For the year ended 30 September 2006

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 footwear products.

The acquisitions of Golden Portal Holdings Limited and SLS Investments Limited as described in note 24 are in line with the Group's strategy to strengthen the provision of system integration services.

The financial statements for the year ended 30 September 2006 were approved by the board of directors on 27 February 2007.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements on pages 23 to 67 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 Hong Kong Institute of Certified Public Accountants ("HKICPA"). The 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.

2.1 Basis of preparation

The financial statements have been prepared on the historical cost basis. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in the preparation of these financial statements. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

2.2 Basis of consolidation

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

2.3 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Subsidiaries and minority interests *(Continued)*

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.

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.

2.4 Associates

Associates are those entities over which the Group is able to exert significant influence, generally accompanying a shareholding of between 20% and 50% of voting rights 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.4 Associates *(Continued)*

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.

2.5 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiaries and associates at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

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

2.6 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.

2.7 Impairment of assets

The goodwill, interests in subsidiaries and associates and property, plant and equipment are subject to impairment testing.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management controls the related cash flows.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 Impairment of assets *(Continued)*

Individual assets or cash-generating units that include goodwill and other intangible assets are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit.

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.8 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.

2.9 Foreign currency translation

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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 Foreign currency translation *(Continued)*

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.

2.10 Accounting for income taxes

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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 Accounting for income taxes *(Continued)*

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.

2.11 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.

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

2.13 Pension obligations and short term employee 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.13 Pension obligations and short term employee benefits *(Continued)*

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.

2.14 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.

2.15 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.

2.16 Revenue and expense 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:

Sales of goods are recognised upon transfer of risk to the customer and collectibility of the related receivables is reasonably assured.

Sales of services are 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.

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.

Operating expenses are recognised in the income statement upon utilisation of services.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.17 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.

2.18 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, inventories, 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.

For the year ended 30 September 2006

3. SEGMENT INFORMATION

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

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

Primary reporting format- business segments

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

2006	Information technology business HK$'000	Corporate HK$'000	Others HK$'000	Total HK$'000
By principal activity:				
Sales to external customers	26,625	–	183	26,808
Segment results	(647)	(8,093)	62	(8,678)
Other income				4,981
Bank interest income				546
Impairment loss on property, plant and equipment	–	(2,000)	–	(2,000)
Impairment loss on goodwill	(24,000)	–	–	(24,000)
Impairment loss on trade and other receivables	(4,306)	–	(2,829)	(7,135)
Share of profit of an associate	3	–	–	3
Loss before taxation				(36,283)
Income tax expense				–
Loss for the year				(36,283)
Segment assets	8,579	73,420	–	81,999
Segment liabilities	6,035	3,566	–	9,601
Other information for the year				
Capital expenditure	36	5,500	–	5,536
Depreciation and amortisation on property, plant and equipment	718	38	–	756

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

Primary reporting format – business segments *(Continued)*

2005	**Information technology business HK$'000**	**Leisure and athletic footwear HK$'000**	**Corporate HK$'000**	**Total HK$'000**
By principal activity:				
Sales to external customers	26,203	16,606	–	42,809
Segment results	(1,383)	(720)	(5,830)	(7,933)
Bank interest income				74
Exchange difference				42
Finance costs				(150)
Impairment loss on goodwill				(51,761)
Gain on disposal of subsidiaries				1,523
Loss before taxation				(58,205)
Income tax expense				–
Loss for the year				(58,205)
Segment assets	10,872	3,461	66,035	80,368
Segment liabilities	1,549	3,325	2,348	7,222
Other information for the year				
Capital expenditure	2,248	14	–	2,262
Depreciation and amortisation on property, plant and equipment	345	693	–	1,038

For the year ended 30 September 2006

3. SEGMENT INFORMATION *(Continued)*

Secondary reporting format – Geographical segments

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

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

	Hong Kong HK$'000	PRC HK$'000	Others HK$'000	Total HK$'000
2005				
Segment revenue:				
Sales to external customers	–	38,757	4,052	42,809
Segment results	–	(7,174)	(759)	(7,933)
Bank interest income				74
Exchange difference				42
Finance costs				(150)
Impairment loss on goodwill				(51,761)
Gain on disposal of subsidiaries				1,523
Loss before taxation				(58,205)
Income tax expense				–
Loss for the year				(58,205)

3. SEGMENT INFORMATION *(Continued)*

Over 90% of the Group's assets as at 30 September 2006 and 30 September 2005 and its capital expenditure for the 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.

4. REVENUE AND TURNOVER

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

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

	2006 HK$'000	2005 HK$'000
Information technology business		
– Trading of hardware and software	**18,819**	20,326
– Provision of services	**7,806**	5,877
	26,625	26,203
General trading	**183**	–
Footwear products	**–**	16,606
	26,808	42,809

5. OTHER INCOME

	2006 HK$'000	2005 HK$'000
Claim obtained regarding the profit guarantee given by the guarantor on the profitability of a subsidiary previously acquired	**5,000**	–
Net loss on disposal of financial assets at fair value through profit or loss	**(84)**	–
Others	**65**	–
	4,981	–

6. LOSS BEFORE TAXATION

	2006 HK$'000	2005 HK$'000
Loss before taxation is arrived at after charging:		
Auditors' remuneration	**1,421**	625
Professional fee	**1,424**	850
Cost of inventories recognised as expense		
– Footwear products	**–**	3,325
– Information technology business	**22,287**	37,491
	22,287	40,816
Depreciation and amortisation on property, plant and equipment	**756**	1,038
Write off of property, plant and equipment	**–**	318
Finance Cost – Interest charges on bank and other loans wholly repayable within five years	**–**	150
Rental in respect of office premises under operating leases	**558**	414
Staff costs (including directors' remuneration of HK$1,407,000 (2005: HK$1,705,000) and contributions to retirement benefits schemes of HK$280,000 (2005: HK$555,000))	**6,343**	5,277
and crediting:		
Financial income		
Exchange gain, net	**–**	42
Bank interest income	**546**	74
Others	**–**	30
	546	146

7. INCOME TAX EXPENSE

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

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

Reconciliation between tax expense and accounting loss at applicable tax rates:

	2006	2005
	HK$'000	HK$'000
Loss before income tax	**(36,283)**	(58,205)
Tax on loss before income tax, calculated at the rates applicable to profits in the tax jurisdictions concerned	**(6,330)**	(10,323)
Tax effect of non-deductible expenses	**6,444**	10,289
Tax effect of non-taxable revenue	**(3,541)**	(31)
Tax effect of tax losses not recognised	**3,541**	65
Tax effect on temporary differences not recognised	**43**	–
Tax loss utilised	**(157)**	–
Income tax expense	**–**	–

At 30 September 2006, the tax effect of temporary differences for which deferred tax assets have not been recognised in the financial statements is in respect of the following:

	Group	
	2006	2005
	HK$'000	HK$'000
Accelerated depreciation allowances	**26**	2
Tax losses	**(10,366)**	(571)
	(10,340)	(569)

Deferred tax assets have not been recognised in the financial statements due to the uncertainty regarding the availability of future profit streams. The tax losses will not expire under current tax legislation.

8. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated loss attributable to equity holders of the Company includes a loss of HK$4,824,000 (2005: HK$58,096,000) which has been dealt with in the financial statements of the Company.

9. LOSS PER SHARE

The calculation of basic loss per share is based on the Group's loss attributable to equity holders for the year of HK$35,926,000 (2005: HK$57,890,000) and on the weighted average of 1,204,246,575 (2005: weighted average of 1,030,328,767) ordinary shares in issue during the year.

The calculation of diluted loss per share for current year is based on the Group's loss attributable to equity holders for the year of HK$35,926,000 and the weighted average of 1,220,630,137 ordinary shares outstanding during the year, adjusted for the effects of all dilutive potential shares.

No diluted loss per share is presented for last year as there were no dilutive potential ordinary shares in issue.

10. DIVIDEND

No dividend was attributable to the Company for current year and last year.

11. STAFF COSTS

	2006 **HK$'000**	2005 HK$'000
Directors' remuneration	**1,407**	1,705
Staff wages and salaries	**4,656**	3,017
Pension costs – defined contribution plans	**280**	555
	6,343	5,277

12. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

12.1 Executive directors' and non-executive directors' emoluments

	Fee HK$'000	Salaries and allowances HK$'000	Contribution to defined contribution plan HK$'000	Total HK$'000
2006				
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**
2005				
Executive directors				
Mr. Lee Man Fa	–	340	–	340
Mr. Kwok Ming Fai	–	660	–	660
Mr. Yan Wa Tat	–	86	–	86
Mr. Tai King Foon	–	360	–	360
Mr. Lin Huis Sheng	–	–	–	–
Independent non-executive directors				
Mr. Liu Kwok Wah	96	–	–	96
Mr. Leung Sai Cheong	96	–	–	96
Mr. Wong Chi Chung	37	–	–	37
Mr. Li Wan Kwan	30	–	–	30
Mr. Kan Siu Lun	–	–	–	–
	259	1,446	–	1,705

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

For the year ended 30 September 2006

12. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION *(Continued)*

12.2 Five highest paid individuals

Among the five highest paid individuals of the Group, one (2005: three) was a director of the Company. The remaining four (2005: two) 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:

	2006	2005
	HK$'000	HK$'000
Basic salaries, other allowances and benefits in kind	**2,065**	1,120
Discretionary bonus	**49**	–
Retirement benefits contributions	**40**	20
	2,154	1,140

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

	Number of individuals	
	2006	2005
Nil – HK$1,000,000	**4**	2

During the year, 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 (2005: Nil).

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Land and buildings HK$'000	Plant and machinery HK$'000	Equipment and furniture HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Network equipment HK$'000	Total HK$'000
At 1 October 2004							
Cost	4,800	7,719	945	510	–	–	13,974
Accumulated depreciation and amortisation	–	(2,888)	(329)	(150)	–	–	(3,367)
Net book amount	4,800	4,831	616	360	–	–	10,607
Year ended 30 September 2005							
Opening net book amount	4,800	4,831	616	360	–	–	10,607
Acquisition of subsidiaries	–	–	278	37	1,444	38	1,797
Additions	–	–	451	14	–	–	465
Disposal of subsidiaries	(4,681)	(4,063)	(405)	(300)	–	–	(9,449)
Write off	–	(318)	–	–	–	–	(318)
Depreciation and amoritsation	(119)	(450)	(165)	(82)	(217)	(5)	(1,038)
Closing net book amount	–	–	775	29	1,227	33	2,064
At 30 September 2005							
Cost	–	–	927	37	1,444	38	2,446
Accumulated depreciation and amortisation	–	–	(152)	(8)	(217)	(5)	(382)
Net book amount	–	–	775	29	1,227	33	2,064

For the year ended 30 September 2006

13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Land and buildings HK$'000	Plant and machinery HK$'000	Equipment and furniture HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Network equipment HK$'000	Total HK$'000
Year ended 30 September 2006							
Opening net book amount	–	–	775	29	1,227	33	2,064
Acquisition of subsidiaries *(Note 24)*	–	–	566	–	109	–	675
Additions	–	–	36	–	–	5,500	5,536
Disposal of subsidiaries *(Note 24)*	–	–	–	–	(939)	(25)	(964)
Impairment loss *(Note)*	–	–	–	–	–	(2,000)	(2,000)
Depreciation and amortisation	–	–	(423)	(8)	(317)	(8)	(756)
Exchange differences	–	–	80	2	–	–	82
Closing net book amount	–	–	1,034	23	80	3,500	4,637
At 30 September 2006							
Cost	–	–	1,614	39	109	5,500	7,262
Accumulated depreciation and amortisation	–	–	(580)	(16)	(29)	(2,000)	(2,625)
Net book amount	–	–	1,034	23	80	3,500	4,637

Note:

In 2006, management of the Group performed a review on the recoverable amount of the network equipment acquired for the year. Based on the assessment, the carrying amount of the network equipment was written down by HK$2,000,000. The estimates of recoverable amount were based on the machines' fair values less costs to sell, determined by reference to the recent observable market prices for similar assets within the same industry.

14. INTERESTS IN AND AMOUNTS DUE FROM/(TO) SUBSIDIARIES

Company

	2006 HK$'000	2005 HK$'000
Investments, at cost		
Unlisted shares	**42,800**	42,800
Less: Impairment loss	**(35,708)**	(35,708)
	7,092	7,092
Amounts due from subsidiaries	**137,687**	96,690
Less: Impairment loss	**–**	(20,000)
	137,687	76,690
Less: Amount due to a subsidiary	**(4,766)**	–
	132,921	76,690

The cost of the Company's investments in subsidiaries was determined by the directors on the basis of the underlying net assets of the subsidiaries at the time when they were acquired by the Company pursuant to the Group reorganisation completed on 12 June 2002.

The amount due from/ to subsidiaries are unsecured, interest free and will be payable on demand.

For the year ended 30 September 2006

14. INTERESTS IN AND AMOUNTS DUE FROM/(TO) SUBSIDIARIES *(Continued)*

Particulars of the subsidiaries at 30 September 2006 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
Fortress Ocean Limited	British Virgin Islands ("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%	Network engineering and trading of information technology related hardware and software and general trading
Excel Star Technology Limited	BVI	US$1 Ordinary share	–	100%	Investment holding
Jiaxing Easeful Communication Co., Ltd	PRC	HK$2,000,000 Registered capital	–	51%	Provision of information technology services
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%	Trading of footwear products
Joy Century Holding Limited	Samoa	US$1 Ordinary share	–	100%	Dormant
SLS Investments Limited*	BVI	US$10,000 Ordinary share	–	100%	Investment holding
Gala Success (Asia) Ltd.*	Hong Kong	HK$10,000 Ordinary share	–	100%	Investment holding
Beijing Woda Taifeng Consultation Limited Co.	PRC	RMB1,500,000 Registered capital	–	89%	Provision of system development and integration of consulting services

14. INTERESTS IN AND AMOUNTS DUE FROM/(TO) SUBSIDIARIES *(Continued)*

Name	Country/Place of incorporation/ establishment and operation	Issued/ Registered capital	Attributable equity interests held by the Company Direct	Indirect	Principal activities
北京天迅視通科技發展有限公司*	PRC	RMB1,000,000 Registered capital	–	70%	Provision of system development and integration of consulting services
Golden Portal Holdings Limited*	BVI	US$100 Ordinary share	–	100%	Investment holding
Far Wealth Investment Limited*	Hong Kong	HK$1 Ordinary share	–	100%	Securities investment
Bartech (Hong Kong) Co. Limited*	Hong Kong	HK$1 Ordinary share	–	100%	Provision of administrative and management services
Capital Access Limited*	BVI	US$1 Ordinary Shares	–	100%	Investment holding
Bartech (International) Information Network Limited*	Hong Kong	HK$10,000,000 Ordinary share	–	70%	Provision of on-line information services

* *Subsidiaries acquired for the year*

For the year ended 30 September 2006

15. INTEREST IN AN ASSOCIATE

Group

	2006 **HK$'000**	2005 HK$'000
Balance as at 1 October	**–**	–
Arising from acquisition of subsidiaries during the year *(Note 24)*	**6,108**	–
Share of post-acquisition profit and reserve	**86**	–
Balance as at 30 September	**6,194**	–

Particulars of the associate as at 30 September 2006 are as follows:

Name	Form of business structure	Country of incorporation and operation	Registered capital	Attributable equity interests held by the Company Direct	Attributable equity interests held by the Company Indirect	Principal activities
北京市海淀區有綫廣播電視網絡信息有限公司	Incorporated	PRC	RMB 30,000,000	–	40%	Provision and development of broadband network services

Summary of the financial information on the associate:

	2006 **HK$'000**
Assets	**48,288**
Liabilities	**32,803**
Revenues	**2,353**
Profit for the period	**7**

16. GOODWILL

The main changes in the carrying amounts of goodwill result from the acquisitions of Golden Portal Holdings Limited ("Golden Portal") and SLS Investments Limited ("SLS") and their groups of companies as well as the impairment of goodwill. The net carrying amount of goodwill can be analysed as follows:

	2006 **HK$'000**	2005 HK$'000
Net carrying amount at the beginning of the year	**–**	26,305
Additions *(note 24)*	**62,222**	25,456
Impairment losses	**(24,000)**	(51,761)
Net carrying amount at the end of the year	**38,222**	–

	2006			2005
	Golden Portal *Note (a)* **HK$'000**	**SLS** *Note (b)* **HK$'000**	**Total** **HK$'000**	HK$'000
Gross amount				
As at 1 October			**51,761**	26,305
Additions for the year *(note 24)*	**25,135**	**37,087**	**62,222**	25,456
Disposal of subsidiary during the year	**–**	**–**	**(13,430)**	–
As at 30 September	**25,135**	**37,087**	**100,553**	51,761
Accumulated impairment				
As at 1 October			**51,761**	–
Impairment loss for the period	**9,000**	**15,000**	**24,000**	51,761
Disposal of subsidiary during the year	**–**	**–**	**(13,430)**	–
As at 30 September	**9,000**	**15,000**	**62,331**	51,761
Net carrying amount	**16,135**	**22,087**	**38,222**	–

Notes:

(a) The recoverable amount for the cash-generating unit in relation to the subsidiaries of Golden Portal was determined based on value-in-use calculations, covering a detailed 10-year budget plan, followed by an extrapolation of expected cash flows at the growth rate from 1.0% to 1.5% with the discount rate of 17.97%.

(b) The recoverable amount for the cash-generating unit in relation to the subsidiaries of SLS was determined based on value-in-use calculations, covering a detailed 8-year budget plan, followed by an extrapolation of expected cash flows at the growth rate from 1.76% to 1.85% with the discount rate of 27.07%.

For the year ended 30 September 2006

16. GOODWILL *(Continued)*

The directors of the Company had made the impairment on 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 competitive. 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 year is solely related to the Group's internet technologies activities based in Hong Kong and the PRC.

17. TRADE RECEIVABLES, OTHER RECEIVABLES AND DEPOSITS

Group

	2006 **HK$'000**	2005 HK$'000
Trade receivables	**10,135**	11,344
Less: Impairment loss	**(4,306)**	–
Trade receivables – net	**5,829**	11,344
Other receivables	**6,508**	19,051
Less: Impairment loss	**(2,829)**	–
Other receivables – net	**3,679**	19,051
Prepayments and deposits	**527**	5,944
	10,035	36,339

17. TRADE RECEIVABLES, OTHER RECEIVABLES AND DEPOSITS *(Continued)*

The Group's policy is to allow an average credit period of 30 to 60 days to its trade customers. As at 30 September 2006, the ageing analysis of the trade receivables was as follows:

	2006 **HK$'000**	2005 HK$'000
0 – 30 days	**3,311**	4,603
31 – 60 days	**2**	48
61 – 90 days	**1**	1,152
91 – 180 days	**–**	2,439
181 – 365 days	**153**	3,102
>365 days	**2,362**	–
	5,829	11,344

The outstanding of HK$2,362,000 which over 365 days of which HK$1,970,000 was related to the litigation showed in note 30 (ii). The directors of the Company considered no impairment was provided for as the litigation was under preliminary stage.

Company

	2006 **HK$'000**	2005 HK$'000
Other receivables	**730**	11,848
Less: Impairment loss	**(687)**	–
Other receivables – net	**43**	11,848
Prepayments and deposits	**–**	5,500
	43	17,348

18. CASH AND BANK BALANCE

Group

Cash and bank balance include the following components:

	2006 HK$'000	2005 HK$'000
Cash at bank and in hand	**2,350**	9,959
Short-term bank deposits	**15,597**	10,006
	17,947	19,965

The effective interest rate of short-term bank deposits is 3.3% (2005: 2.55%). They have a maturity of 30 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$616,000 (2005:HK$516,000), representing Renminbi deposits placed with banks in the PRC by the Group. The remittance of these funds out of the PRC is subject to the exchange control restrictions imposed by the PRC government.

19. TRADE AND OTHER PAYABLES

Group

	2006 HK$'000	2005 HK$'000
Trade payables	**2,302**	3,919
Accrued expenses	**7,299**	3,303
	9,601	7,222

As at 30 September 2006, the ageing analysis of the trade payables was as follows:

	2006 HK$'000	2005 HK$'000
0 – 30 days	**1,984**	449
31 – 60 days	**105**	20
61 – 90 days	**10**	1,082
91 – 180 days	**15**	2,119
181 – 365 days	**15**	249
>365 days	**173**	–
	2,302	3,919

19. TRADE AND OTHER PAYABLES *(Continued)*

Company

	2006 **HK$'000**	2005 HK$'000
Accrued expenses	**1,636**	1,734

20. SHARE CAPITAL

	2006		2005	
	Number of shares	**HK$'000**	Number of shares	HK$'000
Authorised:				
Ordinary shares of HK$0.10 each	**5,000,000,000**	**500,000**	5,000,000,000	500,000

Issued and fully paid:	**Number of shares**	**HK$'000**
As at 1 October 2004	**1,030,000,000**	**103,000**
New shares issued *(Note i)*	**120,000,000**	**12,000**
As at 30 September 2005 and 1 October 2005	**1,150,000,000**	**115,000**
New shares issued *(Note ii)*	**300,000,000**	**30,000**
As at 30 September 2006	**1,450,000,000**	**145,000**

Note:

i. On 26 August 2005, an agreement was entered into between Open Challenge Group Limited ("Open Challenge"), a wholly-owned subsidiary of the Company, and Jet Palace Development Limited ("Jet Palace"), an independent third party, pursuant to which Jet Palace agreed to sell and Open Challenge agreed to purchase the entire issued share capital of Golden Portal Holdings Limited ("Golden Portal") at a consideration of HK$16,000,000 (subject to downward adjustment). Golden Portal is incorporated in the BVI and through its direct wholly-owned subsidiary, Capital Access Limited, holds 70% of the issued share capital of Bartech (International) Information Network Limited, which is principally engaged in the provision of on-line financial information services.

The consideration was satisfied to the extent of HK$4,000,000 by cash and to the extent of HK$12,000,000 by Open Challenge procuring the issuance of a maximum of 120,000,000 new shares in the Company, credited as fully paid at par. The cash consideration of HK$4,000,000 was paid on 6 September 2005. On 30 September 2005, 120,000,000 new shares of HK$0.10 each in the Company were issued to Jet Palace at a price of HK$0.15 per share, representing the closing price of the Company's shares as quoted on the Stock Exchange on 30 September 2005. This acquisition was not completed as at 30 September 2005 as certain conditions precedent have not been fullfiled. Accordingly, the total cost of HK$22,000,000 was shown as "Consideration paid for acquisition of subsidiaries" as at 30 September 2005. Subsequent to 30 September 2005, the acquisition was completed.

20. SHARE CAPITAL *(Continued)*

ii. On 27 July 2006, an agreement was entered into between Appraise Asia Investments Limited ("Appraise Asia"), a wholly owned subsidiary of the Company, with certain independent third parties, pursuant to which Appraise Asia agreed to acquire the entire issued share capital of SLS Investments Limited ("SLS") at a total consideration of HK$54,000,000, which was satisfied to the extent of HK$12,000,000 by cash and to the extent of HK$42,000,000 by issue and allotment of 300,000,000 new shares in the Company at an issue price of HK$0.14 per share, credited as fully paid at par. On 27 July 2006, 300,000,000 new shares of HK$0.1 each in the Company were issued at a price of HK$0.10 per share, representing the bid price of the Company's share as quoted on the Stock Exchange on 27 July 2006.

21. WARRANT

On 16 August 2006, the Company announced that it had entered into a warrant placing agreement dated 16 August 2006 with an independent investor in relation to a private placing of 230,000,000 non-listed warrants to be issued by the Company at the issue price of HK$0.01 per warrant. Each warrant carries the right to subscribe for one new share. The warrant conferring the right to the subscriber to subscribe for the new shares at an initial exercise price of HK$0.10 per new share for a period of eighteen months commencing from the date of issuance of the warrants. The warrants were freely transferable in the integral multiples of 10,000,000 warrants. On 5 September 2006, the 230,000,000 non-listed warrants at HK$0.01 per warrant were issued.

During the year ended 30 September 2006, no subscription rights attached to the warrants had been exercised. Details of the movements for the period from 1 October 2006 to the date of the approval of the financial statements are set out in notes 32 under the heading Post Balance Sheet Event.

22. SHARE OPTIONS

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

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

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

22. SHARE OPTIONS *(Continued)*

No adjustment has been made to the Options granted under the Share Option Scheme.

The Company confirms that there is no grantee who has been granted with the Options, the exercise of which will result in the total number of Shares issued and to be issued to that grantee exceeding 1% of the issued share capital of the Company in the 12-month period up to and including the date of such grant pursuant to Rule 17.03(4) of the Listing Rules.

No share option was granted or exercised for the year ended 30 September 2006. Post year end and as at the date hereof, there were an aggregate of 114,500,000 Options granted to the eligible participants of which no Options had been exercised and 114,500,000 Options remain outstanding to be exercised (note 32).

23. RESERVES

Group

	OTHER RESERVES					
	Share premium	**Asset revaluation reserve**	**Merger reserve (Note a)**	**Statutory reserve fund**	**Translation reserve**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
As at 1 October 2004	3,374	1,611	8,390	293	21	13,689
Reserves transferred to accumulated losses upon disposal of subsidiaries	–	(1,611)	–	(293)	(16)	(1,920)
Currency translation	–	–	–	–	(5)	(5)
Premium arising on issue of shares *(note 20(i))*	6,000	–	–	–	–	6,000
As at 30 September 2005	9,374	–	8,390	–	–	17,764

	OTHER RESERVES					
	Share premium	**Warrant reserve**	**Merger reserve (Note a)**	**Statutory reserve fund**	**Translation reserve**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
As at 1 October 2005	**9,374**	**–**	**8,390**	**–**	**–**	**17,764**
Warrant issued *(note 21)*	**–**	**2,300**	**–**	**–**	**–**	**2,300**
Currency translation	**–**	**–**	**–**	**–**	**152**	**152**
As at 30 September 2006	**9,374**	**2,300**	**8,390**	**–**	**152**	**20,216**

For the year ended 30 September 2006

23. RESERVES *(Continued)*

Company

	OTHER RESERVES		Retained profits/ (accumulated losses)	Total
	Share premium	Contributed surplus (Note b)		
	HK$'000	HK$'000	HK$'000	HK$'000
As at 1 October 2004	3,374	27,210	31,798	62,382
Premium arising on issue of shares *(note 20 (i))*	6,000	–	–	6,000
Loss for the year	–	–	(58,096)	(58,096)
As at 30 September 2005	9,374	27,210	(26,298)	10,286

	OTHER RESERVES			**Accumulated losses**	**Total**
	Share premium	**Warrant reserve**	**Contributed Surplus (Note b)**		
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
As at 1 October 2005	**9,374**	**–**	**27,210**	**(26,298)**	**10,286**
Warrant issued *(Note 21)*	**–**	**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**

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.

23. RESERVES *(Continued)*

In the opinion of the directors, as at 30 September 2005, the Company's reserves which are available for distribution to shareholders consist of the aggregate of the contributed surplus and accumulated losses totaling approximately HK$912,000 (credit).

As at 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.

24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

24.1 Disposal of subsidiaries

	2006 **HK$'000**	2005 HK$'000
Net assets disposed of:		
Property, plant and equipment	**964**	9,449
Inventories	**–**	5,012
Trade receivables, other receivables and deposits	**670**	12,294
Cash and bank balances	**50**	63
Trade and other payables	**(1,034)**	(15,478)
Short term loans	**–**	(4,811)
Obligations under a finance lease	**–**	(52)
	650	6,477
Gain on disposal	**–**	1,523
Consideration	**650**	8,000
Satisfied by cash	**650**	8,000

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

	2006 **HK$'000**	2005 HK$'000
Cash consideration received	**650**	8,000
Cash at bank disposed of	**(50)**	(63)
Net inflow of cash in respect of the disposal of subsidiaries	**600**	7,937

The business sold during the year contributed HK$132,000 (2005:HK$13,145,000) to the Group's revenue and HK$849,053 (2005: HK$1,014,000) to the consolidated loss for the year.

The business sold during the year contributed HK$47,000 (2005:HK$10,068,000) to the Group's net operating cash inflow.

24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

24.2 Acquisition of subsidiaries

(a) On 1 October 2005, the Group acquired the entire equity interests in Golden Portal Holdings Limited from the independent third parties at the total cost of acquisition HK$22,000,000, of which HK$4,000,000 by cash was paid as deposit during last year and 120,000,000 new shares in the Company were issued at HK$0.15 per share during last year.

The acquired businesses contributed revenue of HK$5,927,000 and net profit of HK$262,000 to the Group from the date of acquisition to 30 September 2006.

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

	2006 **HK$'000**
Property, plant and equipment	**407**
Trade receivables, other receivables and deposits	**328**
Trade and other payables	**(4,006)**
Cash and bank balances	**136**
Net identifiable liabilities acquired	**(3,135)**
Goodwill on acquisition *(note 16)*	**25,135**
Total cost of acquisition	**22,000**
Satisfied by	
– fair value of share issued last year	**18,000**
– cash paid last year	**4,000**
	22,000

The fair value of the shares issued was based on the published share price.

24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

24.2 Acquisition of subsidiaries *(Continued)*

(b) On 27 July 2006, the Group acquired the entire equity interests in SLS from the independent third parties at the total cost of acquisition HK$42,000,000, of which HK$12,000,000 by cash has been fully paid during the year and 300,000,000 new shares in the Company were issued at HK$0.10 per share during the year.

The acquired businesses contributed revenue of HK$321,000 and net loss of HK$151,000 to the Group from the date of acquisition to 30 September 2006.

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

	2006 HK$'000
Property, plant and equipment	**268**
Interest in an associate	**6,108**
Trade receivables, other receivables and deposits	**1,312**
Trade and other payables	**(527)**
Cash at banks	**783**
Net identifiable assets	**7,944**
Minority interests	**(3,031)**
Net identifiable assets acquired	**4,913**
Goodwill on acquisition *(note 16)*	**37,087**
Total cost	**42,000**
Satisfied by	
– fair value of share issued during the year	**30,000**
– cash paid during the year	**12,000**
	42,000

The fair value of the shares issued was based on the published share price.

For the year ended 30 September 2006

24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

24.2 Acquisition of subsidiaries *(Continued)*

(c)

	2006 **HK$'000**	2005 HK$'000
Net cash outflow in respect of the acquisitions:		
Cash consideration paid during the year	**(12,000)**	(28,000)
Cash at bank acquired	**919**	976
	(11,081)	(27,024)

If the acquisitions had occurred on 1 October 2005, the Group's revenue would have been HK$6,240,000 and the profit before allocations would have been HK$385,000.

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

Goodwill impairment are disclosed in note 16 to the financial statements.

(d) On 7 October 2004 and 7 January 2005, the Group acquired the entire equity interests in Popular Asset Limited and Excel Star Technology Limited from the independent third parties at the consideration of HK$15,000,000 and HK$13,000,000 respectively, which have been fully paid during the year.

The acquired business contributed revenue of HK$1,621,000 and net loss of HK$1,010,000 to the Group from the date of acquisition to 30 September 2005.

24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

24.2 Acquisition of subsidiaries *(Continued)*

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

	2005 HK$'000
Property, plant and equipment	1,797
Trade receivables, other receivables and deposits	1,532
Trade and other payables	(824)
Cash and bank balances	976
Net identifiable assets	3,481
Minority interests	(937)
Net identifiable assets acquired	2,544
Goodwill on acquisition *(note 16)*	25,456
Total cost of acquisition	28,000
Net cash outflow in respect of the acquisition:	
– Cash paid during the year	(28,000)
– Cash at bank acquired	976
	(27,024)

25. OPERATING LEASE COMMITMENTS

Group

As at 30 September 2006, the total future minimum lease payments under non-cancellable operating leases are payable by the Group as follows:

	2006 Land and buildings HK$'000	2005 Land and buildings HK$'000
Within one year	**265**	452
In the second to fifth years	**126**	75
	391	527

The Group leases four properties under the operating leases. The leases run for an initial period of one year, 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.

25. OPERATING LEASE COMMITMENTS *(Continued)*

Company

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

26. CAPITAL COMMITMENTS

Group

As mentioned in notes 32 (i), as at 30 September 2006, the Group had capital commitments of HK$2,000,000 for the balance of consideration for the acquisition of 100% equity interest in China Rainbow Technology Limited ("China Rainbow") which the transaction was completed on 9 November 2006 of which deposit of HK$4,500,000 was stated as non-current asset in the consolidated balance sheet as at 30 September 2006.

Company

The Company did not have any significant commitments as at 30 September 2006.

27. LOAN TO A MINORITY SHAREHOLDER

The loan to the minority shareholder was unsecured, interest free and repayable within twelve months.

28. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future. The resulting 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 2.7. 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.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

29.1 Credit risk

The Group's maximum exposure to credit risk in the event of the counterparts' failure to perform their obligations as at 30 September 2006 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 minimize 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 and other regions in the PRC, with exposure spread over a number of counterparties and customers.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

29.2 Foreign exchange risk

The Group has foreign currency sales and purchases which expose the Group to foreign currency risk. The currencies giving rise to this risk are primarily Reminbi.

29.3 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.

30. LITIGATIONS

(i) A case with Claim No. LBTC 4350 of 2006, the Labour Tribunal and Chinaway Network Technology Limited ("Chinaway"), a wholly-owned subsidiary of the Company, regarding the claim for short notices payment, unpaid salary and the expense of three ex-employees of Chinaway with the amount of approximately HK$914,000. Chinaway settled the amount of approximately HK$548,000. The remaining claim of approximately HK$366,000 related to the claim from one of the ex-employees has already been transferred to High Court for further process together with the legal case as mentioned in note 30(ii) below.

(ii) There was a high court case with High Court Action No. 2369 of 2006 underwhich Chinaway sued against the three ex-employees (as mentioned in note 30 (i) above) (the "defendants") together with Easeful Communication Limited ("Easeful"), where 50% equity interest of Easeful was owned by one of the defendants. Chinaway sued for the damages of HK$3,090,000 as the defendants had committed misconduct acts during the employment period and, breach of contract, and for the account and delivery of documents in respect of the school projects in the PRC.

31. CONTINGENT LIABILITIES

At 30 September 2006, the Group had contingent liabilities in respect of the litigation (note 30(i)) of about HK$416,000 for the claim including the estimated legal charges in respect of the case.

The directors of the Company considered that the claims will not have any material impact on the Group, and therefore no provision was made in the financial statements.

The Company did not have any significant contingent liabilities as at the balance sheet date.

32. POST BALANCE SHEET EVENTS

(i) On 8 May 2006, Open Challenge Group Limited ("Open Challenge"), a wholly owned subsidiary of the Company, entered into a conditional sale and purchase agreement with an independent third party. Pursuant to this conditional sale and purchase agreement, Open Challenge agreed to acquire the entire issued share of China Rainbow at a total consideration of HK$6,500,000. China Rainbow had executed an exclusive technical services agreement with 北京神彩時空科技發展有限責任公司 (“神彩時空”), whereas 神彩時空 has entered into a franchise agreement with United ITV Inc. to jointly develop the IPTV business in Beijing. United ITV Inc. has obtained the broadcasting licence. China Rainbow is principally engaged in the provision of technical support and management consultancy services to telecommunication and internet services providers in the PRC. The transaction was completed on 9 November 2006.

The Group is in the process of making an assessment of the goodwill on acquisition but is not yet in a position to conclude on this.

For the year ended 30 September 2006

32. POST BALANCE SHEET EVENTS *(Continued)*

(ii) On 28 November 2006, a special resolution was passed by Far Wealth Investments Limited ("Far Wealth"), a wholly-owned subsidiary of the Company, to establish a Sino-foreign equity joint-venture company with an independent third party for developing and selling IT security products.

(iii) On 22 December 2006, Joy Century Holding Limited ("Joy Century"), a wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement with an independent third party. Pursuant to the conditional sale and purchase agreement, Joy Century agreed to acquire approximately 80% of the voting rights of DigiSat Network Limited ("DigiSat") at a total consideration of HK$35,800,000, which is to be satisfied by the issue and allotment of 358,000,000 new shares ("Consideration Shares") in the capital of the Company at an issue price of HK$0.10 per consideration share, credited as fully paid. DigiSat is principally engaged in the operation of internet protocol television platform. The proposed transaction is subject to, inter alia, the approval of the Company's shareholders at a special general meeting to be convened at 1 March 2007, the relevant parties obtaining approval from The Stock Exchange of Hong Kong Limited (the "Stock Exchange") to grant the listing of, and permission to deal in, the Consideration Shares. Details of this potential acquisition were disclosed in the Company's announcement dated 12 February 2007.

The Group is in the process of making an assessment of the goodwill on the acquisition but is not yet in a position to conclude on this.

(iv) On 4 January 2007 and 6 February 2007, the subscription rights attaching to the non-listed warrants pursuant to a Warrant Placing Agreement dated 16 August 2006 were partially exercised, resulting in the allotment and issue of 12,000,000 and 8,000,000 new shares at the exercise price of HK$0.10 per new share respectively. The Company received net proceeds of approximately HK$2,000,000 in respect of the exercise of the subscription rights attaching to the warrants.

(v) Share option scheme

Under the Share Option Scheme as described in note 22 to the financial statements, the Scheme Mandate Limit was set at 10% of shares in issue as at the date of adoption of the Share Option Scheme, i.e. 40,000,000 Shares, which represented a maximum number of Shares that might be issued upon the exercise of the options granted under the Share Option Scheme to subscribe for shares in accordance with the terms thereof (the "Options") under the Share Option Scheme. Subject to the prior Shareholders' approval, the Company may, at any time thereafter, refresh the Scheme Mandate Limit to the extent not exceeding 10% of the Shares in issue as at the aforesaid approval.

No share option was granted or exercised for the year ended 30 September 2006. Post year end and as at 17 October 2006, there were in aggregate of 114,500,000 Options granted to the eligible participants of which no Options had been exercised and 114,500,000 Options remain outstanding.

32. POST BALANCE SHEET EVENTS *(Continued)*

Category/ Name of directors	Date of grant	Exercisable period	Exercise price per share	Number of share options granted post year ended 30 September 2006 and exercisable as at the latest practicable date
Mr. Too Shu Wing	17 October 2006	17 October 2006 to 16 October 2016	HK$0.10	14,500,000
Mr. Yan Wa Tat	17 October 2006	17 October 2006 to 16 October 2016	HK$0.10	14,500,000
Mr. Tai King Foon	17 October 2006	17 October 2006 to 16 October 2016	HK$0.10	14,500,000
Mr. Lee Man Fa	17 October 2006	17 October 2006 to 16 October 2016	HK$0.10	1,450,000
Mr. Liu Kwok Wah	17 October 2006	17 October 2006 to 16 October 2016	HK$0.10	1,450,000
Mr. Tsui Pak Hang	17 October 2006	17 October 2006 to 16 October 2016	HK$0.10	1,450,000
Mr. Chan Wai Ming	17 October 2006	17 October 2006 to 16 October 2016	HK$0.10	1,450,000
Directors				49,300,000
Employees	1 November 2006	1 November 2006 to 31 October 2016	HK$0.10	14,500,000
	17 October 2006	17 October 2006 to 16 October 2016	HK$0.10	50,700,000
Total				114,500,000