicable but in no event later than fourteen (14) days of its becoming so aware.

(xiii) If whilst any of the Preferred Shares remain capable of conversion a notice is given by the Company to the Members to convene a general meeting for the purposes of considering and, if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same day as or soon after it despatches such notice to each Member give notice thereof to all holders of Preferred Shares (together with a notice of the existence of this provision) and thereupon, each holder of Preferred Shares shall be entitled to exercise all or any of his conversion rights at any time no later than five (5) business days prior to the proposed general meeting of the Company by giving the Conversion Notice to the Company whereupon the Company shall as soon as possible and, in any event, no later than two clear business days immediately prior to the date of the proposed general meeting referred to above, issue and allot the relevant number of Ordinary Shares to such holder of Preferred Shares credited as fully paid.

**(B) As regards income and capital**

(i) The Preferred Shares shall rank pari passu with the Ordinary Shares as to the right to receive dividends and other distributions declared made or paid on the ordinary share capital of the Company.

(ii) The Preferred Shares shall rank pari passu with the Ordinary Shares for return of capital on liquidation and participation in the distribution of surplus assets of the Company with all other shares in the capital of the Company for the time being in issue.

**(C) As regards further participation**

The Preferred Shares shall not carry any right to participate in profits or assets of the Company beyond such rights as are expressly set out in the terms of the Preferred Shares.

**(D) As regards voting**

The Preferred Shares shall not entitle the holders to any voting rights save and except as provided in paragraph (G) below.

**(E) As regards restrictions on the Company**

For so long as any Preferred Shares remain outstanding, the Company shall at all times maintain sufficient unissued Ordinary Shares available in order to implement conversion in full of all the Preferred Shares then outstanding.

**(F) As regards documents**

While any of the Preferred Shares remain outstanding, the Company shall send to the holders of Preferred Shares, for information, a copy of every document sent to the holders of other shares of the Company at the same time as it is sent to such holders.

**(G) As regards variation of rights**

Subject to the applicable laws, the Company shall not vary, alter or abrogate, or permit or cause the variation, alteration or abrogation of, all or any of the rights or privileges attached to the Preferred Shares without both the prior consent of a majority of the holders of the Ordinary Shares and a separate consent of the Preferred Shares holders of not less than seventy-five (75) per cent of the outstanding Preferred Shares for the time being.

**(H) As regards dealings by connected person**

Subject to the requirements of the Listing Rules from time to time (in particular those in relation to connected transactions) and the restriction on transfer as provided in paragraph (K) below and any other applicable regulations, the Preferred Shares may be issued to any connected person of the Company (as defined in the Listing Rules).

**(I) As regards pre-emptive rights**

In the event that the Company shall at any time issue to holders of new Ordinary Shares securities convertible into Ordinary Shares, the Company shall not be obliged to offer such shares/securities to the holders of Preferred Shares.

**(J) As regards listing**

The Preferred Shares will not be listed on any stock exchange.

**(K) As regards transferability**

The Preferred Shares are freely transferable by the holders thereof. Once a Conversion Notice is served by the holder of the Preferred Shares, the Preferred Shares subject to the Conversion Notice shall not be transferable except where such conversion will result in the Company failing to comply with the Public Float Requirement, in which case, the holder of the Preferred Shares may transfer the Preferred Shares subject to the Conversion Notice.

(3) "**THAT**, subject to and conditional upon (i) the approval of the Registrar of Companies in Bermuda being obtained; and (ii) completion of the agreement dated 31 August 2008 and entered into between Positive Rise Holdings Limited, a wholly-owned subsidiary of the Company, as purchaser; (i) Master Top Investments Limited; (ii) Mega Step Investments Limited; (iii) Favor Mind Holdings Limited; (iv) Magical Power Investments Limited; and (v) Huge Ally Group Limited, as vendors; (i) Ho Wai Kong; (ii) Lu Xing; (iii) Wang Dingbo; (iv) Zheng Zhi; and (v) Fong, Herman Yat Wo, as guarantors; and the Company (as supplemented by the supplemental agreement dated 28 November 2008 and entered into between the parties to the said agreement and Siu Fung), the registered name of the Company be changed from "Sunny Global Holdings Limited" to "China Public Procurement Limited" and upon the aforesaid change of name becoming effective, the new Chinese name "中國公共採購有限公司" be adopted as the secondary name of the Company to replace the existing Chinese name "新怡環球控股有限公司" which was previously adopted by the Company for identification purpose only and the directors of the Company be and are hereby authorised to do all such acts and things and execute all such documents and make all such arrangements as they shall, in their absolute discretion, deem necessary or expedient to give effect to the aforesaid change of names of the Company."

By order of the Board
**Sunny Global Holdings Limited**
**Liu Bo**
*Executive Director*

Hong Kong, 16 January 2009

*Registered office:*
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Head office and principal place of business in Hong Kong:*
Suites 2805-2807
Dah Sing Financial Centre
108 Gloucester Road
Wanchai
Hong Kong

*Notes:*

1. Any member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or if he/she is the holder of two or more shares, more than one proxy to attend and vote in his/her stead. A proxy need not be a member of the Company.

2. In order to be valid, the form of proxy must be duly lodged at the Company's branch registrar in Hong Kong, Union Registrars Limited at Room 1901-02, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong together with a power of attorney or other authority, if any, under which it is duly signed or a certified copy of that power of attorney or authority, not less than 48 hours before the time for holding the meeting or any adjourned meeting.

3. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the above meeting or any adjournment thereof, should he so wish, and in such event, the form of proxy shall be deemed to be revoked.