## 1. GENERAL INFORMATION

The Company is incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is Ugland House, South Church Street, P.O. Box 309, George Town, Grand Cayman, Cayman Islands.

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are set out in note 11.

The directors of the company (the "Directors") regard Optimum Pace International Limited, a company incorporated in the British Virgin Islands as being the ultimate holding company.

## 2. BASIS OF PREPARATION

The consolidated financial statements of Global Tech (Holdings) Limited have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs"), and Interpretations ("Int") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and applicable disclosure provisions of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The measurement basis used in the preparation is historical cost convention, as modified for the revaluation of certain available-for-sale financial assets and investment property, which are carried at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 5.

## 2. BASIS OF PREPARATION (CONTINUED)

### The adoption of new and revised HKFRSs

The HKICPA has issued a number of new and revised HKFRSs which are effective for accounting periods beginning on or after 1 January 2005. The Group adopted the new and revised HKFRSs below, which are relevant to its operations and the comparative figures for the financial year ended 30 September 2005 have been restated as required, in accordance with the relevant requirements. A summary of the new and revised HKFRSs is set out as below:–

| | |
|---|---|
| HKAS 1 | Presentation of Financial Statements |
| HKAS 2 | Inventories |
| HKAS 7 | Cash Flow Statements |
| HKAS 8 | Accounting Policies, Changes in Accounting Estimates and Errors |
| HKAS 10 | Events after the Balance Sheet Date |
| HKAS 12 | Income Taxes |
| HKAS 14 | Segment Reporting |
| HKAS 16 | Property, Plant and Equipment |
| HKAS 17 | Leases |
| HKAS 18 | Revenue |
| HKAS 19 | Employee Benefits |
| HKAS 21 | The Effects of Changes in Foreign Exchange Rates |
| HKAS 23 | Borrowing Costs |
| HKAS 24 | Related Party Disclosures |
| HKAS 27 | Consolidated and Separate Financial Statements |
| HKAS 32 | Financial Instruments: Disclosure and Presentation |
| HKAS 33 | Earnings per Share |
| HKAS 36 | Impairment of Assets |
| HKAS 37 | Provisions, Contingent Liabilities and Contingent Assets |
| HKAS 39 | Financial Instruments: Recognition and Measurement |
| HKAS 39 (Amendment) | Transitional and Initial Recognition of Financial Assets and Financial Liabilities |
| HKAS 40 | Investment Property |
| HK-Int 4 | Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases |
| HKAS-Int 15 | Operating Leases – Incentives |
| HKAS-Int 21 | Income Taxes – Recovery of Revalued Non-Depreciable Assets |
| HKFRS 2 | Share-based Payment |
| HKFRS 3 | Business Combinations |

## 2. BASIS OF PREPARATION (CONTINUED)

The adoption of new and revised HKASs 1, 2, 7, 8, 10, 12, 14, 18, 19, 21, 23, 24, 27, 33, 37, 40, HK-Int 4, HKAS-Int 15 and 21 did not result in substantial changes to the Group's accounting policies. In summary:

- HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. Entities have the same functional currency as the presentation currency for respective entity financial statements.

- HKAS 24 has affected the identification of related parties and some other related-party disclosures.

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land from property, plant and equipment to operating leases. The up-front prepayments made for the leasehold land are expensed in the income statement on a straight-line basis over the period of the lease or when there is impairment, the impairment is expensed in the income statement. A lease of land and building is split into a lease of land and a lease of building in proportion to the relative fair values of the leasehold interests in land element and the building element of the lease at the inception of the lease. The lease of land is stated at cost and amortised over the period of the lease. In prior years, leasehold land was classified under property, plant and equipment at fair value.

As from 1 October 2005, the buildings are also stated at cost less accumulated depreciation and impairment loss in accordance with HKAS 16 to be consistent with the new policy required to be adopted for the land element.

The adoption of HKAS 32 and 39 has resulted in a change in the accounting policy relating to the classification of available-for-sale financial assets. It has also resulted in the recognition of derivative financial instruments at fair value and the change in the recognition and measurement of hedging activities. With effect from 1 October 2005, club debentures are classified as available-for-sale financial assets, which were stated at cost less any identifiable impairment losses.

## 2. BASIS OF PREPARATION (CONTINUED)

The adoption of HKFRS 2 has resulted in a change in accounting policy for share-based payment. Prior to the adoption, the Group did not recognise the financial effect of share options until exercised. With effect from 1 October 2005, the Group recognises the fair value of the options determined at the date of grant in accordance with HKFRS 2. In applying HKFRS 2 in the current period, the Group has applied the transitional provision on share options granted before 7 November 2002 and had vested before 1 October 2005. Because there were no unvested share options on 1 October 2005 and no new share options were granted during this period, no retrospective reinstatement is required.

The adoption of HKFRS 3 and HKAS 36 has resulted in a change in accounting policy for goodwill. In prior years, goodwill arising on acquisition prior to 1 January 2001 was eliminated against the consolidated retained earnings in the year of acquisition.

The Group has applied the transitional provision of HKFRS 3, in which goodwill previously eliminated against the retained earnings remains eliminated against the retained earnings and is not recognised in the consolidated income statement when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired. Comparative figures have not been restated in accordance with the transitional provisions.

All changes in the accounting policies have been made in accordance with the transitional provisions in the respective standards, wherever applicable. All standards adopted by the Group require retrospective application other than:

- HKAS 16 – the initial measurement of an item of property, plant and equipment acquired in an exchange of assets transaction is accounted at fair value prospectively only to future transactions;

- HKAS 21 – prospective accounting for goodwill and fair value adjustments as part of foreign operations;

- HKAS 39 – does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis;

- HKFRS 3 – prospectively after 1 October 2005.

## 2. BASIS OF PREPARATION (CONTINUED)

The effect on the adoption of the new accounting policies in consolidated balance sheet and consolidated income statement were summarised as follows:–

### Effect on the consolidated balance sheet

**As at 30 September 2006**

| | Effect of adopting | |
|---|---|---|
| | **HKAS 16 & 17** | **HKAS 39** |
| | **HK$'000** | **HK$'000** |
| Decrease in club debentures | **–** | **(12,301)** |
| Increase in available-for-sale financial assets | **–** | **12,301** |
| Total effects on net assets | **–** | **–** |
| Reserves | | |
| Increase in accumulated losses | **(27)** | **–** |
| Increase in investment property revaluation reserve | **27** | **–** |
| Total effects on equity | **–** | **–** |

As at 30 September 2005

| | Effect of adopting | |
|---|---|---|
| | HKAS 16 & 17 | HKAS 39 |
| | HK$'000 | HK$'000 |
| Decrease in property, plant and equipment | (11,207) | – |
| Increase in leasehold land | 8,340 | – |
| Decrease in deferred tax liabilities | 630 | – |
| Total effects on net assets | (2,237) | – |
| Reserves | | |
| Decrease in accumulated losses | 224 | – |
| Decrease in leasehold land and buildings revaluation reserve | (2,461) | – |
| Total effects on equity | (2,237) | – |

## 2. BASIS OF PREPARATION (CONTINUED)

### Effect on the consolidated income statement

**For the year ended 30 September 2006**

| | Effect of adopting HKAS 16 & 17 HK$'000 |
|---|---|
| Increase in administrative expenses | **(27)** |
| Total increase in loss attributable to equity holders of the Company | **(27)** |
| Increase in loss per share | **HK(0.0005) cents** |

For the year ended 30 September 2005

| | Effect of adopting HKAS 16 & 17 HK$'000 |
|---|---|
| Increase in administrative expenses | (70) |
| Decrease in other income | (279) |
| Decrease in deferred tax | 28 |
| Total increase in loss attributable to equity holders of the Company | (321) |
| Increase in loss per share | HK(0.0062) cents |

## 2. BASIS OF PREPARATION (CONTINUED)

There is no early adoption of the following new standards or interpretations that have been issued but are not yet effective. Unless otherwise stated, these HKFRSs are effective for annual periods beginning on or after 1 January 2006:

| | |
|---|---|
| HKAS 1 (Amendment) | Capital Disclosures |
| HKAS 19 (Amendment) | Actuarial Gains and Losses, Group Plans and Disclosures |
| HKAS 21 (Amendment) | The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation |
| HKAS 39 (Amendment) | Cash Flow Hedge Accounting of Forecast Intragroup Transactions |
| HKAS 39 (Amendment) | The Fair Value Option |
| HKAS 39 & HKFRS 4 (Amendments) | Financial Guarantee Contracts |
| HKFRS 1 (Amendment) | First-time Adoption of Hong Kong Financial Reporting Standards |
| HKFRS 7 | Financial Instruments: Disclosures |
| HKFRS-Int 4 | Determining whether an Arrangement contains a Lease |
| HK(IFRIC)-Int 7 | Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies |
| HK(IFRIC)-Int 8 | Scope of HKFRS 2 |
| HK(IFRIC)-Int 9 | Reassessment of Embedded Derivatives |

The HKAS 1 (Amendment) shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosure about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKAS 39 (Amendment) Cash Flow Hedge Accounting of Forecast Intragroup Transactions allows the foreign currency risk of a highly probable forecast intragroup transaction to qualify as a hedged item in the consolidated financial statements, provided that: (a) the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction; and (b) the foreign currency risk will affect consolidated profit and loss. This amendment is not relevant to the Group's operations, as the Group does not have any intragroup transactions that would qualify as a hedged item in the consolidated financial statements as at 30 September 2006 and 2005.

## 2. BASIS OF PREPARATION (CONTINUED)

HKAS 39 (Amendment) The Fair Value Option changes the definition of financial instruments classified at fair value through profit or loss and restricts the ability to designate financial instruments as part of this category. The Group believes that this amendment should not have a significant impact on the classification of financial instruments, as the Group should be able to comply with the amended criteria for the designation of financial instruments at fair value through profit or loss. The Group will comply this amendment from accounting periods beginning on 1 October 2006.

HKAS 39 and HKFRS 4 (Amendments) Financial Guarantee Contracts requires issued financial guarantees, other than those previously asserted by the entity to be insurance contracts, to be initially recognised at their fair value, and subsequently measured at the higher of (a) the unamortised balance of the related fees received and deferred, and (b) the expenditure required to settle the commitment at the balance sheet date. The Company regards its financial guarantees provided to its subsidiaries as insurance contracts.

HKFRS 7 will replace HKAS 32 and has modified the disclosure requirements of HKAS 32 relating to financial instruments. This HKFRS shall be applied for annual period beginning on or after 1 January 2007.

Except as stated above, the Group expects that the adoption of the other pronouncements listed above will not have any significant impact on the Group's financial statements in the period of initial application.

A summary of significant accounting policies followed by the Group and the Company in the preparation of the financial statements is set out below.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 30 September each year.

**Subsidiaries**

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

All significant inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (b) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

Unallocated costs represent corporate expenses. Segment assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment assets consist primarily of property, plant and equipment, investment properties, inventories, receivables, other assets, operating cash and exclude mainly available-for-sale financial assets. Segment liabilities comprise operating liabilities and exclude items such as deferred tax, certain corporate provisions and borrowings.

### (c) Interests in subsidiaries

Interests in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted by the Company on the basis of dividend received or receivables.

### (d) Foreign currency translation

*i. Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong Dollars, which is the Company's functional and presentation currency.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (d) Foreign currency translation (Continued)

*ii. Transactions and balances*

Foreign currency transactions are translated into the functional currency 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 at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation difference on non-monetary items, such as equities classified as available-for-sale financial assets, are included in equity.

*iii. Group companies*

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

– assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

– income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

– all resulting exchange differences are recognised as a separate component of equity.

On consolidation, 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 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (e) Property, plant and equipment

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

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalised as an additional cost of that asset.

Depreciation is provided to write off the cost of property, plant and equipment, using the straight-line method, over their estimated useful lives. The principal annual rates are as follows:

| | |
|---|---|
| Leasehold buildings | Unexpired lease term |
| Computers and equipment | 20 to 30% |
| Furniture and fixtures | 20% |
| Leasehold improvements | 20% |
| Motor vehicles | 30% |

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

### (f) Leasehold land

Leasehold land represents prepaid lease payment made for leasehold land. Interest in leasehold land is stated at cost less subsequent accumulated amortisation and any accumulated impairment losses. The cost of leasehold land is amortised on a straight-line basis over the unexpired lease term.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (g) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the Group, is classified as investment property.

Investment property is carried at fair value. The fair value of investment property is based on a valuation by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the property being valued. The fair values are based on market values, being the estimated amount for which a property could be exchanged 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.

Changes in fair values are recognised in the income statement.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement.

Investment property held for sale without redevelopment is classified within non-current assets held for sale, under HKFRS 5.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (h) Financial instruments

The Group classifies its investments in the following categories depending on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

*i. Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss includes financial assets held for trading only on initial recognition. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in the income statement in the period in which they arise.

*ii. 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 accounts and other receivables, amounts due from subsidiaries/associates, advance to a subsidiary, bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in the income statement when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

*iii. Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated or not classified as any of the other categories set out above. 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 financial assets will not reverse in subsequent periods.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (h) Financial instruments (Continued)

*iii. Available-for-sale financial assets (Continued)*

For available-for-sale financial assets 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.

Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale financial assets are recognised in equity. When securities classified as available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from investment securities.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost represents the invoiced cost of inventories. In general, costs are assigned to individual items on a weighted average basis. Net realisable value is the price at which inventories can be sold in the normal course of business after allowing for the costs of realisation.

### (j) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

### (k) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (I) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to determine whether there is any indication of impairment of assets, or whether there is any indication that an impairment loss previously recognised no longer exists or may have decreased. If any such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the income statement in the year in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant policy for that revalued asset.

*i. Calculation of recoverable amount*

The recoverable amount of an asset is the higher of its net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of any asset and from its disposal at the end of its useful life. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of asset that generates cash inflows independently (i.e. a cash-generating unit).

*ii. Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been change in the estimates used to determine the recoverable amount. An impairment loss of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates the reversal effect of that specific event.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (m) Provision

A provision is recognised when the Group has a present legal or constructive obligation, as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value money is material, the amount of a provision is the present value at the balance sheet date of the expenditures expected to be required to settle the obligation.

### (n) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

### (o) Revenue recognition

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

i. Revenue from the sales of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed;

ii. Service income is recognised when services are rendered;

iii. Interest income is recognised, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable; and

iv. Dividend income is recognised when the shareholder's right to receive payment is established.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (p) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit is the profit for the year, determined in accordance with the rules established by the taxation authorities, upon which income taxes are payable.

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

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

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

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

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (q) Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as financial leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised financial leases are included in property, plant and equipment and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under operating leases are charged to the income statement on a straight-line basis over the relevant lease term.

### (r) Employee benefits

*i. Employee leave entitlements*

Employee entitlements to annual leave are recognised when they are accrued to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

*ii. Retirement benefit obligations*

The Group operates a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement scheme administered by an independent trustee. All contributions to the MPF scheme are charged to the income statement as incurred and reduced by contributions forfeited by those employees who leave the MPF scheme prior to vesting fully in contributions.

The Group also undertakes mandatory labour insurance schemes covering retirement benefits for its Taiwan employees as required by the Taiwan Employment Ordinance.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (r) Employee benefits (Continued)

*iii. Share-based compensation*

The fair value of the employee services received in exchange for the grant of the share options and restricted share awards is recognised as an expense in the income statement.

The total amount to be expensed over the vesting period is determined with reference to the fair value of the share options and restricted share awards granted. At each balance sheet date, the Company revises its estimates of the number of share options that are expected to become exercisable and the number of restricted share awards that become vested. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity in the balance sheet will be made over the remaining vesting periods.

The proceeds received, net of any directly attributable transaction costs, are credited to share capital and share premium accounts when the share options are exercised and when the restricted share awards are vested.

### (s) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (t) Related parties transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influences.

A transaction is considered to be a related party transaction where there is a transfer of resources or obligations between related parties.

## 4. FINANCIAL RISK MANAGEMENT

### 4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and equity price risk), credit risk, liquidity risk and cash flow and fair value interest-rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group's treasury function operates as a centralised service for managing financial risks and for providing cost efficient funding to the Group.

**a. Market risk**

*i. Foreign exchange risk*

The Group operates mainly locally and most debtors and creditors are denominated in Hong Kong Dollars and United States Dollars. Hong Kong Dollars are pegged to United States Dollars and the foreign exchange exposure between them are considered limited.

*ii. Equity price risk*

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated balance sheet as available-for-sale financial assets which are measured at fair value at each balance sheet date. The Group manages the equity price risk exposure by maintaining a portfolio of investments with different risk profiles.

## 4. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 4.1 Financial risk factors (Continued)

**b. Credit risk**

The Group's credit risk is primarily attributable to trade and other receivables. As at 30 September 2006, the five largest debtors accounted for approximately 85% of total trade debts, net of impairment loss. The Group has credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit on an annual basis. At each balance sheet date, the management of the Group has also reviewed the recoverable amount of each individual trade debt to ensure that adequate impairment losses are made where there is evidence of a reduction in the recoverability of the cash flows. Directors are of the opinion that adequate provision has been made in the consolidated financial statements.

The credit risk on available-for-sale financial assets is monitored by a team delegated by the Board to ensure that the investment portfolio is diversified, and there is no significant concentration risk to a single counterparty.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-rating.

**c. Liquidity risk**

The Group manages its liquidity risk by regularly monitoring current and expected liquidity requirements and ensuring sufficient liquid cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet the Group's liquidity requirements in the short and long term.

**d. Cash flow and fair value interest-rate risk**

The Group's cash flow interest-rate risk arises from bank borrowings. The Group's fair value interest-rate risk mainly arises from fixed-rate short-term bank deposits. The Group currently does not have an interest-rate hedging policy. However, the management monitors interest-rate exposure and will consider hedging significant interest-rate exposure should the need arises.

## 4. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 4.2 Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price. The fair value of the other financial instruments that are not traded in an active market is determined by using valuation techniques, such as discounted cash flows.

The face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year, trade and other receivables, cash and cash equivalents, trade and other payables and current borrowings are assumed to approximate their fair value.

## 5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to 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.

### (a) Provision for impairment of trade receivables

The provision for impairment of trade receivables is based on the ongoing evaluation of collectability and aging analysis of the outstanding receivables and on management's judgement. From time to time, the Group may experience delays in collection. Where recoverability of trade debtor balances are called into doubts, resulting in an impairment of their ability to make payments, provision may be required. Certain receivables may be initially identified as collectible, yet subsequently become uncollectible and result in a subsequent write-off of the related receivable to the income statement. Changes in the collectibility of trade receivables for which provisions are not made could affect our results of operations.

## 5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

### (b) Useful lives of property, plant and equipment

In accordance with HKAS 16, the Group estimates the useful lives of property, plant and equipment to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, and technical obsolescence arising from changes in the market demands or service output of the assets. The Group also performs annual reviews on whether the assumptions made on useful lives continue to be valid.

### (c) Estimate of fair value of investment property

The fair value of the investment property is determined at each balance sheet date by independent valuers based on a market value assessment, on an existing use basis. The valuers have applied the direct comparison method. The valuations are regularly compared to the actual market data and actual transactions available.

### (d) Inventory valuation method

Inventories are stated at the lower of cost and net realisable value. Costs are assigned to individual items on a weighted average basis. Net realisable value is based primarily on the latest invoice prices and current market conditions. The Group carries out review of inventories on a product-by-product basis at each balance sheet date and makes allowance for obsolete and slow-moving items.

### (e) Distinction between investment properties and owner-occupied properties

The Group determines whether a property qualifies as investment property. In making its judgement, the Group considers whether the property generates cash flows largely independently of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in production or supply process. Judgement is applied in determining whether ancillary services are so significant that a property does not qualify as investment property.

## 6. TURNOVER

The Company is engaged in investment holding and its subsidiaries are principally engaged in trading of telecommunication products. Revenues recognised during the year are as follows:

| | 2006<br>HK$'000 | 2005<br>HK$'000 |
|---|---|---|
| Sales of goods | **1,011,939** | 1,194,444 |
| Provision of repair services | **6,156** | 11,730 |
| | **1,018,095** | 1,206,174 |

## 7. SEGMENT INFORMATION

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 segments as the secondary reporting format.

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

### Primary reporting format – business segments

The Group is principally engaged in the trading of telecommunication products. Other operations of the Group mainly comprise provision of repair services of telecommunication products.

## 7. SEGMENT INFORMATION (CONTINUED)

### Primary reporting format – business segments (Continued)

The following table provides an analysis of the Group's revenues, results and certain assets, liabilities and expenditure information by business nature:

| | Trading of telecommunication products 2006 HK$'000 | Provision of repair services 2006 HK$'000 | Consolidated 2006 HK$'000 |
|---|---|---|---|
| Turnover | 1,011,939 | 6,156 | 1,018,095 |
| Segment results | (62,003) | (1,687) | (63,690) |
| Finance costs | | | (66) |
| Loss before taxation | | | (63,756) |
| Taxation | | | (31,526) |
| Net loss for the year attributable to equity holders of the Company | | | (95,282) |
| Segment assets | 431,167 | 7,740 | 438,907 |
| Available-for-sale financial assets | | | 79,275 |
| Unallocated corporate assets | | | 1,343 |
| Consolidated total assets | | | 519,525 |
| Segment liabilities | 147,748 | 927 | 148,675 |
| Unallocated corporate liabilities | | | 55,385 |
| Consolidated total liabilities | | | 204,060 |
| Capital expenditure | 654 | 10 | 664 |
| Depreciation and amortisation | 1,953 | 319 | 2,272 |

## 7. SEGMENT INFORMATION (CONTINUED)

### Primary reporting format – business segments (Continued)

| | Trading of telecommunication products 2005 HK$'000 (Restated) | Provision of repair services 2005 HK$'000 (Restated) | Consolidated 2005 HK$'000 (Restated) |
|---|---|---|---|
| Turnover | 1,188,257 | 17,917 | 1,206,174 |
| Segment results | (121,775) | (2,055) | (123,830) |
| Finance costs | | | (40) |
| Loss before taxation | | | (123,870) |
| Taxation | | | (622) |
| Net loss for the year attributable to equity holders of the Company | | | (124,492) |
| Segment assets | 603,352 | 11,696 | 615,048 |
| Club debentures | | | 12,301 |
| Unallocated corporate assets | | | 2,027 |
| Consolidated total assets | | | 629,376 |
| Segment liabilities | 97,078 | 3,114 | 100,192 |
| Unallocated corporate liabilities | | | 122,715 |
| Consolidated total liabilities | | | 222,907 |
| Capital expenditure | 1,273 | 654 | 1,927 |
| Depreciation and amortisation | 2,309 | 659 | 2,968 |

## 7. SEGMENT INFORMATION (CONTINUED)

### Secondary reporting format – geographical segments

The Group has operated mainly in the following geographical areas:

| | |
|---|---|
| Hong Kong and Macau: | Trading of telecommunication products and provision of repair services of telecommunication products. |
| Taiwan: | Trading of telecommunication products and provision of repair services of telecommunication products. |

During the year ended 30 September 2006, more than 90% of the Group's turnover, total assets and capital expenditure were derived from and located in Hong Kong and Macau, as a result of the scaling down of the mobile handset distribution operations in Taiwan in prior year. Therefore, no geographical segment for the current year is presented in the financial statements. The geographical segments for the year ended 30 September 2005 is presented for information purpose.

| | Turnover from external customers 2005 HK$'000 (Restated) | Consolidated total assets 2005 HK$'000 (Restated) | Capital expenditure 2005 HK$'000 (Restated) |
|---|---|---|---|
| Hong Kong and Macau | 1,108,563 | 621,375 | 1,749 |
| Taiwan | 97,611 | 6,846 | 178 |
| | 1,206,174 | 628,221 | 1,927 |
| Unallocated | – | 1,155 | – |
| | 1,206,174 | 629,376 | 1,927 |

## 8. INVESTMENT PROPERTY

| | Group | |
|---|---|---|
| | **2006** | 2005 |
| | **HK$'000** | HK$'000 |
| As at 1 October 2005/2004 | **–** | – |
| Transfer from leasehold land | **8,166** | |
| Transfer from property, plant and equipment | **779** | – |
| Fair value gain | **3,055** | – |
| As at 30 September | **12,000** | – |

The fair value of the Group's investment property as at 30 September 2006 was arrived at on the basis of a valuation carried out on 30 September 2006 by RHL Appraisal Ltd ("RHL"), independent qualified professional valuers. RHL has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to HKIS Valuation Standards on properties, was arrived by the reference to market evidence of transaction prices for similar properties.

During the year ended 30 September 2006, the Group transferred leasehold land and buildings located in Hong Kong to investment property. The leasehold land and the buildings were revalued at its fair value at the date of transfer and the fair value adjustment amounting to HK$3,055,000 was credited to equity as investment property revaluation reserve.

The investment property is situated in Hong Kong under medium-term lease.

## 9. PROPERTY, PLANT AND EQUIPMENT

### Group

| | Leasehold land and buildings HK$'000 | Leasehold improvements HK$'000 | Furniture and fixtures HK$'000 | Computers and equipment HK$'000 | Motor vehicles HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| **At cost:** | | | | | | |
| As at 1 October 2004, | | | | | | |
| as previously reported | 9,200 | 5,942 | 2,166 | 6,303 | 1,820 | 25,431 |
| Effect on adoption of | | | | | | |
| – HKAS 16 | 2,110 | – | – | – | – | 2,110 |
| – HKAS 17 | (10,370) | – | – | – | – | (10,370) |
| As at 1 October 2004, | | | | | | |
| as restated | 940 | 5,942 | 2,166 | 6,303 | 1,820 | 17,171 |
| Exchange difference | – | (3) | (5) | (1) | – | (9) |
| Additions | – | 1,591 | 122 | 214 | – | 1,927 |
| Disposals | – | (897) | (558) | (1,267) | – | (2,722) |
| As at 30 September 2005, | | | | | | |
| as restated | 940 | 6,633 | 1,725 | 5,249 | 1,820 | 16,367 |
| Exchange difference | – | – | – | 1 | – | 1 |
| Additions | – | 229 | 163 | 272 | – | 664 |
| Transfer to investment property | (940) | – | – | – | – | (940) |
| Disposals | – | (37) | (7) | (1,217) | – | (1,261) |
| **As at 30 September 2006** | **–** | **6,825** | **1,881** | **4,305** | **1,820** | **14,831** |

## 9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

### Group

| | Leasehold land and buildings HK$'000 | Leasehold improvements HK$'000 | Furniture and fixtures HK$'000 | Computers and equipment HK$'000 | Motor vehicles HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| **Accumulated depreciation:** | | | | | | |
| As at 1 October 2004, as previously reported | – | 2,456 | 1,769 | 3,984 | 1,799 | 10,008 |
| Effect on adoption of | | | | | | |
| – HKAS 16 | 1,900 | – | – | – | – | 1,900 |
| – HKAS 17 | (1,771) | – | – | – | – | (1,771) |
| As at 1 October 2004, as restated | 129 | 2,456 | 1,769 | 3,984 | 1,799 | 10,137 |
| Exchange difference | – | (3) | (4) | 1 | – | (6) |
| Charge for the year | 18 | 1,384 | 213 | 1,073 | 21 | 2,709 |
| Written back on disposal | – | (897) | (521) | (980) | – | (2,398) |
| As at 30 September 2005, as restated | 147 | 2,940 | 1,457 | 4,078 | 1,820 | 10,442 |
| Exchange difference | – | – | – | 2 | – | 2 |
| Charge for the year | 14 | 1,348 | 117 | 619 | – | 2,098 |
| Transfer to investment property | (161) | – | – | – | – | (161) |
| Written back on disposal | – | (37) | (7) | (1,207) | – | (1,251) |
| **As at 30 September 2006** | **–** | **4,251** | **1,567** | **3,492** | **1,820** | **11,130** |
| **Net book value:** | | | | | | |
| **As at 30 September 2006** | **–** | **2,574** | **314** | **813** | **–** | **3,701** |
| As at 30 September 2005 | 793 | 3,693 | 268 | 1,171 | – | 5,925 |

*Note:*

i. The Group's leasehold land and buildings recorded HK$3,007,000 revaluation surplus as at year ended 30 September 2005. Upon the adoption of HKAS 16 and 17, the revaluation surplus had been reversed and restated. A surplus of approximately HK$279,000 had been debited to the accumulated losses to reverse the reversal of impairment loss previously credited. A surplus of approximately HK$2,728,000 had been debited to leasehold land and buildings revaluation reserve.

ii. During the year ended 30 September 2006, the Group transferred leasehold land and buildings located in Hong Kong to investment property. The leasehold land and the buildings were revalued at its fair value at the date of transfer and the fair value adjustment amounting to HK$3,055,000 was credited to equity as investment property revaluation reserve.

iii. The Group's building was held on medium-term lease and is located in Hong Kong.

iv. As at 30 September 2006 the net book value of computers and equipment included an amount of HK$67,000 (2005: HK$102,000) in respect of assets held under finance leases.

## 10. LEASEHOLD LAND

| | Group<br>HK$'000 |
|---|---|
| **Costs:** | |
| As at 1 October 2004 (as previously reported) | – |
| Effect of adoption of HKAS 17 | 10,370 |
| As restated at 1 October 2004 and 30 September 2005 | 10,370 |
| Transfer to investment property | (10,370) |
| **As at 30 September 2006** | **–** |
| **Accumulated amortisation:** | |
| As at 1 October 2004 (as previously reported) | – |
| Effect of adoption of HKAS 17 | 1,771 |
| As restated at 1 October 2004 | 1,771 |
| Charge for the year | 259 |
| As restated at 30 September 2005 | 2,030 |
| Charge for the year | 174 |
| Transfer to investment property | (2,204) |
| **As at 30 September 2006** | **–** |
| **Net book value:** | |
| **As at 30 September 2006** | **–** |
| As at 30 September 2005 | 8,340 |

*Note:*

i. The Group's leasehold land represents operating lease payments under medium-term lease and the lease payment is amortised on a straight-line method over the remaining term of lease.

ii. During the year ended 30 September 2006, the Group transferred leasehold land and buildings located in Hong Kong to investment property. The leasehold land and the buildings were revalued at its fair value at the date of transfer and the fair value adjustment amounting to HK$3,055,000 was credited to equity as investment property revaluation reserve.

## 11. INTERESTS IN SUBSIDIARIES

| | Company 2006 HK$'000 | Company 2005 HK$'000 |
|---|---|---|
| Unlisted shares, at cost | **191,093** | 191,093 |

The carrying amounts of the investments in subsidiaries is determined by reference to the estimation of future cash flows expected to be generated from the respective subsidiaries.

Details of the Company's principal subsidiaries as at 30 September 2006 are as follows:

| Name | Place of incorporation/ establishment and operation | Particulars of issued/ registered and fully paid up capital | Percentage of equity attributable to the Company 2006 % | 2005 % | Principal activities |
|---|---|---|---|---|---|
| **Indirectly held** | | | | | |
| Advance Communication International Limited | Taiwan | NT$1,000,000 Ordinary | **100** | 100 | Trading of telecommunication products |
| Linktech Hong Kong Limited | Hong Kong | HK$2 Ordinary | **100** | 100 | Provision of repair services of telecommunication products |
| New Eagle Technology Limited | Hong Kong | HK$10,000 Ordinary | **100** | 100 | Trading of telecommunication products |
| Sun Brilliant Development Limited | Hong Kong | HK$2 Ordinary | **100** | 100 | Trading of telecommunication products |
| Techglory International Limited | Hong Kong | HK$1,388,000 Ordinary | **100** | 100 | Trading of telecommunication products |

## 11. INTERESTS IN SUBSIDIARIES (CONTINUED)

The above table listed the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

The amounts due from subsidiaries grouped under current assets are unsecured, interest-free and repayable on demand. In the opinion of the Directors, the carrying amounts of the amounts due from subsidiaries as at 30 September 2006 approximate to their fair values.

## 12. AVAILABLE-FOR-SALE FINANCIAL ASSETS

As mentioned in note 2 to the financial statements, from 1 October 2005, the Group's club debentures have been reclassified to available-for-sale financial assets in accordance with HKAS 39. The details of the Group's available-for-sale financial assets as at 30 September 2006 have been summarised below:–

| | **Group** | |
|---|---|---|
| | **2006** | 2005 |
| | **HK$'000** | HK$'000 |
| Club debentures, at cost | **12,301** | – |
| Equity securities, listed in Hong Kong, at fair value | **66,974** | – |
| | **79,275** | – |
| Market value of listed equity securities | **66,974** | – |

*Note:*

i. Listed equity securities of aggregate carrying amount of HK$66,974,000 as at 30 September 2006 have been pledged to a bank to secure banking facilities granted to the Group.

ii. Fair value of equity securities listed in Hong Kong have been determined by reference to the quoted market bid prices available on the relevant stock market.

iii. The club debentures are accounted for at cost less any accumulated impairment losses at each balance sheet date because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that the fair values cannot be measured reliably.

## 12. AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

As mentioned in note 2 to the financial statements, from 1 October 2005, the Company's club debentures have been reclassified to available-for-sale financial assets in accordance with HKAS 39. The details of the Company's available-for-sale financial assets as at 30 September 2006 have been summarised below:–

| | Company | |
|---|---|---|
| | **2006** | 2005 |
| | **HK$'000** | HK$'000 |
| Club debentures, at cost | **10,500** | – |

*Note:*

The club debentures are accounted for at cost less any accumulated impairment losses at each balance sheet date because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that the fair values cannot be measured reliably.

## 13. INVENTORIES

| | Group | |
|---|---|---|
| | **2006** | 2005 |
| | **HK$'000** | HK$'000 |
| Finished goods | **46,395** | 43,085 |
| Less: Provision for impairment loss on inventories | **(8,121)** | (4,055) |
| | **38,274** | 39,030 |

*Note:*

As at 30 September 2006, the carrying amount of inventories that are carried at net realisable value amounted to approximately HK$3,837,000 (2005: HK$8,696,000).

## 14. TRADE RECEIVABLES

As at 30 September 2006, the aging analysis of the trade receivables is as follows:–

| | Group | |
|---|---|---|
| | **2006** | 2005 |
| | **HK$'000** | HK$'000 |
| Current | **287,478** | 256,773 |
| One to three months overdue | **14,727** | 35,897 |
| More than three months but less than twelve months overdue | **924** | 3,042 |
| Over twelve months overdue | **415** | 2,656 |
| Less: Provision for impairment loss on trade receivables | **(121,113)** | (122,933) |
| | **182,431** | 175,435 |

*Note:*

i. The credit terms granted to the Group's customers vary and are generally the results of negotiations between the Group and individual customers.

ii. The carrying amounts of the Group's trade receivables approximate to their fair values.

## 15. CASH AND BANK BALANCES

| | Group | | Company | |
|---|---|---|---|---|
| | **2006** | 2005 | **2006** | 2005 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Cash at bank and in hand | **105,470** | 121,323 | **3,039** | 5,018 |
| Short-term time deposits | **9,724** | 140,504 | **–** | – |
| Cash and bank balances | **115,194** | 261,827 | **3,039** | 5,018 |

## 15. CASH AND BANK BALANCES (CONTINUED)

Cash and bank balances include the following:

| | Group | | Company | |
|---|---|---|---|---|
| | **2006** | 2005 | **2006** | 2005 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Cash and bank balances | **115,194** | 261,827 | **3,039** | 5,018 |
| Bank overdrafts *(note 18)* | **(42,622)** | – | **–** | – |
| | **72,572** | 261,827 | **3,039** | 5,018 |

*Note:*

i Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying period of between one day and one month depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The carrying amounts of the cash and bank balances approximate to their fair values.

ii The bank overdrafts are secured with listed equity securities with aggregate carrying value of HK$66,974,000 as at 30 September 2006, and short-term time deposits. The bank borrowing rates were ranging from 6.62% to 7.75%.

## 16. TRADE PAYABLES

As at 30 September 2006, the aging analysis of the trade payables is as follows:

| | Group | |
|---|---|---|
| | **2006** | 2005 |
| | **HK$'000** | HK$'000 |
| Trade payables due: | | |
| Within 0-30 days | **70,040** | 73,067 |

The carrying amounts of the Group's trade payables approximate to their fair values.

## 17. ACCRUED CHARGES AND OTHER PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | **2006** | 2005 | **2006** | 2005 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Accrued charges | **5,469** | 6,282 | **1,636** | 635 |
| Other payables | **20,949** | 23,744 | **4,628** | 12,148 |
| | **26,418** | 30,026 | **6,264** | 12,783 |

Included in other payables of the Group and the Company was an amount of approximately HK$487,000 (2005: HK$487,000) due to a director of the Company. The amount was unsecured, interest free and has no fixed terms of repayment.

The carrying amounts of the Group's and the Company's accrued charges and other payables approximate to their fair values.

## 18. BANK BORROWINGS – SECURED

| | Group | |
|---|---|---|
| | **2006** | 2005 |
| | **HK$'000** | HK$'000 |
| Bank overdrafts | **42,622** | – |
| Trust receipt | **11,479** | – |
| | **54,101** | – |

*Note:*

i. As at 30 September 2006, the bank overdrafts and borrowings are secured by the available-for-sale financial assets, with aggregate carrying value of HK$66,974,000 and short-term time deposits. The bank borrowing rates were ranging from 6.62% to 7.75%.

ii. The carrying amounts of the Group's interest bearing bank borrowings – secured approximate to their fair values.

## 19. OBLIGATION UNDER FINANCE LEASE

**Group**

| | Minimum lease payments | | Present value of minimum lease payments | |
|---|---|---|---|---|
| | **2006** | 2005 | **2006** | 2005 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| The maturity of obligations under finance lease is as follows: | | | | |
| Within one year | **49** | 49 | **40** | 35 |
| More than one year, but not exceeding two years | **44** | 49 | **42** | 40 |
| More than two years, but not exceeding five years | **–** | 44 | **–** | 42 |
| | **93** | 142 | **82** | 117 |
| Less: Future finance charges | **(11)** | (25) | **–** | – |
| Present value of minimum lease payments | **82** | 117 | **82** | 117 |
| Less: Amount due within one year shown under current liabilities | | | **(40)** | (35) |
| Amount due after one year | | | **42** | 82 |

It is the Group's policy to lease certain of its equipment under finance lease. The lease term is two years. For the year ended 30 September 2006, the effective borrowing rate was 14% (2005: 14%) per annum. Interest rate was fixed at the contract date. All lease is on a fixed repayment basis and no arrangement has been entered into for contingent rental payments.

The obligations under finance lease of the Group is secured by the lessor's charge over the relevant leased asset.

## 20. DEFERRED TAX LIABILITIES

### Group

As at 30 September 2006, the movement of recognised deferred tax liabilities during the year is as follows:

| | Revaluation of properties | | Unrealised loss | | Total | |
|---|---|---|---|---|---|---|
| | **2006** | 2005 | **2006** | 2005 | **2006** | 2005 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| | | (Restated) | | | | (Restated) |
| As at 1 October 2005/2004, as previously reported | **–** | 335 | **340** | 340 | **340** | 675 |
| Effect on adoption of HKAS 17 | **–** | (335) | **–** | – | **–** | (335) |
| As restated at 1 October 2005/2004 | **–** | – | **340** | 340 | **340** | 340 |
| Reversal of unrealised loss | **–** | – | **(340)** | – | **(340)** | – |
| Charged to reserve | **534** | – | **–** | – | **534** | – |
| As at 30 September | **534** | – | **–** | 340 | **534** | 340 |

As at 30 September 2006, the Group has deferred tax assets in respect of estimated deductible temporary differences of approximately HK$1,770,000 (2005: HK$30,116,000). Cumulative tax losses of approximately HK$90,252,000 (2005: HK$61,850,000) is available for offsetting against future profits. Deferred tax assets has not been recognised in respect of the deductible temporary differences of approximately HK$1,770,000 (2005 : HK$30,116,000) and estimated tax losses of approximately HK$90,252,000 (2005: HK$61,850,000) due to uncertainty of future profits streams.

### Company

As at 30 September 2006, the Company has estimated unused tax losses of approximately HK$9,751,000 (2005: HK$3,086,000) available for offsetting against future profits. No deferred tax assets have been recognised due to uncertainty of future profits streams. Losses may be carried forward indefinitely.

## 21. SHARE CAPITAL

| | Authorised ordinary share of HK$0.01 each No. of shares '000 | HK$'000 |
|---|---|---|
| As at 1 October 2005 and 30 September 2006 | 20,000,000 | 200,000 |

| | Issued and fully paid ordinary share of HK$0.01 each No. of shares '000 | HK$'000 |
|---|---|---|
| As at 1 October 2005 and 30 September 2006 | 5,165,974 | 51,659 |

## 22. RESERVES

**Company**

| | Share premium HK$'000 | Capital redemption reserve HK$'000 | Exchange difference reserve HK$'000 | Accumulated loss HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| As at 1 October 2004 | 648,897 | 160 | (204) | (113,237) | 535,616 |
| Exchange difference | – | – | (235) | – | (235) |
| Loss for the year | – | – | – | (206,228) | (206,228) |
| As at 30 September 2005 and 1 October 2005 | 648,897 | 160 | (439) | (319,465) | 329,153 |
| Exchange difference | – | – | (92) | – | (92) |
| Loss for the year | – | – | – | (125,357) | (125,357) |
| **As at 30 September 2006** | **648,897** | **160** | **(531)** | **(444,822)** | **203,704** |

*Note:*

The Company has a distributable reserve, of approximately HK$204,075,000 as at 30 September 2006 (2005: HK$329,432,000), represented by share premium less accumulated losses of the Company. Under the Companies Law (2001 Second Revision) of the Cayman Islands, share premium of the Company is distributable to the members, subject to a solvency test.

## 23. OTHER REVENUE

| | Group | |
|---|---|---|
| | **2006** | 2005 |
| | **HK$'000** | HK$'000 |
| | | (Restated) |
| Interest income | **5,410** | 1,819 |
| Compensation of legal and professional fees | **–** | 3,424 |
| Dividend income from available-for-sale financial assets | **526** | – |
| | **5,936** | 5,243 |

## 24. OTHER INCOME

| | Group | |
|---|---|---|
| | **2006** | 2005 |
| | **HK$'000** | HK$'000 |
| | | (Restated) |
| Unrealised exchange gain | **513** | – |
| Gain on disposals of financial assets at fair value through profit or loss | **863** | – |
| Sundry income | **3,140** | 652 |
| | **4,516** | 652 |

## 25. LOSS FROM OPERATIONS

Expenses included in cost of sales, selling and distribution expenses, administrative expenses and other operating expenses are analysed as follows:–

| | Group | |
|---|---|---|
| | **2006** | 2005 |
| | **HK$'000** | HK$'000 |
| | | (Restated) |
| Cost of trading inventories sold | **942,556** | 1,141,161 |
| Employee benefit expenses *(note 26)* | **42,157** | 52,291 |
| Retirement benefit costs *(note 26)* | **1,849** | 1,015 |
| Depreciation | | |
| – owned assets | **2,063** | 2,674 |
| – leased assets | **35** | 35 |
| Amortisation of leasehold land | **174** | 259 |
| Auditors' remuneration | | |
| – current year | **1,706** | 1,345 |
| – (over-provision)/under-provision in prior years | **(399)** | 2,050 |
| Realised exchange loss | **246** | – |
| Loss on disposals of financial assets at fair value through profit or loss | **691** | – |
| Loss on disposals of property, plant and equipment | **10** | 76 |
| Provision for impairment loss on trade receivables | **2,939** | 78,331 |
| Provision for impairment loss on inventories | **5,064** | 2,739 |
| Operating lease rental in respect of rental premises | **10,422** | 12,716 |

## 26. EMPLOYEE BENEFIT EXPENSES

### (a) Staff cost

The total staff cost of the Group during the year are as follows:

| | Group | |
|---|---|---|
| | **2006** | 2005 |
| | **HK$'000** | HK$'000 |
| Salaries and allowances | **37,973** | 51,368 |
| Discretionary bonuses | **3,841** | 372 |
| Staff welfare | **343** | 551 |
| Contributions to retirement fund | **1,849** | 1,015 |
| | **44,006** | 53,306 |

### (b) Directors and senior management emoluments

The emoluments of the Directors are as follows:–

| Name of directors | Fee 2006 HK$'000 | Salaries and allowances 2006 HK$'000 | Contributions to retirement fund 2006 HK$'000 | Discretionary bonus 2006 HK$'000 | Total 2006 HK$'000 |
|---|---|---|---|---|---|
| **Executive directors** | | | | | |
| Mr. SY Ethan, Timothy | – | 18,000 | 900 | 1,500 | 20,400 |
| Mr. CHEUNG Wing Yin, Vigny Wiley | – | 509 | 25 | 41 | 575 |
| Mr. SUNG Yee Keung, Ricky | – | 660 | 33 | 55 | 748 |
| Mr. WAN Kwok Cheong | – | 840 | 36 | 70 | 946 |
| Mr. PANG Leung Ming | – | 1,124 | 48 | 56 | 1,228 |
| **Non-executive director** | | | | | |
| Mr. KO Wai Lun, Warren | 420 | – | – | – | 420 |
| **Independent non-executive directors** | | | | | |
| Mr. Andrew David ROSS | 600 | – | – | – | 600 |
| Mr. Geoffrey William FAWCETT | 420 | – | – | – | 420 |
| Mr. Charles Robert LAWSON | 420 | – | – | – | 420 |
| | 1,860 | 21,133 | 1,042 | 1,722 | 25,757 |

## 26. EMPLOYEE BENEFIT EXPENSES (CONTINUED)

### (b) Directors and senior management emoluments (continued)

| Name of directors | Fee 2005 HK$'000 | Salaries and allowances 2005 HK$'000 | Contributions to retirement fund 2005 HK$'000 | Discretionary bonus 2005 HK$'000 | Total 2005 HK$'000 |
|---|---|---|---|---|---|
| Executive directors | | | | | |
| Mr. SY Ethan, Timothy | – | 24,000 | 1,200 | – | 25,200 |
| Mr. CHEUNG Wing Yin, Vigny Wiley | – | 490 | 24 | – | 514 |
| Mr. SUNG Yee Keung, Ricky | – | 660 | 33 | – | 693 |
| Mr. WAN Kwok Cheong | – | 840 | 36 | – | 876 |
| Mr. PANG Leung Ming | – | 1,081 | 48 | – | 1,129 |
| Non-executive director | | | | | |
| Mr. KO Wai Lun, Warren | 420 | – | – | – | 420 |
| Independent non-executive directors | | | | | |
| Mr. Andrew David ROSS | 474 | – | – | – | 474 |
| Mr. Geoffrey William FAWCETT | 332 | – | – | – | 332 |
| Mr. Charles Robert LAWSON | 107 | – | – | – | 107 |
| | 1,333 | 27,071 | 1,341 | – | 29,745 |

No Directors have waived emoluments for the years ended 30 September 2006 and 2005.

During the year, no amounts have been paid by the Group to the Directors as inducement to join the Group, as compensation for loss of office or as commitment fees to existing Directors for entering into new service contracts with the Group (2005: HK$Nil).

## 26. EMPLOYEE BENEFIT EXPENSES (CONTINUED)

### (b) Directors and senior management emoluments (continued)

During the year, none of the Directors of the Company had exercised their share options to subscribe ordinary shares of the Company.

As at 30 September 2006, the outstanding options granted by the Company to an Executive Director of the Company were as follows:

| Grantees | Date of grant | Exercise price per share | Exercise period | Balance outstanding as at 1 October 2005 and 30 September 2006 |
|---|---|---|---|---|
| | | HK$ | | |
| Executive Director, Mr. SY Ethan, Timothy | 26 April 1999 | 0.150 | 25 May 1999 to 24 May 2009 | 100,000,000 |

The closing market price of the Company's shares immediately preceding to the suspension of trading at The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 19 July 2004 was HK$0.05 per share.

Apart from the aforesaid, no other emoluments have been paid to the Directors for the years ended 30 September 2006 and 2005.

### (c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2005: four) directors whose emoluments are set out in note 26(b). The emoluments payable to the remaining two (2005: one) individuals during the year are as follows:

| | Group | |
|---|---|---|
| | **2006** | 2005 |
| | **HK$'000** | HK$'000 |
| Basic salaries and allowances | **1,200** | 960 |
| Contributions to retirement fund | **60** | – |
| Bonuses | **63** | – |
| | **1,323** | 960 |

| | Number of individuals | |
|---|---|---|
| | **2006** | 2005 |
| Emolument bands: | | |
| Nil to HK$ 1,000,000 | **2** | 1 |

## 27. FINANCE COSTS

| | Group | |
|---|---|---|
| | **2006** | 2005 |
| | **HK$'000** | HK$'000 |
| Interest element of finance leases | **14** | 18 |
| Interest expenses on secured bank borrowings wholly repayable within five years | **52** | 22 |
| | **66** | 40 |

## 28. TAXATION

| | Group | |
|---|---|---|
| | **2006** | 2005 |
| | **HK$'000** | HK$'000 |
| | | (Restated) |
| **Current tax** | | |
| Hong Kong profits tax | | |
| Current year | **36** | 621 |
| Under-provision in prior years | **115,326** | 1 |
| Overseas taxation | | |
| (Over-provision) in prior years | **(83,496)** | – |
| | **31,866** | 622 |
| **Deferred tax** | | |
| Reversal of unrealised loss | **(340)** | – |
| Taxation attributable to the Company and its subsidiaries | **31,526** | 622 |

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits for the year. Taxation on overseas profits has been provided on the estimated assessable profits for the year at the taxation rates prevailing in the countries in which the subsidiaries of the Group operate.

## 28. TAXATION (CONTINUED)

The charge for the year is reconciled to the loss before taxation per the consolidated income statement as follows:

| | **2006** | | 2005 | |
|---|---|---|---|---|
| | **HK$'000** | **%** | HK$'000 (Restated) | % (Restated) |
| Loss before taxation | **(63,756)** | | (123,870) | |
| Tax at statutory tax rate | **(11,157)** | **(17.5)** | (21,677) | (17.5) |
| Tax effect of expenses that are not deductible in determining taxable profit | **7,761** | **12.2** | 1,294 | 1.0 |
| Tax effect of income that is not taxable in determining taxable profit | **(3,626)** | **(5.7)** | (4,976) | (4.0) |
| Unrecognised tax losses | **28,310** | **44.4** | 11,695 | 9.4 |
| Unrecognised (deductible)/taxable temporary differences | **(20,512)** | **(32.2)** | 14,266 | 11.5 |
| Utilisation of previously unrecognised tax losses | **(765)** | **(1.2)** | (60) | – |
| Others | **25** | **–** | 79 | 0.1 |
| Reversal of unrealised loss | **(340)** | **(0.5)** | – | – |
| Under-provision in prior years | **115,326** | **180.9** | 1 | – |
| Over-provision in prior years | **(83,496)** | **(131.0)** | – | – |
| Tax charge and effective tax rate for the year | **31,526** | **49.4** | 622 | 0.5 |

*Note:*

i Tax payables in the balance sheet represent liabilities of the Group in respect of Hong Kong profits tax and overseas taxation provided for the current and prior years less provisional tax paid.

ii In October 2002, the Inland Revenue Department of Hong Kong (the "IRD") issued estimated assessments to certain subsidiaries of the Group in respect of their potential tax liabilities for the years of assessment from 1996/1997 to 2001/2002. The concerned subsidiaries have formally objected to the estimated assessments as, in the opinion of the Directors of the Company, these estimated assessments are incorrect. The objection has been settled during the year and the outcome of the objection has already been reflected in the financial statements.

## 29. LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO EQUITY HOLDERS

The Group's consolidated loss attributable to equity holders is approximately HK$95,282,000 (2005: HK$124,492,000 restated) of which net loss of approximately HK$125,357,000 (2005: HK$206,228,000) is dealt with in the financial statements of the Company.

## 30. DIVIDENDS

The Directors do not recommend the payment of any dividend in respect for the year ended 30 September 2006 (2005: HK$Nil).

## 31. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss attributable to equity holders of the Company of HK$95,282,000 (2005: HK$124,492,000 restated) and on 5,165,973,933 (2005: 5,165,973,933) shares in issue during the year.

The calculation of the diluted loss per share for 2006 and 2005 have not assumed the exercise of the Company's options and warrants since the exercise prices were higher than the average market price of the Company's shares for the two years.

## 32. SHARE OPTION SCHEME

On 16 March 1999, the Company adopted a share option scheme for employees (the "Old Scheme") pursuant to which employees, including executive directors of the Group, were given opportunity to obtain equity holdings in the Company. The Old Scheme was subsequently terminated at the annual general meeting of the Company held on 27 March 2003 whereby a new share option scheme (the "New Scheme") was adopted in compliance with the new requirements of the Listing Rules. Any share options which were granted under the Old Scheme prior to such termination shall continue to be valid and exercisable in accordance with the terms of the Old Scheme.

A summary of the Old Scheme and the New Scheme is set out as follows:

| | **Old Scheme** | **New Scheme** |
|---|---|---|
| Purpose of the schemes | As incentive to employees, including executive directors, of the Company or its subsidiaries | As incentive to employees and directors of the Company or its subsidiaries and other eligible persons who have made contribution to the Group |
| Participants of the schemes | Full-time employees, including executive directors, of the Company or its subsidiaries | Full-time or part-time employees, including directors, of the Company or its subsidiaries; advisers, consultants, suppliers and agents to the Company or its subsidiaries and such other persons who, at the sole determination of the Board of Directors, have contributed to the Group |

## 32. SHARE OPTION SCHEME (CONTINUED)

| | **Old Scheme** | **New Scheme** |
|---|---|---|
| Total number of shares available for issue under the schemes and percentage of issued share capital as at the date of this annual report | The Company had granted share options representing the rights to subscribe for 100,500,000 shares of the Company under the Old Scheme, representing approximately 1.95% of the shares in issue as at the date of this report. No further options will be granted under the Old Scheme | No share option had been granted under the New Scheme. The Company may grant share options to subscribe for 516,597,393 shares of the Company, representing approximately 10.00% of the shares in issue as at the date of this report |
| Maximum entitlement of each participant under the schemes | 25% of the aggregate number of shares for the time being issued and issuable under the Old Scheme | The total number of shares issued and to be issued upon exercise of the options granted to each participant (including exercised, cancelled and outstanding options) in any 12-month period must not exceed 1% of the shares in issue unless the same is approved by shareholders in general meeting |
| The period within which the shares must be taken up under an option | At any time during a period to be notified by the Board of Directors, which period not to exceed 10 years commencing on the date on which the option is accepted and expiring on a day not later than the last day of the 10-year period | At any time during a period to be notified by the Board of Directors, which period not to exceed 10 years commencing on the date on which the option is accepted and expiring on a day not later than the last day of the 10-year period |
| The minimum period for which an option must be held before it can be exercised | None | None |

## 32. SHARE OPTION SCHEME (CONTINUED)

| | Old Scheme | New Scheme |
|---|---|---|
| The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid | HK$1.00 is to be paid as consideration for the grant of option within 30 days from the date of offer | HK$1.00 is to be paid as consideration for the grant of option within 30 days from the date of offer |
| The basis of determining the exercise price | The exercise price shall be determined by the Board of Directors but shall not be less than the higher of:<br>(a) 80% of the average of the official closing price of the shares as stated in the daily quotations sheets of the Stock Exchange for the 5 trading days immediately preceding the date of offer; and<br>(b) the nominal value of a share | The exercise price shall be determined by the Board of Directors but shall not be less than the highest of:<br>(a) the official closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of offer;<br>(b) the average of the official closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of offer; and<br>(c) the nominal value of a share |
| The remaining life of the schemes | The Old Scheme would have been valid and effective for a period of 10 years commencing on the adoption date on 16 March 1999. The Old Scheme was terminated by a shareholders' resolution on 27 March 2003 | The New Scheme shall be valid and effective for a period of 10 years commencing on the adoption date on 27 March 2003 |

## 32. SHARE OPTION SCHEME (CONTINUED)

Details of the share options outstanding during the year ended 30 September 2006 which were granted under the Old Scheme are as follows:

| Grantees | Date of grant | Exercise price per share | Exercise period | Number of outstanding options: As at 1 October 2005 | Cancelled during the year | As at 30 September 2006 |
|---|---|---|---|---|---|---|
| | | HK$ | | | | |
| Executive Director, Mr. SY Ethan, Timothy | 26 April 1999 | 0.150 | 25 May 1999 to 24 May 2009 | 100,000,000 | – | 100,000,000 |
| Employees | 15 November 2000 | 0.715 | 15 November 2000 to 14 November 2010 | 1,800,000 | 1,300,000 | 500,000 |

Upon exercise of the options, the resulting shares in the Company issued will be recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares will be recorded by the Company in the share premium account. Options which lapsed prior to their exercise date are reduced from the number of outstanding options.

No share option had been granted, exercised or lapsed under the Old Scheme during the year under review.

No share option had been granted under the New Scheme since its adoption.

## 33. MATERIAL RELATED PARTY TRANSACTIONS

### Key management personnel compensation

Compensation for key management personnel, including amount paid to the Company's directors and certain of the highest paid employees, as disclosed in note 26, is as follows:–

| | Group | |
|---|---|---|
| | **2006** | 2005 |
| | **HK$'000** | HK$'000 |
| Salaries and other short-term benefits | **24,715** | 28,404 |
| Contributions to retirement fund | **1,042** | 1,341 |
| | **25,757** | 29,745 |

## 34. PLEDGE OF ASSETS

(a) Pledged time deposits represent deposits pledged to banks to secure general banking facilities granted to the Group. The deposits have been pledged to secure short-term bank borrowings, and are therefore classified as current assets. The pledged time deposits are mainly denominated in United States Dollars. The deposits carry fixed interest rates of approximately 5%.

(b) The Group's available-for-sale financial assets of aggregate carrying amount of HK$66,974,000 as at 30 September 2006 have been pledged to a bank to secure banking facilities granted to the Group.

## 35. OPERATING LEASE COMMITMENT

The Group leases certain of its properties and office equipments under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years.

As at 30 September 2006, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

| | Group | |
|---|---|---|
| | **2006** | 2005 |
| | **HK$'000** | HK$'000 |
| Within one year | **15,816** | 8,190 |
| In the second to fifth years, inclusive | **10,572** | 3,329 |
| | **26,388** | 11,519 |

## 36. CONTINGENT LIABILITIES

Included in the terms of the sale and purchase agreement in connection with the acquisition of Calaview Assets Limited and Sino Media Group (SMG) Limited ("SMG") (the "Acquired Companies") entered into by the Group in the year 2000, the Group has agreed to pay the vendor an amount of approximately HK$35,000,000 contingent upon successful listing of either one of the Acquired Companies on any recognised stock exchange. Up to the date of approval of these financial statements, the Group has no plan of listing the shares of the Acquired Companies on any recognised stock exchange and SMG has already begun statutory liquidation procedures.

## 37. COMPARATIVE FIGURES

Following the adoption of new HKASs and HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified or restated to conform with the current year's presentation and accounting treatment.