



# Enviro Energy International Holdings Limited

## 環能國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8182)

### ANNOUNCEMENT OF THE FINAL RESULTS FOR THE YEAR ENDED 31 JULY 2007

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# Management Discussion and Analysis

## BUSINESS REVIEW

During the year under review, the Group continued its information technology solutions and services, software development for e-commerce and human resources management, as well as information technology services and consultations; while in the meantime, the Group had explored into more resources related projects.

During the year, the Group's objective was to create shareholder value by finding and enhancing petroleum and coalbed methane reserves around the world principally through the application of the CO<sub>2</sub> sequestration technology.

On 10 April 2007, the Company entered into an exclusivity agreement (the "Exclusivity Agreement") with Global Richland Investment Limited ("Global Richland"), an independent third party, pursuant to which Global Richland had agreed to, among others, grant an exclusivity period of six months, to the Company for conducting due diligence on Allied Resources Limited ("Allied Resources"), a company incorporated in Hong Kong with limited liability, with a view to acquiring the entire issued share capital of Allied Resources (the "Proposed Acquisition"). A refundable deposit of HK\$3.6 million, which will form part of the consideration, was paid to Global Richland on 10 April 2007.

Allied Resources, a wholly-owned subsidiary of Global Richland, entered into an equity transfer agreement dated 19 January 2007 to acquire the entire equity interest of 吉林恆利實業有限責任公司 (Jilin Hangli Enterprise Limited) ("Jilin Hangli"), a company established under the laws of the People's Republic of China (the "PRC"). Jilin Hangli beneficially owns 50% of the equity interest of 乾安石油開發有限責任公司 (Qian An Oilfield Development Company Limited) ("Qian An"), an equity joint venture company established under PRC laws. The other 50% of the equity interest of Qian An is beneficially owned by PetroChina Company Limited. Qian An is principally engaged in exploitation of petroleum resources activities and production of petroleum.

On 19 July 2007, the Company entered into a supplemental deed to the Exclusivity Agreement with Global Richland (the "Supplemental Deed"), pursuant to which Global Richland had agreed to, among others, further extend the exclusivity period up to 31 December 2007 (the "Extended Exclusivity Period"). An additional refundable deposit of HK\$90 million, which will form part of the consideration of the Proposed Acquisition was paid to Global Richland in July 2007.

## CHANGE OF COMPANY NAME

Pursuant to a special resolution passed by the shareholders in the extraordinary general meeting held on 23 March 2007, the Company had changed its name from "Sys Solutions Holdings Limited" and "軟迅科技控股有限公司" to "Enviro Energy International Holdings Limited" and "環能國際控股有限公司" to reflect the change in the business focus of the Group. The Certificate of Incorporation on Change of Name Issued by the Registrar of Companies in each of the Cayman Islands and Hong Kong has certified that the Company's name was changed and registered with effect from 3 April 2007 and 25 May 2007 respectively.

## FINANCIAL REVIEW

For the year ended 31 July 2007, the Group recorded a revenue of HK\$3,373,893, representing a decrease of 52% as compared with HK\$6,988,225 of last year. The gross profit margin for the year was 15%, while it was about 5% in the pervious year. During the year, the Company focused on more profitable network infrastructure maintenance and reinforcement services, which contributed a higher gross profit margin.

## **FINANCIAL REVIEW** *(Continued)*

The loss from operating activities for the year ended 31 July 2007 increased by 490% from HK\$7,786,129 to HK\$45,973,559 as a result of increase in overall administrative and operating expenses by 538% from HK\$8,247,844 to HK\$52,633,888 this year. The main reason for this increase in loss was because the Group has applied HKFRS 2 “Share-based Payment” in the current year, which requires an expense to be recognized where the Group buys goods or obtains services in exchange for shares or rights over shares (“equity-settled transactions”), or in exchange for other assets equivalent in value to a given number of shares or rights over shares (“cash-settled transactions”). The Share-based Payment amount to HK\$37,228,098 (2006: Nil) was recognized in the book of the Company for the year ended 31 July 2007.

The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors’ and employees’ share options of the Company determined at the date of grant of the share options over the vesting period.

## **FUND RAISING**

With a view to enlarging the Company’s shareholder base and strengthening the financial position of the Company, the Company issued a total of 24,000,000, 49,995,000 and 179,091,000 new shares of HK\$0.01, HK\$0.005 and HK\$0.005 each at the issue price of HK\$0.40, HK\$0.80 and HK\$2.55 per share, for cash, on 26 February, 28 May and 16 July 2007 respectively. Part of the total net proceeds of approximately HK\$498 million from the placings have been, and the balance is intended to be, used for financing the development and management of enviro-energy projects and other potential investment opportunities.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

For the year under review, the Group financed its operations primarily with internally generated cash flows and fund raised by the above-mentioned share placings.

As at 31 July 2007, the Group had net assets of HK\$483,146,100 (2006: net liabilities of HK\$4,164,328) of which HK\$395,115,097 (2006: HK\$485,791) were bank and cash balances.

As at 31 July 2007, the Group did not have any composite bank facilities (2006: Nil).

## **SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS**

As at 31 July 2007, the Group had not authorised or contracted for any capital expenditure commitments and no future plans for material investments or capital assets.

In view of the high growth potential and promising prospect of the enviro-energy industry, the Board of the Company considers that the future of the energy-related pursuit of the Company will benefit from the expected continuous growth in the enviro-energy and resources market.

The Board believed that the Acquisition will generate substantial profit and cash flow to the Company.

## **ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES**

Save as disclosed above, the Group had no material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 July 2007.

## **COMMENTS ON SEGMENTAL INFORMATION**

The directors of the Company (the "Directors") consider that the Group's primary segment reporting basis is by business segment. The Group's operating businesses are structured and managed separately, according to the nature of their operations and products and services they provide.

The Directors consider that no analysis for geographical segment is presented as over 90% of the Group's revenue, assets and liabilities were derived from services rendered or located in Hong Kong during the current and the prior year.

## **EMPLOYEE INFORMATION**

As at 31 July 2007, the Group had 18 full time employees (2006: 28), around 88% of whom were located in Hong Kong. The total staff costs, including directors' emoluments, amounted to HK\$45,089,340 of which a share-based payment of HK\$37,228,098 was included for the year under review (2006: HK\$5,305,372).

The Group remunerates its employees mainly based on industry practices and individual performance and experience. On top of the regular remuneration, discretionary bonus, and share options may be granted to selected staff by reference to the Group's performance as well as the individual's performance. Other benefits, such as medical and retirement benefits and training programs, are also provided.

## **CHARGE ON GROUP ASSETS**

As at 31 July 2007, the Group did not have any charge on group assets or any significant contingent liabilities (31 July 2006: Nil).

## **GEARING RATIO**

The gearing ratio of the Group calculated as a ratio of total liabilities to net assets (2006: net liabilities) was 0.01 as at 31 July 2007 as compared to 1.73 as at 31 July 2006.

## **FOREIGN EXCHANGE EXPOSURE**

The Group mainly earns revenue and incurs costs in Hong Kong dollars, Renminbi and United States dollars. Risk on exposure to fluctuation in exchange rates should be minimal as there is no material fluctuation in the exchange rate between Hong Kong dollars, Renminbi and United States dollars.

## **CONTINGENT LIABILITIES**

As at 31 July 2007, the Group did not have any significant contingent liabilities (2006: Nil).

## PROSPECTS

The management of the Company is pleased to report to our Shareholders that during the last quarter, a series of successful financing events had been achieved with funding of more than approximately HK\$498 million being raised. The successful financing enable the Company to fund potential projects both in China and overseas related to CO<sub>2</sub> reduction and energy production in this region. It also demonstrated to the financial community that investment into projects of the Company can be rewarding and challenging. As the investment community and general public realize the potential market of this new industry, which anticipates to explode in the next few years, more financial support from private and public sectors are anticipated which will help to grow this industry in an exponential fashion. As a pioneer in this new sector, the Company will significantly benefit from this new market.

The demand for CO<sub>2</sub> reduction in China and worldwide has created a new industry in which the Company is a pioneer, and is expanding its market share. The focus on China provides the Company with tremendous opportunities to expand into China's oil, coal, natural gas and coalbed methane industries which require top notch technology and funding to achieve its national goal in energy supply. The management of the Company is pleased to have continuous support from China's major operation partners such as PetroChina, China United Coalbed Methane Corp ("CUCBM") and its overseas affiliate such as Alberta Research Council to work closely together on projects that will shape the environment and energy industry in China.

CO<sub>2</sub> emission reduction has now become the focal point of many countries especially in developing countries. China, as a major developing country with tremendous economic growth, has also become one of the largest CO<sub>2</sub> emitters. CO<sub>2</sub> geological sequestration is one of the innovative solutions in reducing CO<sub>2</sub> emission into atmosphere by burying CO<sub>2</sub> in deep underground formation. China has both good sources (CO<sub>2</sub>) and sink (underground storage space) that, if used properly, can store at least 25% of CO<sub>2</sub> emitted annually. The process is complicated and requires tremendous amount of capital and government support to achieve its goal. The Company and its affiliated groups have set its goal to be the first foreign company in China to initiate this technology and fund the infrastructure required to implement a nation-wide CO<sub>2</sub> geological sequestration system.

The Company anticipates that these potential projects will bring high return to our Shareholders in the upcoming future and that the Company will also be portrayed as a "Green" industry leader. With a systematic approach in implementing these projects, the goal of the Company's management is to develop and shape the Company into the largest foreign CO<sub>2</sub> geological sequestration operator in China within five years.

Subsequent to the balance sheet date, the Company entered into a 2nd supplemental deed to the Exclusivity Agreement and Supplemental Deed with Global Richland on 16 August 2007 (the "2nd Supplemental Deed") and a conditional sale and purchase agreement with Global Richland on 14 September 2007 (the "Agreement") in relation to the Proposed Acquisition. The Company continues to pursue immediate cash flow project such as acquiring Jilin Qian An oilfield through the Proposed Acquisition. The Proposed Acquisition will be the first of its kind for Hong Kong listed company to participate into China's oil upstream industry. Despite the regulatory approval process in Hong Kong and in China, the Proposed Acquisition is anticipated to be completed in the near future. Qian An oilfields provide the Company with exceptional high potential in oilfield development and exploration. With proper reservoir management and more extensive exploration work including seismic acquisition, infill drilling, deep zone test, water injection patter reversal and other measures, we anticipate the two oilfields will have significant upside potential to the existing production and will provide steady good cash flow to the Company. The recent surge in oil price per barrel will also benefit the Company's cash flow position in the next few quarters.

The Group will continue to pursue other oil and gas acquisition potentials both in China and overseas. We anticipate more major development related to oil and gas acquisition will be achieved and such acquisition will continue to provide the Company with a stable cash flow and positive return in investment. In addition, the Group is also seeking mid to long term potentials on clean energy projects such as natural gas and coalbed methane development. These gas properties will take time to develop from pilot stage to commercialisation stage. However, these types of plays also provide long-term reserve and steady production to the Company.

**PROSPECTS** *(Continued)*

In conclusion, the Group has gradually morphed into a real enviro-energy company with focus on short-term cash flow and long-term solid return in capital investment and dominance in CO<sub>2</sub> geological sequestration technology.

We believe that increasing public awareness of environmental related issues and the growing desire of many countries to limit environmentally-damaging behavior and to promote the growth of alternative energy sources, the Group has poised to implement projects that reduce carbon emissions (key climate change issue) explanation on the applied technology, while to enhance energy reserves.

The management of the Company believes that by conducting the Company's business in a well-governed and socially responsible manner, its long-term interests and those of its Shareholders will be maximised.

## Consolidated Income Statement

For the year ended 31 July 2007  
(Expressed in Hong Kong Dollars)

The board of Directors (the "Board") of the Company announces the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 July 2007, together with the comparative figures for the year ended 31 July 2006 as follows:

|  | <i>Note</i> | <b>2007</b>           | 2006           |
|--|-------------|-----------------------|----------------|
| <b>Revenue</b>   | 2           | <b>3,373,893</b>      | 6,988,225      |
| <b>Cost of sales</b>   |             | <b>(2,864,823)</b>    | (6,600,069)    |
| <b>Gross profit</b>  |             | <b>509,070</b>        | 388,156        |
| Other income   | 2           | <b>6,151,259</b>      | 73,559         |
| Administrative and operating expenses                              |             | <b>(52,633,888)</b>   | (8,247,844)    |
| <b>Loss from operating activities</b>                              |             | <b>(45,973,559)</b>   | (7,786,129)    |
| Finance cost   |             | —                     | —              |
| <b>Loss before taxation</b>  | 4           | <b>(45,973,559)</b>   | (7,786,129)    |
| Income tax   | 5           | —                     | —              |
| <b>Net loss attributable to equity shareholders of the Company</b> |             | <b>(45,973,559)</b>   | (7,786,129)    |
| <b>Loss per share</b>  | 7           |                       |                |
| Basic  |             | <b>(HK8.44 cents)</b> | (HK1.97 cents) |
| Diluted  |             | <b>N/A</b>            | N/A            |

# Consolidated Balance Sheet

At 31 July 2007

(Expressed in Hong Kong Dollars)

|   | Note | 2007               | 2006               |
|---|------|--------------------|--------------------|
| <b>Non-current assets</b>                   |      |                    |                    |
| Plant and equipment                         | 8    | 524,363            | 685,315            |
| Investment in a jointly-controlled entity   | 9    | —                  | —                  |
|   |      | <u>524,363</u>     | <u>685,315</u>     |
| <b>Current assets</b>                       |      |                    |                    |
| Inventories                                 | 10   | —                  | 3,874              |
| Trade receivables                           | 11   | 197,696            | 694,247            |
| Deposits, prepayments and other receivables | 12   | 94,546,247         | 1,178,810          |
| Cash and cash equivalents                   | 13   | 395,115,097        | 485,791            |
|   |      | <u>489,859,040</u> | <u>2,362,722</u>   |
| <b>Current liabilities</b>                  |      |                    |                    |
| Trade payables                              | 14   | 50,519             | 1,526,385          |
| Deposits received                           | 15   | 258,117            | 1,642,675          |
| Accrued liabilities and other payables      | 15   | 6,928,667          | 855,976            |
| Amount due to a director                    | 16   | —                  | 3,187,329          |
|   |      | <u>7,237,303</u>   | <u>7,212,365</u>   |
| <b>Net current assets/(liabilities)</b>     |      | <u>482,621,737</u> | <u>(4,849,643)</u> |
| <b>NET ASSETS/(LIABILITIES)</b>             |      | <u>483,146,100</u> | <u>(4,164,328)</u> |
| <b>CAPITAL AND RESERVES</b>                 |      |                    |                    |
| Issued capital                              | 17   | 5,372,730          | 3,961,800          |
| Reserves                                    |      | <u>477,773,370</u> | <u>(8,126,128)</u> |
| <b>TOTAL EQUITY</b>                         |      | <u>483,146,100</u> | <u>(4,164,328)</u> |

# Consolidated Statement of Changes in Equity

For the year ended 31 July 2007  
(Expressed in Hong Kong Dollars)

|   | Note | Share<br>capital | Share<br>premium<br>account | Capital<br>reserve | Share<br>option<br>reserve | Exchange<br>reserve | Accumulated<br>losses | Total              |
|---|------|------------------|-----------------------------|--------------------|----------------------------|---------------------|-----------------------|--------------------|
| As at 1 August 2005   |      | 3,961,800        | 29,685,786                  | 19,980,000         | -                          | -                   | (49,948,953)          | 3,678,633          |
| Net loss for the year   |      | -                | -                           | -                  | -                          | -                   | (7,786,129)           | (7,786,129)        |
| Exchange differences on translation<br>of the financial statements<br>of an overseas subsidiary |      | -                | -                           | -                  | -                          | (56,832)            | -                     | (56,832)           |
| As at 31 July 2006 and 1 August 2006  |      | 3,961,800        | 29,685,786                  | 19,980,000         | -                          | (56,832)            | (57,735,082)          | (4,164,328)        |
| Net loss for the year   |      | -                | -                           | -                  | -                          | -                   | (45,973,559)          | (45,973,559)       |
| Exchange differences on translation<br>of the financial statements<br>of an overseas subsidiary |      | -                | -                           | -                  | -                          | (33,134)            | -                     | (33,134)           |
| Issue of new shares   | 17   | 1,385,430        | 504,892,620                 | -                  | -                          | -                   | -                     | 506,278,050        |
| Share-based payment expenses  | 18   | -                | -                           | -                  | 37,228,098                 | -                   | -                     | 37,228,098         |
| Shares issued under share<br>option scheme  | 17   | 25,500           | 1,208,433                   | -                  | (586,233)                  | -                   | -                     | 647,700            |
| Share issue expenses  |      | -                | (10,836,727)                | -                  | -                          | -                   | -                     | (10,836,727)       |
| <b>As at 31 July 2007</b>   |      | <b>5,372,730</b> | <b>524,950,112</b>          | <b>19,980,000</b>  | <b>36,641,865</b>          | <b>(89,966)</b>     | <b>(103,708,641)</b>  | <b>483,146,100</b> |

# Consolidated Cash Flow Statement

For the year ended 31 July 2007  
(Expressed in Hong Kong Dollars)

|   | Note | 2007                | 2006        |
|---|------|---------------------|-------------|
| <b>Operating activities</b>                                   |      |                     |             |
| Loss from operating activities                                |      | <b>(45,973,559)</b> | (7,786,129) |
| <b>Adjustments for:</b>                                       |      |                     |             |
| Bank interest income  |      | <b>(210,907)</b>    | (6,101)     |
| Waiver of amount due to a director                            |      | <b>(4,987,329)</b>  | –           |
| (Gain)/loss on disposal of plant and equipment                |      | <b>(262)</b>        | 10,370      |
| Depreciation  |      | <b>514,406</b>      | 531,118     |
| Write-off of plant and equipment                              |      | <b>21,450</b>       | 14,211      |
| Share-based payment expenses                                  |      | <b>37,228,098</b>   | –           |
|   |      | <hr/>               | <hr/>       |
| <b>Operating loss before changes in working capital</b>       |      | <b>(13,408,103)</b> | (7,236,531) |
| Decrease in inventories                                       |      | <b>3,874</b>        | 69,528      |
| Decrease in trade receivables                                 |      | <b>496,551</b>      | 131,191     |
| Decrease in deposits, prepayments and other receivables       |      | <b>232,563</b>      | 188,970     |
| (Decrease)/increase in trade payables                         |      | <b>(1,475,866)</b>  | 1,050,304   |
| (Decrease)/increase in deposits received                      |      | <b>(1,384,558)</b>  | 377,402     |
| Increase/(decrease) in accrued liabilities and other payables |      | <b>4,061,978</b>    | (1,963)     |
|   |      | <hr/>               | <hr/>       |
| <b>Net cash used in operating activities</b>                  |      | <b>(11,473,561)</b> | (5,421,099) |
| <b>Investing activities</b>                                   |      |                     |             |
| Bank interest received  |      | <b>210,907</b>      | 6,101       |
| Purchase of plant and equipment                               |      | <b>(373,304)</b>    | (52,733)    |
| Proceeds from disposal of plant and equipment                 |      | <b>262</b>          | 11,879      |
| Proceeds from sale of available-for-sale investments          |      | <b>–</b>            | 300,000     |
| Deposit paid for acquisition of a subsidiary                  | 12   | <b>(93,600,000)</b> | –           |
|   |      | <hr/>               | <hr/>       |
| <b>Net cash (used in)/from investing activities</b>           |      | <b>(93,762,135)</b> | 265,247     |
| <b>Financing activities</b>                                   |      |                     |             |
| Advance from directors  |      | <b>3,280,000</b>    | 3,187,329   |
| Repayment to a director                                       |      | <b>(1,480,000)</b>  | (5,000,000) |
| Proceeds from issue of ordinary shares                        |      | <b>506,278,050</b>  | –           |
| Proceeds from exercise of share options                       |      | <b>647,700</b>      | –           |
| Proceeds for shares to be issued under share option scheme    | 15   | <b>2,010,713</b>    | –           |
| Share issue expenses  |      | <b>(10,836,727)</b> | –           |
|   |      | <hr/>               | <hr/>       |
| <b>Net cash from/(used in) financing activities</b>           |      | <b>499,899,736</b>  | (1,812,671) |
| <b>Net increase/(decrease) in cash and cash equivalents</b>   |      | <b>394,664,040</b>  | (6,968,523) |
| <b>Cash and cash equivalents at beginning of year</b>         |      | <b>485,791</b>      | 7,513,302   |
| <b>Effect of foreign exchange rate changes</b>                |      | <b>(34,734)</b>     | (58,988)    |
|   |      | <hr/>               | <hr/>       |
| <b>Cash and cash equivalents at end of year</b>               |      | <b>395,115,097</b>  | 485,791     |
|   |      | <hr/>               | <hr/>       |
| <b>Analysis of balances of cash and cash equivalents</b>      |      |                     |             |
| Cash and bank balances  | 13   | <b>395,115,097</b>  | 485,791     |
|   |      | <hr/>               | <hr/>       |

# Notes to the Financial Statements

For the year ended 31 July 2007

## 1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all applicable Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong. The financial statements comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules. They have been prepared under the historical cost convention, except for certain financial instruments, which are measured at fair value.

The preparation of the financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

## 2. REVENUE AND OTHER INCOME

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and the value of services rendered.

An analysis of the Group’s revenue and other income is as follows:

|  | <b>2007</b>      | 2006      |
|--|------------------|-----------|
|  | <b>HK\$</b>      | HK\$      |
| <b>Revenue</b>   |                  |           |
| Network infrastructure construction solutions                                  |                  |           |
| – Sale of computer hardware and software and the provision of related services | <b>919,983</b>   | 3,869,256 |
| Rendering of network infrastructure maintenance and reinforcement services     | <b>1,602,410</b> | 542,143   |
| Other professional value-added solutions and services                          | <b>851,500</b>   | 2,576,826 |
|  | <b>3,373,893</b> | 6,988,225 |
| <b>Other income</b>  |                  |           |
| Bank interest income   | <b>210,907</b>   | 6,101     |
| Consultancy fee  | <b>80,000</b>    | –         |
| Gain on disposal of plant and equipment  | <b>262</b>       | –         |
| Waiver of amount due to a director   | <b>4,987,329</b> | –         |
| Sundry income  | <b>843,177</b>   | 17,294    |
| Exchange gain, net   | <b>29,584</b>    | 50,164    |
|  | <b>6,151,259</b> | 73,559    |
| Total  | <b>9,525,152</b> | 7,061,784 |

### 3. SEGMENT INFORMATION

Segment information is presented by way of the Group's primary segment reporting basis, by business segment.

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 the other business segments. Summary details of the business segments are as follows:

- (i) the network infrastructure construction solutions segment comprises the provision of hardware and software for network infrastructure solutions and the design and installation of network infrastructure systems;
- (ii) the network infrastructure maintenance and reinforcement services segment comprises the provision of support and maintenance services to customers' existing computer networks and systems; and
- (iii) the other professional value-added solutions and services segment offers server co-location and management services, web-hosting and e-mail hosting services, web-based software applications and the provision of user training services.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

No analysis for geographical segment is presented as over 90% of the Group's revenue, assets and liabilities were derived from services rendered in or located in Hong Kong during each of the years ended 31 July 2006 and 2007.

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

An analysis of the Group's revenue and profit/(loss) and certain assets, liabilities and expenditure information for the Group's business segments is as follows:

|  | Network<br>infrastructure<br>construction<br>solutions<br>segment<br>HK\$ | Network<br>infrastructure<br>maintenance<br>and<br>reinforcement<br>services<br>segment<br>HK\$ | Other<br>professional<br>value-added<br>solutions and<br>services<br>segment<br>HK\$ | Consolidated<br>HK\$ |
|--|---|---|--|----------------------|
| <b>2007</b>  |   |   |  |                      |
| Segment revenue:   |   |   |  |                      |
| Sales to external customers                                    | <u>919,983</u>  | <u>1,602,410</u>  | <u>851,500</u>   | <u>3,373,893</u>     |
| Segment results  | <u>50,331</u>   | <u>975,527</u>  | <u>(266,279)</u>   | 759,579              |
| Unallocated income   |   |   |  | 5,308,082            |
| Unallocated expenses   |   |   |  | <u>(52,041,220)</u>  |
| Loss from operating activities                                 |   |   |  | (45,973,559)         |
| Finance costs  |   |   |  | -                    |
| Loss before taxation   |   |   |  | (45,973,559)         |
| Taxation   |   |   |  | -                    |
| Net loss attributable to equity shareholders<br>of the Company |   |   |  | <u>(45,973,559)</u>  |
| Segment assets   | 38,875  | 251,862   | 341,521  | 632,258              |
| Unallocated assets   |   |   |  | <u>489,751,145</u>   |
| Total assets   |   |   |  | <u>490,383,403</u>   |
| Segment liabilities  | (56,628)  | (96,485)  | (282,504)  | (435,617)            |
| Unallocated liabilities  |   |   |  | <u>(6,801,686)</u>   |
| Total liabilities  |   |   |  | <u>(7,237,303)</u>   |
| Other segment information:                                     |   |   |  |                      |
| Depreciation   | -   | -   | -  | -                    |
| Unallocated depreciation                                       |   |   |  | 514,406              |
|  | <u>                    </u>   | <u>                    </u>   | <u>                    </u>  | <u>514,406</u>       |
| Write-down of inventories                                      | <u>13,664</u>   | <u>-</u>  | <u>-</u>   | <u>13,664</u>        |
| Capital expenditure  | -   | -   | -  | -                    |
| Unallocated capital expenditure                                |   |   |  | 373,304              |
|  | <u>                    </u>   | <u>                    </u>   | <u>                    </u>  | <u>373,304</u>       |

### 3. SEGMENT INFORMATION (Continued)

|  | Network<br>infrastructure<br>construction<br>solutions<br>segment<br>HK\$ | Network<br>infrastructure<br>maintenance<br>and<br>reinforcement<br>services<br>segment<br>HK\$ | Other<br>professional<br>value-added<br>solutions and<br>services<br>segment<br>HK\$ | Consolidated<br>HK\$ |
|--|---|---|--|----------------------|
| 2006   |   |   |  |                      |
| Segment revenue:   |   |   |  |                      |
| Sales to external customers                                    | <u>3,869,256</u>  | <u>542,143</u>  | <u>2,576,826</u>   | <u>6,988,225</u>     |
| Segment results  | <u>(564,261)</u>  | <u>98,137</u>   | <u>(1,028,316)</u>   | (1,494,440)          |
| Unallocated income   |   |   |  | 73,559               |
| Unallocated expenses   |   |   |  | <u>(6,365,248)</u>   |
| Loss from operating activities                                 |   |   |  | (7,786,129)          |
| Finance costs  |   |   |  | <u>-</u>             |
| Loss before taxation   |   |   |  | (7,786,129)          |
| Taxation   |   |   |  | <u>-</u>             |
| Net loss attributable to equity shareholders<br>of the Company |   |   |  | <u>(7,786,129)</u>   |
| Segment assets   | 430,846   | 227,575   | 889,125  | 1,547,546            |
| Unallocated assets   |   |   |  | <u>1,500,491</u>     |
| Total assets   |   |   |  | <u>3,048,037</u>     |
| Segment liabilities  | 1,548,785   | 1,054,923   | 841,062  | 3,444,770            |
| Unallocated liabilities  |   |   |  | <u>3,767,595</u>     |
| Total liabilities  |   |   |  | <u>7,212,365</u>     |
| Other segment information:                                     |   |   |  |                      |
| Depreciation   | -   | -   | 110,000  | 110,000              |
| Unallocated depreciation                                       |   |   |  | <u>421,118</u>       |
|  | <u>-</u>  | <u>-</u>  | <u>110,000</u>   | <u>531,118</u>       |
| Write-down of inventories                                      | <u>13,803</u>   | <u>-</u>  | <u>-</u>   | <u>13,803</u>        |
| Capital expenditure  | -   | -   | -  | -                    |
| Unallocated capital expenditure                                |   |   |  | <u>52,733</u>        |
|  | <u>-</u>  | <u>-</u>  | <u>-</u>   | <u>52,733</u>        |

#### 4. LOSS BEFORE TAXATION

The Group's loss before taxation is arrived at after charging/(crediting):

|  | <b>2007</b>        | 2006      |
|--|--------------------|-----------|
|  | <b>HK\$</b>        | HK\$      |
| Cost of inventories sold*                      | <b>716,365</b>     | 3,452,062 |
| Cost of services provided**                    | <b>2,148,458</b>   | 3,148,007 |
| Depreciation                                   | <b>514,406</b>     | 531,118   |
| Write-down of inventories                      | <b>13,664</b>      | 13,803    |
| Write-off of plant and equipment               | <b>21,450</b>      | 14,211    |
| Minimum lease payments under operating leases  |                    |           |
| – Leasehold property                           | <b>683,823</b>     | 776,062   |
| – Dateline                                     | –                  | 2,855     |
| Incorporation expenses                         | <b>8,030</b>       | –         |
| Auditors' remuneration                         |                    |           |
| – Audit services                               | <b>250,000</b>     | 220,000   |
| – Other services                               | <b>10,000</b>      | –         |
|  | <b>260,000</b>     | 220,000   |
| Staff costs, including directors' remuneration |                    |           |
| – Wages and salaries                           | <b>7,660,787</b>   | 5,132,124 |
| – Pension scheme contributions                 | <b>200,455</b>     | 173,248   |
| – Share-based payment expenses                 | <b>37,228,098</b>  | –         |
|  | <b>45,089,340</b>  | 5,305,372 |
| (Gain)/loss on disposal of plant and equipment | <b>(262)</b>       | 10,370    |
| Waiver of amount due to a director             | <b>(4,987,329)</b> | –         |
| Exchange gain, net                             | <b>(29,584)</b>    | (50,164)  |

\* The cost of inventories sold includes HK\$13,664 (2006: HK\$13,803) relating to the write-down of inventories, which is also included in the total amount disclosed above.

\*\* The cost of services provided includes HK\$1,222,752 (2006: HK\$437,710) relating to staff costs, which are also included in the total amounts of staff costs disclosed separately above.

## 5. INCOME TAX

Hong Kong profits tax has not been provided (2006: Nil) as the Group did not generate any assessable profits in Hong Kong during the year. No provision for corporate income tax for a subsidiary and the jointly-controlled entity established and operating in Mainland China (2006: Nil) has been made as no assessable profits arose from their operations during the year. The statutory tax rate for Hong Kong profits tax is 17.5% (2006: 17.5%). The statutory tax rate of corporate income tax in Mainland China is 33% (2006: 33%).

A reconciliation of the tax credit applicable to loss before taxation using the statutory rates for the countries in which the Company and its subsidiaries and jointly-controlled entity are domiciled to the tax credit at the effective tax rates, and a reconciliation of the applicable rates to the effective tax rates, are as follows:

|  | <b>Group</b>               |               |                           |          |
|--|----------------------------|---------------|---------------------------|----------|
|  | <b>2007</b>                |               | 2006                      |          |
|  | <b>HK\$</b>                | <b>%</b>      | <b>HK\$</b>               | <b>%</b> |
| Loss before taxation   | <b><u>(45,973,559)</u></b> |               | <b><u>(7,786,129)</u></b> |          |
| Tax credit at statutory tax rate                             | <b>(8,045,372)</b>         | <b>(17.5)</b> | (1,362,572)               | (17.5)   |
| Tax effect of:   |                            |               |                           |          |
| – higher tax rate for specific provinces and local authority | <b>(44,814)</b>            | <b>(0.1)</b>  | (188,135)                 | (2.4)    |
| – income not subject to tax                                  | <b>(824,409)</b>           | <b>(1.8)</b>  | (1,068)                   | (0.1)    |
| – expenses not deductible for tax                            | <b>7,312,427</b>           | <b>15.9</b>   | 3,551                     | 0.1      |
| – temporary differences not recognised                       | <b>57,827</b>              | <b>0.1</b>    | 69,252                    | 0.9      |
| – tax losses not recognised as deferred tax assets           | <b><u>1,544,341</u></b>    | <b>3.4</b>    | <u>1,478,972</u>          | 19.0     |
| Tax credit   | <b><u>–</u></b>            |               | <b><u>–</u></b>           |          |

The Group has unrecognised deferred tax assets from tax losses of HK\$11,572,255 (2006: HK\$10,027,914) that are available for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time. Included in unrecognised tax losses are losses arising from the PRC subsidiary of HK\$1,819,470 (2006: HK\$1,724,059) that will expire in five years from the respective year of loss. Other losses could be carried forward indefinitely.

## 6. DIVIDENDS

The Directors do not recommend the payment of a final dividend for the year ended 31 July 2007 (2006: nil).

## 7. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss attributable to equity shareholders of the Company for the year of HK\$45,973,559 (2006: HK\$7,786,129) and the weighted average of 544,861,454 (2006: 396,180,000) ordinary shares in issue during the year, as adjusted to reflect the issue of shares, share subdivision and exercise of share options during the year.

|   | <b>2007</b>               | 2006                      |
|---|---------------------------|---------------------------|
|   | <b>Weighted</b>           | Weighted                  |
|   | <b>average</b>            | average                   |
|   | <b>number of</b>          | number of                 |
|   | <b>shares</b>             | shares                    |
| Issued ordinary shares at beginning of year | <b>396,180,000</b>        | 396,180,000               |
| Effect of issue of new shares               | <b>27,011,317</b>         | –                         |
| Effect of share subdivision                 | <b>120,873,699</b>        | –                         |
| Effect of exercise of share options         | <b>796,438</b>            | –                         |
|   | <hr/>                     | <hr/>                     |
| Weighted average number of ordinary shares  | <b><u>544,861,454</u></b> | <b><u>396,180,000</u></b> |

Diluted loss per share for each of the years ended 31 July 2006 and 2007 have not been presented, as the share options outstanding during the years had an anti-dilutive effect on the basic loss per share for the respective years.

## 8. PLANT AND EQUIPMENT

| Group                                   | Leasehold             | Computer             | Furniture            | Office               | Total                 |
|---|-----------------------|----------------------|----------------------|----------------------|-----------------------|
|   | improvements          | equipment            | and fixtures         | equipment            |                       |
|   | HK\$                  | HK\$                 | HK\$                 | HK\$                 | HK\$                  |
| <b>Cost:</b>                            |                       |                      |                      |                      |                       |
| As at 1 August 2005                     | 580,222               | 1,505,884            | 242,530              | 251,415              | 2,580,051             |
| Exchange adjustment                     | 1,065                 | 2,736                | –                    | 494                  | 4,295                 |
| Additions                               | –                     | 51,913               | 820                  | –                    | 52,733                |
| Disposal                                | (49,084)              | (55,944)             | (2,580)              | –                    | (107,608)             |
| Write-off                               | –                     | (117,466)            | (110,655)            | (1,700)              | (229,821)             |
|   | <u>532,203</u>        | <u>1,387,123</u>     | <u>130,115</u>       | <u>250,209</u>       | <u>2,299,650</u>      |
| As at 31 July 2006 and<br>1 August 2006 | 532,203               | 1,387,123            | 130,115              | 250,209              | 2,299,650             |
| Exchange adjustment                     | –                     | 5,155                | –                    | 960                  | 6,115                 |
| Additions                               | 207,390               | 42,373               | 78,660               | 44,881               | 373,304               |
| Disposal                                | –                     | (70,414)             | –                    | (3,027)              | (73,441)              |
| Write-off                               | –                     | (76,624)             | (42,956)             | –                    | (119,580)             |
|   | <u>739,593</u>        | <u>1,287,613</u>     | <u>165,819</u>       | <u>293,023</u>       | <u>2,486,048</u>      |
| <b>As at 31 July 2007</b>               | <b>739,593</b>        | <b>1,287,613</b>     | <b>165,819</b>       | <b>293,023</b>       | <b>2,486,048</b>      |
| <b>Accumulated depreciation:</b>        |                       |                      |                      |                      |                       |
| As at 1 August 2005                     | 22,875                | 1,038,553            | 138,193              | 182,426              | 1,382,047             |
| Exchange adjustment                     | 311                   | 1,400                | –                    | 428                  | 2,139                 |
| Charge for the year                     | 201,943               | 266,567              | 30,472               | 32,136               | 531,118               |
| Eliminated on disposal                  | (38,858)              | (45,168)             | (1,333)              | –                    | (85,359)              |
| Eliminated on write-off                 | –                     | (117,057)            | (97,745)             | (808)                | (215,610)             |
|   | <u>186,271</u>        | <u>1,144,295</u>     | <u>69,587</u>        | <u>214,182</u>       | <u>1,614,335</u>      |
| As at 31 July 2006 and<br>1 August 2006 | 186,271               | 1,144,295            | 69,587               | 214,182              | 1,614,335             |
| Exchange adjustment                     | –                     | 3,555                | –                    | 960                  | 4,515                 |
| Charge for the year                     | 281,096               | 187,170              | 23,784               | 22,356               | 514,406               |
| Eliminated on disposal                  | –                     | (70,414)             | –                    | (3,027)              | (73,441)              |
| Eliminated on write-off                 | –                     | (76,484)             | (21,646)             | –                    | (98,130)              |
|   | <u>467,367</u>        | <u>1,188,122</u>     | <u>71,725</u>        | <u>234,471</u>       | <u>1,961,685</u>      |
| <b>As at 31 July 2007</b>               | <b>467,367</b>        | <b>1,188,122</b>     | <b>71,725</b>        | <b>234,471</b>       | <b>1,961,685</b>      |
| <b>Carrying amount:</b>                 |                       |                      |                      |                      |                       |
| <b>As at 31 July 2007</b>               | <b><u>272,226</u></b> | <b><u>99,491</u></b> | <b><u>94,094</u></b> | <b><u>58,552</u></b> | <b><u>524,363</u></b> |
| As at 31 July 2006                      | <u>345,932</u>        | <u>242,828</u>       | <u>60,528</u>        | <u>36,027</u>        | <u>685,315</u>        |

## 9. INVESTMENT IN A JOINTLY-CONTROLLED ENTITY

|                               | <b>Group</b>       |             |
|-------------------------------|--------------------|-------------|
|                               | <b>2007</b>        | 2006        |
|                               | <b>HK\$</b>        | <b>HK\$</b> |
| Share of net assets, unlisted | <b>1,457,726</b>   | 1,457,726   |
| Less: Impairment loss         | <b>(1,457,726)</b> | (1,457,726) |
|                               | <b>—</b>           | <b>—</b>    |

Particulars of the jointly-controlled entity are as follows:

| Name                                    | Business structure | Place of incorporation/<br>registration<br>and operation | Percentage of      |              |                | Principal activity  |
|---|--------------------|--|--------------------|--------------|----------------|---|
|   |                    |  | ownership interest | voting power | profit sharing |   |
| 杭州軟均信息系統<br>工程監理有限公司<br>("Hangzhou JV") | Corporate          | People's Republic<br>of China                            | 50                 | 60           | 50             | Provision of<br>information technology<br>consulting services |

Hangzhou JV is a sino-foreign equity joint enterprise established by Sys Solutions System Management Limited ("Sys Solutions System Management") and a joint venturer in Mainland China for a period of 20 years commencing from the date of issuance of its business licence of 10 October 2003. Hangzhou JV is accounted for as a jointly-controlled entity by virtue of the fact that neither the Group nor the joint venturer can exercise unilateral control over its economic activity.

The jointly-controlled entity is not audited by Lak & Associates C.P.A. Limited.

In view of the recurring operating losses of the jointly-controlled entity and the unfavourable market conditions, an impairment loss of HK\$1,457,726 was charged to the consolidated income statement in the prior year.

As at 31 July 2007, Hangzhou JV had a number of unsettled obligations due to problem in recovering of debts due from third parties with an approximate total amount of HK\$3,313,000 (2006: HK\$3,119,000). Due to the financial difficulty of the jointly-controlled entity, the Directors are uncertain whether it is able to repay the debts at the balance sheet date. In case of failure of repayment, Hangzhou JV may incur additional liabilities such as penalties for late payment, or be exposed to possible lawsuits. Since there is no clause in the joint venture agreement signed with the joint venturer in Mainland China stating that Sys Solutions System Management has a commitment to provide additional financial support to Hangzhou JV other than the contributed amount stated in the joint venture agreement, the Directors are not aware of the possibility of any contingent liability.

For the years ended 31 July 2006 and 2007, the Group discontinued the use of equity accounting method as the carrying amount of the investment was reduced to nil.

## 10. INVENTORIES

|   | <b>Group</b> |              |
|---|--------------|--------------|
|   | <b>2007</b>  | 2006         |
|   | <b>HK\$</b>  | <b>HK\$</b>  |
| Computer hardware and software held for re-sale | <u>–</u>     | <u>3,874</u> |

None of the inventories included above were carried at net realisable value as at 31 July 2007 (2006: Nil).

## 11. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit for which the credit period is generally for a period of 30 to 60 days.

An aged analysis of the trade receivables of the Group (net of impairment losses for bad and doubtful debts) as at the balance sheet date, based on invoice date, is as follows:

|                       | <b>Group</b>          |                |
|-----------------------|-----------------------|----------------|
|                       | <b>2007</b>           | 2006           |
|                       | <b>HK\$</b>           | <b>HK\$</b>    |
| Within 30 days        | <b>138,230</b>        | 422,859        |
| Between 31 – 60 days  | <b>59,466</b>         | 166,481        |
| Between 61 – 90 days  | –                     | 103,407        |
| Between 91 – 180 days | –                     | 1,500          |
|                       | <u><b>197,696</b></u> | <u>694,247</u> |

The carrying amounts of trade receivables approximate to their fair values.

As at 31 July 2006, included in the Group's trade receivables were amounts due from the Group's related company of which Mr. Lam Chi Shing, the former chairman and an executive director of the Company, was also a director.

Particulars of which disclosed pursuant to Section 161B of the Hong Kong Companies Ordinances were as follows:

| <b>Name of related company</b>      | <b>Balance at</b>   |                     | <b>Maximum</b>         |
|-------------------------------------|---------------------|---------------------|------------------------|
|                                     | <b>31 July 2007</b> | <b>31 July 2006</b> | <b>amount</b>          |
|                                     | <i>HK\$</i>         | <i>HK\$</i>         | <b>outstanding</b>     |
|                                     |                     |                     | <b>during the year</b> |
|                                     |                     |                     | <i>HK\$</i>            |
| Pushang Management Services Limited | <u>–</u>            | <u>1,500</u>        | <u>1,500</u>           |

The amounts due were unsecured, interest-free and repayable on credit terms similar to those offered to the other customers of the Group.

Included in the trade receivables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

|                       | <b>2007</b> | 2006       |
|-----------------------|-------------|------------|
| United States Dollars | <u>–</u>    | <u>546</u> |

## 12. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

|   | <b>Group</b>             |                  |
|---|--------------------------|------------------|
|   | <b>2007</b>              | 2006             |
|   | <b>HK\$</b>              | <b>HK\$</b>      |
| Deposits, prepayments and other receivables | <b><u>94,546,247</u></b> | <u>1,178,810</u> |

The Company entered into the Exclusivity Agreement and the Supplemental Deed with Global Richland for the Proposed Acquisition of Allied Resources. Up to 31 July 2007, an aggregate of HK\$93.6 million refundable deposits have been paid by the Company to Global Richland and included in deposits, prepayments and other receivables.

The carrying amounts of deposits, prepayments and other receivables approximate to their fair values.

## 13. CASH AND CASH EQUIVALENTS

|   | <b>Group</b>              |                |
|---|---------------------------|----------------|
|   | <b>2007</b>               | 2006           |
|   | <b>HK\$</b>               | <b>HK\$</b>    |
| Bank balances   | <b>395,105,617</b>        | 469,185        |
| Cash balances   | <b><u>9,480</u></b>       | <u>16,606</u>  |
| Cash and cash equivalents in the consolidated cash flow statement | <b><u>395,115,097</u></b> | <u>485,791</u> |

Included in the cash and cash equivalents are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

|                       | <b>Group</b>         |               |
|-----------------------|----------------------|---------------|
|                       | <b>2007</b>          | 2006          |
| United States Dollars | <b>1,562</b>         | 1,566         |
| Renminbi              | <b><u>52,439</u></b> | <u>62,666</u> |

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

#### 14. TRADE PAYABLES

An aged analysis of the trade payables of the Group as at the balance sheet date, based on invoice date, is as follows:

|                       | <b>Group</b>         |                  |
|-----------------------|----------------------|------------------|
|                       | <b>2007</b>          | 2006             |
|                       | <b>HK\$</b>          | HK\$             |
| Within 30 days        | <b>50,519</b>        | 725,691          |
| Between 31 – 60 days  | –                    | 34,755           |
| Between 61 – 90 days  | –                    | 225,427          |
| Between 91 – 180 days | –                    | 158,050          |
| Over 181 days         | –                    | 382,462          |
|                       | <u><b>50,519</b></u> | <u>1,526,385</u> |

The carrying amounts of trade payables approximate to their fair values.

Included in the trade payables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

|                       | <b>2007</b>         | 2006           |
|-----------------------|---------------------|----------------|
| United States Dollars | <u><b>4,648</b></u> | <u>144,141</u> |

#### 15. DEPOSITS RECEIVED, ACCRUED LIABILITIES AND OTHER PAYABLES

|                                       | <b>Group</b>            |                  |
|---------------------------------------|-------------------------|------------------|
|                                       | <b>2007</b>             | 2006             |
|                                       | <b>HK\$</b>             | HK\$             |
| Deposits received ( <i>note i</i> )   | <u><b>258,117</b></u>   | <u>1,642,675</u> |
| Accrued liabilities                   | <b>1,011,399</b>        | 466,230          |
| Other payables                        | <b>2,610,555</b>        | 361,413          |
| Directors' remuneration payable       | <b>1,296,000</b>        | 28,333           |
| Temporary receipts ( <i>note ii</i> ) | <u><b>2,010,713</b></u> | –                |
|                                       | <u><b>6,928,667</b></u> | <u>855,976</u>   |
|                                       | <u><b>7,186,784</b></u> | <u>2,498,651</u> |

Notes:

- i. The deposits received represent an unearned portion of deposits received from customers in respect of the provision of the network infrastructure maintenance and reinforcement services and other professional value-added solutions and services.
- ii. Temporary receipts represent the proceeds received for 14,131,600 share options granted to employees and others and exercised after the balance sheet date.

The carrying amounts of deposits received, accrued liabilities and other payables approximate to their fair values.

## 16. AMOUNT DUE TO A DIRECTOR

| Name of director | Group        |              |
|------------------|--------------|--------------|
|                  | 2007<br>HK\$ | 2006<br>HK\$ |
| Lam Chi Shing    | –            | 3,187,329    |

The amount due to a director was unsecured, interest-free and fully settled during the year.

## 17. SHARE CAPITAL

|   | Number of<br>ordinary shares | Nominal value of<br>ordinary shares<br>HK\$ |
|---|------------------------------|---|
| <b>Authorised:</b>  |                              |   |
| As at 1 August 2005 and 31 July 2006  |                              |   |
| Ordinary shares of HK\$0.01 each  | 5,000,000,000                | 50,000,000                                  |
| Share subdivision ( <i>note i</i> )   | 5,000,000,000                | –   |
| <b>As at 31 July 2007</b>   | <b>10,000,000,000</b>        | <b>50,000,000</b>                           |
| <b>Issued and fully paid:</b>   |                              |   |
| As at 1 August 2005 and 31 July 2006  |                              |   |
| Ordinary shares of HK\$0.01 each  | 396,180,000                  | 3,961,800                                   |
| Share placing on 26 February 2007 ( <i>note ii</i> )                                  | 24,000,000                   | 240,000                                     |
|   | 420,180,000                  | 4,201,800                                   |
| Share subdivision ( <i>note i</i> )   | 420,180,000                  | –   |
| Share placing on 28 May 2007 ( <i>note iii</i> )                                      | 49,995,000                   | 249,975                                     |
| Share placing and subscription on 16 July 2007 and<br>24 July 2007 ( <i>note iv</i> ) | 179,091,000                  | 895,455                                     |
| Shares issued under share option scheme<br>on 5 June 2007 ( <i>note v</i> )           | 5,100,000                    | 25,500                                      |
| <b>As at 31 July 2007</b>   | <b>1,074,546,000</b>         | <b>5,372,730</b>                            |

## 17. SHARE CAPITAL (Continued)

Notes:

- i. An ordinary resolution proposed at the Extraordinary General Meeting held on 17 April 2007 to approve the subdivision of every issued and unissued ordinary shares of par value of HK\$0.01 each in the share capital of the Company into two subdivided ordinary shares of par value of HK\$0.005 each was duly passed by the shareholders. The share subdivision became effective on 18 April 2007.
- ii. Completion of the placing took place on 26 February 2007 in accordance with the terms of the placing agreement, where a total of 24,000,000 new shares were placed out at the placing price of HK\$0.40 per share, resulting in the issue of 24,000,000 shares of HK\$0.01 each for a total cash consideration, before expenses, of HK\$9,600,000.
- iii. Completion of the placing took place on 28 May 2007 in accordance with the terms of the placing agreement, as amended by the supplemental deed, where a total of 49,995,000 new shares were placed out at the placing price of HK\$0.80 per share, resulting in the issue of 49,995,000 shares of HK\$0.005 each for a total cash consideration, before expenses, of HK\$39,996,000.
- iv. Completion of the placing took place on 16 July 2007, where a total of 179,091,000 new shares were placed out at the placing price of HK\$2.55 per share, resulting in the issue of 179,091,000 shares of HK\$0.005 each for a total cash consideration, before expenses, of HK\$456,682,050. The conditional subscription by Colpo Mercantile Inc. ("Colpo"), the controlling shareholder of the Company, has also been completed on 24 July 2007, pursuant to which Colpo has subscribed for 179,091,000 new shares at HK\$2.55 per subscription share.
- v. The subscription rights attaching to 5,100,000 share options were exercised at the subscription price of HK\$0.127 per share (note 26), resulting in the issue of 5,100,000 shares of HK\$0.005 each for a total cash consideration, before expenses, of HK\$647,700.

## 18. SHARE OPTION SCHEMES

- (i) On 25 January 2003, a share option scheme (the "Pre-Scheme") was approved pursuant to written resolutions of the Company. The purpose of the Pre-Scheme was to recognise the contribution of certain employees of the Group to its growth. The Company had granted pre-IPO share options thereunder to two executive directors and 18 employees to subscribe for a total of 30,168,000 shares, representing in aggregate of approximately 7.84% of the then issued share capital of the Company immediately following the completion of the placing and the capitalisation issue, at a subscription prices ranging from HK\$0.11 to HK\$0.27 per share. No further options can be granted under the Pre-Scheme after the listing of the Company's shares on GEM. All these options granted may be exercised after the expiry of 12 months from 18 February 2003, the listing date, and in each case, not later than four years from the listing date. Each grantee has paid HK\$1 to the Company as consideration for such grant.

The movements under the Pre-Scheme during the year are as follow:

| Category of participant | Number of share options granted on 25 January 2003 |                           |                        |                    | Exercise period of share options     | Exercise price per share<br>HK\$ |
|-------------------------|--|---------------------------|------------------------|--------------------|--------------------------------------|----------------------------------|
|                         | As at 1 August 2006                                | Exercised during the year | Lapsed during the year | As at 31 July 2007 |                                      |                                  |
| Employee of the Group   | 270,000  | -                         | (270,000)              | -                  | 18 February 2004 to 17 February 2007 | 0.27                             |

During the year, 270,000 share options lapsed following the resignation of an employee. As at 31 July 2007, there was no outstanding share options under the Pre-Scheme.

## 18. SHARE OPTION SCHEMES *(Continued)*

- (ii) On 25 January 2003, another share option scheme (the "Post-Scheme") was approved pursuant to a written resolution of the Company. The purpose of the Post-Scheme is to enable the Group to recognise the contribution of the participants to the Group and to motivate the participants to continuously work to the benefit of the Group by offering the participants an opportunity to have personal interest in the share capital of the Company. The Board may, at its discretion, grant options to any employee, consultants and advisers of the Company or its subsidiaries, including executive, non-executive and independent non-executive directors, to subscribe for shares of the Company. The Post-Scheme remains in force for a period of 10 years with effect from 25 January 2003.

The maximum number of shares in respect of which options may be granted under the Post-Scheme and any other share option scheme of the Company may not exceed 10% of the issued share capital of the Company, or may not exceed a maximum of 30% should the shareholders renew the 10% limit, from time to time which have been duly allotted and issued.

The exercise price for shares under the Post-Scheme may be determined by the Board at its absolute discretion but in any event will be at least the highest of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a business day; (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the relevant option; and (iii) the nominal value of the shares on the date of grant of the option.

Any share options granted to a substantial shareholder or an independent non-executive director or any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value based on the closing price of the shares of the Company in issue at any time or with an aggregate value based on the closing price of the shares of the Company at the date of grant in excess of HK\$5 million, in any 12-month period, are subject to shareholders' approval in advance in a general meeting. In addition, any share options granted to any one person in excess of 1% of the shares of the Company in issue at any time, in any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The options granted may be exercised at any time or times during a period to be determined and notified by the Board which period of time shall commence after the date of grant of the option and expire on such date as determined by the Board in any event no later than 10 years from the date of the grant of the option. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option under the Post-Scheme.

## 18. SHARE OPTION SCHEMES (Continued)

(ii) (Continued)

The movements in the share options granted under the Post-Scheme during the year are shown in the following table:

| Name or Category<br>of Participants  | Date of Grant | Exercise<br>Period         | Exercise<br>Price<br>per Share<br>(HK\$) | Number of Share Options |                               |                              |                                 | As at<br>31/7/2007 |
|--|---------------|----------------------------|--|-------------------------|-------------------------------|------------------------------|---------------------------------|--------------------|
|  |               |                            |  | As at<br>1/8/2006       | Granted<br>during<br>the year | Lapsed<br>during<br>the year | Exercised<br>during<br>the year |                    |
| <b>Directors, chief executive, management shareholders or substantial shareholders or their respective associates:</b> |               |                            |  |                         |                               |                              |                                 |                    |
| Mr. Chan Wing Him,<br>Kenny  | 29/12/2006    | 29/12/2006 to<br>24/1/2013 | 0.127                                    | -                       | 7,923,600                     | -                            | -                               | 7,923,600          |
|  | 22/6/2007     | 22/6/2007 to<br>24/1/2013  | 2.730                                    | -                       | 1,000,000                     | -                            | -                               | 1,000,000          |
|  |               |                            |  | -                       | 8,923,600                     | -                            | -                               | 8,923,600          |
| Mr. Chan Man Ching   | 29/12/2006    | 29/12/2006 to<br>24/1/2013 | 0.127                                    | -                       | 7,923,600                     | -                            | -                               | 7,923,600          |
|  | 22/6/2007     | 22/6/2007 to<br>24/1/2013  | 2.730                                    | -                       | 1,000,000                     | -                            | -                               | 1,000,000          |
|  |               |                            |  | -                       | 8,923,600                     | -                            | -                               | 8,923,600          |
| Mr. Ho Tak Yuen, Peter   | 18/1/2007     | 18/1/2007 to<br>24/1/2013  | 0.127                                    | -                       | 7,923,600                     | -                            | -                               | 7,923,600          |
|  | 22/6/2007     | 22/6/2007 to<br>24/1/2013  | 2.730                                    | -                       | 1,000,000                     | -                            | -                               | 1,000,000          |
|  |               |                            |  | -                       | 8,923,600                     | -                            | -                               | 8,923,600          |
| <b>Other employees:</b>  |               |                            |  |                         |                               |                              |                                 |                    |
| In aggregate   | 18/1/2007     | 18/1/2007 to<br>24/1/2013  | 0.127                                    | -                       | 7,923,600                     | -                            | -                               | 7,923,600          |
|  | 26/4/2007     | 26/4/2007 to<br>24/1/2013  | 1.158                                    | -                       | 200,000                       | -                            | -                               | 200,000            |
|  |               |                            |  | -                       | 8,123,600                     | -                            | -                               | 8,123,600          |

## 18. SHARE OPTION SCHEMES (Continued)

(ii) (Continued)

| Name or Category<br>of Participants | Date of Grant | Exercise<br>Period        | Exercise<br>Price<br>per Share<br>(HK\$) | Number of Share Options |                               |                              |                                 |                    |
|-------------------------------------|---------------|---------------------------|--|-------------------------|-------------------------------|------------------------------|---------------------------------|--------------------|
|                                     |               |                           |  | As at<br>1/8/2006       | Granted<br>during<br>the year | Lapsed<br>during<br>the year | Exercised<br>during<br>the year | As at<br>31/7/2007 |
| <b>Others:</b>                      |               |                           |  |                         |                               |                              |                                 |                    |
| In aggregate                        | 18/1/2007     | 18/1/2007 to<br>24/1/2013 | 0.127                                    | -                       | 16,023,600                    | -                            | (5,100,000)                     | 10,923,600         |
|                                     | 20/3/2007     | 20/3/2007 to<br>24/1/2013 | 0.225                                    | -                       | 12,420,000                    | -                            | -                               | 12,420,000         |
|                                     | 26/4/2007     | 26/4/2007 to<br>24/1/2013 | 1.158                                    | -                       | 700,000                       | -                            | -                               | 700,000            |
|                                     | 22/6/2007     | 22/6/2007 to<br>24/1/2013 | 2.730                                    | -                       | 7,250,000                     | -                            | -                               | 7,250,000          |
|                                     |               |                           |  | -                       | 36,393,600                    | -                            | (5,100,000)                     | 31,293,600         |
| TOTAL                               |               |                           |  | -                       | 71,288,000                    | -                            | (5,100,000)                     | 66,188,000         |
| Weighted average exercise price     |               |                           |  | N/A                     | 0.5314                        | N/A                          | 0.1270                          | 0.5625             |

Notes:

- (a) Share options for subscribing 71,288,000 shares of the Company were granted for a total consideration of HK\$42 during the year under review. The aggregate fair value of options granted under the Post-Scheme, measured at their respective dates of grant, amounted to HK\$37,228,098. The fair values of the outstanding options were derived from Black-Scholes option pricing model by applying the following bases and assumptions:

| Date of Grant | Dividend<br>Yield | Expected<br>Volatility (i) | Risk-free<br>rate (ii) | Price of the<br>Company's shares<br>at grant date<br>of options (iii)<br>HK\$ per share |
|---------------|-------------------|----------------------------|------------------------|---|
| 29/12/2006    | Nil               | 186.91%                    | 3.73%                  | 0.232   |
| 18/1/2007     | Nil               | 309.78%                    | 3.88%                  | 0.232   |
| 20/3/2007     | Nil               | 332.98%                    | 4.06%                  | 0.460   |
| 26/4/2007     | Nil               | 190.24%                    | 4.06%                  | 0.900   |
| 22/6/2007     | Nil               | 331.76%                    | 4.61%                  | 2.480   |

- the expected volatilities of the options were calculated based on the annualized historical volatility of the closing price of the shares of the Company for the 12 months immediately preceding the date of grant of the options;
- the monthly average yield of the Hong Kong Exchange Fund Notes for a period of about 5 years were applied as the risk-free interest rates; and
- the price of the Company's shares disclosed as at the date of grant of the share options is the closing price on the trading day immediately prior to the date of grant of the options, as adjusted to reflect the share subdivision on 18 April 2007.

## 18. SHARE OPTION SCHEMES (Continued)

(ii) (Continued)

Notes: (Continued)

- (b) The values of the options are subject to the limitations of the Black-Scholes option pricing model and a number of assumptions which are subjective and difficult to ascertain. Changes in the subjective input assumptions could materially affect the fair value estimate.
- (c) The weighted average share price of the Company's shares immediately before the date on which the options were exercised and at the date of exercise of the share options are HK\$2.57 and HK\$3.07 respectively.
- (d) The outstanding share options as at 31 July 2007 had a weighted average remaining contractual life of 5.49 years.
- (e) If options are forfeited before expiration or lapsed, the related share option reserve will be transferred directly to accumulated losses.
- (f) As at 31 July 2007, the Company had 66,188,000 share options outstanding under the Post-Scheme, which represented approximately 6.16% of the Company's shares in issue at that date.

(iii) Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

## 19. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office premises under operating lease arrangements for terms ranging from one to three years. None of the leases includes contingent rentals.

At the balance sheet date, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

|                                      | <b>Group</b>          |                         |
|--------------------------------------|-----------------------|-------------------------|
|                                      | <b>2007</b>           | 2006                    |
|                                      | <b>HK\$</b>           | HK\$                    |
| Within one year                      | <b>504,711</b>        | 689,056                 |
| After one year but within five years | –                     | 447,853                 |
|                                      | <b><u>504,711</u></b> | <b><u>1,136,909</u></b> |

## 20. COMMITMENTS

Except for the operating lease commitments and the events after balance sheet date detailed in notes 19 and 23 to the financial statements, respectively, the Group and the Company had no significant commitments outstanding at the balance sheet date.

## 21. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions during the years presented.

|   | <b>2007</b>             | 2006            |
|---|-------------------------|-----------------|
|   | <b>HK\$</b>             | HK\$            |
| Speed Sourcing Limited*   |                         |                 |
| Network infrastructure maintenance and reinforcement services income                    | –                       | 13,250          |
| Other professional value-added solutions and services income and dataline rental income | –                       | 3,470           |
| Pushang Management Services Limited*  |                         |                 |
| Network infrastructure construction solutions income                                    | <b>8,621</b>            | 176,255         |
| Network infrastructure maintenance and reinforcement services income                    | <b>163,400</b>          | 86,600          |
| Other professional value-added solutions and services income and dataline rental income | –                       | 9,000           |
| Rental income   | –                       | 14,795          |
| Sales proceeds on disposal of furniture   | –                       | 1,250           |
| Hong Shing Decoration Co. **  |                         |                 |
| Renovation fee paid   | –                       | 27,600          |
| Lam Chi Shing   |                         |                 |
| Cash advance from a director  | <b>1,800,000</b>        | 3,187,329       |
| Waiver of amount due to a director  | <b>4,987,329</b>        | –               |
| Chan Wing Him, Kenny  |                         |                 |
| Cash advance from a director  | <b><u>1,480,000</u></b> | <b><u>–</u></b> |

\* Speed Sourcing Limited and Pushang Management Services Limited are companies incorporated in Hong Kong, each of which Mr. Lam Chi Shing, the former chairman and an executive director of the Company, is also a director.

\*\* In 2006, Mr. Wong Wing Hong was a significant shareholder of the Company and the owner of Hong Shing Decoration Co.

**21. RELATED PARTY TRANSACTIONS** *(Continued)*

## (b) Key management personnel compensation

|                              | <b>2007</b>              | 2006             |
|------------------------------|--------------------------|------------------|
|                              | <b>HK\$</b>              | HK\$             |
| Short-term employee benefits | <b>4,315,995</b>         | 1,332,407        |
| Post-employment benefits     | <b>26,000</b>            | 28,113           |
| Share-based payments         | <b>10,859,763</b>        | –                |
|                              | <b><u>15,201,758</u></b> | <u>1,360,520</u> |

## (c) Movement of non-trade balance with related party

|  | <b>2007</b>        | 2006             |
|--|--------------------|------------------|
|  | <b>HK\$</b>        | HK\$             |
| Non-trade balances due to:                 |                    |                  |
| <i>Director – Mr. Lam Chi Shing</i>        |                    |                  |
| Beginning of the year                      | <b>3,187,329</b>   | 5,000,000        |
| Cash advance to the Group                  | <b>1,800,000</b>   | 3,187,329        |
| Repayment of loan                          | –                  | (5,000,000)      |
| Waiver of amount due to a director         | <b>(4,987,329)</b> | –                |
| End of the year                            | <b><u>–</u></b>    | <u>3,187,329</u> |
| <i>Director – Mr. Chan Wing Him, Kenny</i> |                    |                  |
| Cash advance to the Group                  | <b>1,480,000</b>   | –                |
| Repayment to director                      | <b>(1,480,000)</b> | –                |
| End of the year                            | <b><u>–</u></b>    | <u>–</u>         |

## 22. EVENTS AFTER BALANCE SHEET DATE

- (a) An aggregate of HK\$93.6 million refundable deposits have been paid by the Company to Global Richland up to 31 July 2007 for the Proposed Acquisition of Allied Resources. On 16 August 2007, the Company entered into the 2nd Supplemental Deed, pursuant to which the Company had paid an additional refundable deposit of HK\$35 million, which will form part of the consideration of the Proposed Acquisition, to Global Richland on 16 August 2007. Such HK\$35 million together with HK\$93.6 million already paid by the Company to Global Richland under the Exclusivity Agreement and Supplemental Deed is refundable if the Company decides not to proceed with the Proposed Acquisition or a legally binding sale and purchase agreement of share is not entered into on or before the expiry of the Extended Exclusivity Period, i.e. 31 December 2007.

On 14 September 2007, the Company entered into the Agreement to acquire from Global Richland the entire issued capital of Allied Resources at a total consideration of HK\$365.88 million, which shall be satisfied by payment of cash of HK\$178 million and the issue of 110,000,000 new shares of HK\$0.0025 each (the "Consideration Shares") at an issue price of HK\$1.708 per share to Global Richland. The market value of the Consideration Shares amounted to approximately HK\$317.9 million based on the closing price of HK\$2.89 per share as quoted on the Stock Exchange on 14 September 2007. A further refundable deposit of HK\$49.4 million was paid to Global Richland upon signing of the Agreement and an aggregate of HK\$178 million refundable deposits have been paid. Up to the date of the approval of the financial statements, the Company is still conducting the detailed review of the Proposed Acquisition. Thus, the amounts to be recognised at the acquisition date for each class of the acquiree's assets, liabilities and contingent liabilities are not yet available.

- (b) On 28 August 2007, an ordinary resolution proposed at the Extraordinary General Meeting held to approve the subdivision of every issued and unissued ordinary shares of par value of HK\$0.005 each in the share capital of the Company into two subdivided ordinary shares of par value of HK\$0.0025 each was duly passed by the shareholders. The share subdivision became effective on 29 August 2007.

### 23. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 JULY 2007

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the year ended 31 July 2007 and which have not been adopted in these financial statements:

|   | <b>Effective for accounting periods<br/>beginning on or after</b> |
|---|---|
| HKAS 1, Amendment, Presentation of financial statements:<br>– capital disclosures | 1 January 2007  |
| HKAS 23 (Revised), Borrowing costs  | 1 January 2009  |
| HKFRS 7, Financial instruments: disclosures                                       | 1 January 2007  |
| HKFRS 8, Operating segments   | 1 January 2009  |
| HK(IFRIC) – Int 10, Interim financial reporting and impairment                    | 1 November 2006   |
| HK(IFRIC) – Int 11, HKFRS 2 – Group and Treasury Share Transactions               | 1 March 2007  |
| HK(IFRIC) – Int 12, Service concession arrangements                               | 1 January 2008  |

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that while the adoption of them may result in new or amended disclosures, it is unlikely to have a significant impact on the Group's results of operations and financial position.

## Other Information

### PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association of the Company or the Laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

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

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

### DISTRIBUTABLE RESERVES

As at 31 July 2007, the Company had no reserves available for distribution, except that under the provisions of the Companies Law of the Cayman Islands, the Company's share premium account and capital reserve, of HK\$544,930,112 in aggregate as at 31 July 2007, may be distributed provided that immediately following the date on which a dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

### DIRECTORS' SERVICE CONTRACTS

Each of Mr. Chan Wing Him, Kenny and Mr. Chan Man Ching entered into service contracts with the Company on 20 December 2006 for an initial fixed term of three years commencing from 29 November 2006 which shall continue thereafter, subject to termination by either party with not less than three months' notice served in writing.

Each of Mr. Poon Lai Yin Michael, Mr. Lo Chi Kit and Mr. Tam Hang Chuen entered into a 2-year service contract with the Company. They are subject to the provisions governing the retirement and rotation of directors in the articles of association of the Company.

### DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 21 to the financial statements, no director had a significant beneficial interest, directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its subsidiaries was a party during the year.

### MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES

As at 31 July 2007, the interests and short positions of the Directors and the chief executive of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules, were as follows:

Long positions in ordinary shares of the Company:

| Name of director        | Note | Approximate Percentage of the |                                | Capacity and nature of interest  |
|-------------------------|------|-------------------------------|--------------------------------|----------------------------------|
|                         |      | Corporate interests           | Company's issued share capital |                                  |
| Mr. Chan Wing Him Kenny | (a)  | 591,270,000                   | 55.03%                         | Through a controlled corporation |
|                         |      | <u>591,270,000</u>            | <u>55.03%</u>                  |                                  |

Note:

- (a) These shares are held by Colpo Mercantile Inc. The entire share capital of Colpo Mercantile Inc. is beneficially owned by Mr. Chan Wing Him Kenny, who is therefore deemed to be interested in the shares held by Colpo Mercantile Inc.

In addition to the above, Mr. CHAN Wing Him, Kenny has non-beneficial personal equity interests in certain subsidiaries of the Company held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, as at 31 July 2007, none of the directors and chief executives had registered any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporation that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

## DIRECTOR'S RIGHTS TO ACQUIRE SHARES

Apart from as disclosed under the paragraph headed "Directors' and chief executive's interests and short positions in shares and underlying shares and debentures" above and the share option scheme disclosures in note 18 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

## SHARE OPTION SCHEMES

On 25 January 2003, the Pre-IPO Share Option Scheme (the "Pre-Scheme") and Post-IPO Share Option Scheme (the "Post-Scheme") were approved pursuant to written resolutions of the Company. The purpose of the Pre-Scheme and Post-Scheme were to recognise the contribution of certain employees of the Group to the growth of the Group's business and/or to the listing of ordinary shares of the Company on the GEM of the Stock Exchange.

Further details of the Pre-Scheme and Post-Scheme are set out in note 18 to the financial statements.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 July 2007, the following interests and short positions of 5% or more of the issued shares capital of the Company held by the following parties (other than directors or chief executive of the Company) were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

| Name                           | Note | Number of<br>ordinary<br>shares held | Capacity and<br>nature of interest | Percentage<br>of holding |
|--------------------------------|------|--------------------------------------|------------------------------------|--------------------------|
| <b>Substantial shareholder</b> |      |                                      |                                    |                          |
| Colpo Mercantile Inc.          | (a)  | 591,270,000                          | Directly beneficially owned        | 55.03                    |
| <b>Other shareholder</b>       |      |                                      |                                    |                          |
| JPMorgan Chase & Co.           |      | 55,890,000                           | Directly beneficially owned        | 5.20                     |

Note:

- (a) The entire issued share capital of Colpo Mercantile Inc. is beneficially owned by Mr. Chan Wing Him Kenny, the chairman and an executive director of the Company, who is therefore deemed to be interested in the 591,270,000 shares held by Colpo Mercantile Inc., Mr. Chan Wing Him Kenny's indirect interests in 591,270,000 shares in the Company held through Colpo Mercantile Inc. have also been set out in the above section headed "Directors' and chief executive's interests and short positions in shares and underlying shares and debentures".

Details of options granted to directors and chief executive of the Company under the Post-Scheme since its adoption and up to 31 July 2007 are as follows:

| Name                    | Date of<br>grant<br>(dd/mm/yy) | Exercise<br>period<br>(dd/mm/yy) | Subscription<br>price<br>per share | No. of underlying shares             |  |                                     |  |
|-------------------------|--------------------------------|----------------------------------|------------------------------------|--------------------------------------|--|-------------------------------------|--|
|                         |                                |                                  |                                    | Comprising<br>the options<br>granted | Comprising<br>the options<br>exercised | Comprising<br>the options<br>lapsed | Comprising<br>the options<br>outstanding |
| Mr. Chan Wing Him Kenny | 29/12/2006                     | 29/12/2006<br>to 24/1/2013       | HK\$0.127                          | 7,923,600                            | -                                      | -                                   | 7,923,600                                |
|                         | 22/6/2007                      | 22/6/2007<br>to 24/1/2013        | HK\$2.730                          | 1,000,000                            | -                                      | -                                   | 1,000,000                                |
| Mr. Chan Man Ching      | 29/12/2006                     | 29/12/2006<br>to 24/1/2013       | HK\$0.127                          | 7,923,600                            | -                                      | -                                   | 7,923,600                                |
|                         | 22/6/2007                      | 22/6/2007<br>to 24/1/2013        | HK\$2.730                          | 1,000,000                            | -                                      | -                                   | 1,000,000                                |
| Mr. Ho Tak Yuen Peter   | 18/1/2007                      | 18/1/2007<br>to 24/1/2013        | HK\$0.127                          | 7,923,600                            | -                                      | -                                   | 7,923,600                                |
|                         | 22/6/2007                      | 22/6/2007<br>to 24/1/2013        | HK\$2.730                          | 1,000,000                            | -                                      | -                                   | 1,000,000                                |
|                         |                                |                                  |                                    | <u>26,770,800</u>                    | <u>-</u>                               | <u>-</u>                            | <u>26,770,800</u>                        |

Save as disclosed above, as at 31 July 2007, no person (other than the directors and chief executive of the Company, whose interests are set out in the section headed “directors’ and chief executive’s interests and short positions in shares and underlying shares and debentures” above) had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

#### **LONG POSITIONS IN UNDERLYING SHARES OF THE COMPANY**

On 25 January 2003, the Post-Scheme was approved pursuant to a written resolution of the Company. The purpose of the Post-Scheme is to enable the Group to recognise the contribution of the participants to the Group and to motivate the participants to continuously work to the benefit of the Group by offering the participants an opportunity to have personal interest in the share capital of the Company. The Board may, at its discretion, grant options to any employees, consultants and advisers of the Company or its subsidiaries, including executive, non-executive and independent non-executive directors, to subscribe for shares of the Company. The Post-Scheme remains in force for a period of ten years with effect from 25 January 2003.

#### **COMPETITION AND CONFLICT OF INTERESTS**

As at 31 July 2007, none of the directors, the management shareholders or substantial shareholders of the Company or any of their respective associates had engaged in any business that competes or may compete with the businesses of the Group, or had any other conflict of interests with the Group.

#### **AUDIT COMMITTEE**

The audit committee of the Company (the “Audit Committee”) comprises three members who are the three INEDs, namely, Mr. POON Lai Yin Michael (“Mr. Poon”), Mr. LO Chi Kit and Mr. TAM Hang Chuen and Mr. Poon is the chairman thereof.

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control systems of the Group. The Audit Committee reviews the quarterly, interim and annual reports of the Company before submission to the Board. The Audit Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with the accounting standards, the GEM Listing Rules and the legal requirements in the review of the Company’s quarterly, interim and annual reports.

The Group’s audited consolidated financial statements for the year ended 31 July 2007 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such financial statements complied with the applicable accounting standards and requirements of the Stock Exchange and legal requirements, and that adequate disclosures have been made.

The Audit Committee includes majority of independent non-executive directors as follows:

Mr. Poon  
Mr. LO Chi Kit  
Mr. TAM Hang Chuen

## **REMUNERATION COMMITTEE**

The remuneration committee of the Company (the “Remuneration Committee”) currently comprises three INEDs, namely Mr. Poon, Mr. LO Chi Kit and Mr. TAM Hang Chuen with Mr. Poon is the chairman thereof. The principal responsibilities of the Remuneration Committee include the formulation of the Company’s remuneration policy, the approval or recommendation of remuneration packages for the directors and senior management, and the review and approval of remuneration by reference to the performance of the individual and the Company as well as market practice and conditions.

Remuneration Committee includes majority of independent non-executive directors as follows:

Mr. Poon  
Mr. LO Chi Kit  
Mr. TAM Hang Chuen

## **BOARD COMMITTEES**

The Board has established several committees. The terms of reference of the Audit Committee and Remuneration Committee (both hereinafter defined) are of no less exacting terms than those set out in Code on Corporate Governance Practices. All committees are provided with sufficient resources to discharge their duties.

## **MANAGEMENT COMMITTEE**

The management committee of the Company (the “Management Committee”), which comprises two Executive Directors, namely Mr. CHAN Wing Him Kenny and Mr. CHAN Man Ching, was established on 22 June 2007 and operates as a general management committee with overall delegated authority from the Board. The Management Committee manages the daily operation of the Company and reports through the Chairman to the Board.

The Management Committee includes the following executive directors:

Mr. CHAN Wing Him Kenny  
Mr. CHAN Man Ching

## **COMPLIANCE WITH RULES 5.48 TO 5.67 OF THE GEM LISTING RULES**

The Company has adopted a code of conduct regarding Directors’ securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, the Company’s directors have complied with such code of conduct and the required standard of dealings and its code of conduct regarding securities transactions by the directors throughout the year ended 31 July 2007.

## **CORPORATE GOVERNANCE PRACTICES AND PROCEDURES**

The Group believes that enhancing good corporate governance demands long-term commitment from management and that the distinctive roles and functions of different committees are important in strengthening internal control.

During the year, the Company has complied with the new Code on Corporate Governance Practices as set out in the Appendix 15 of the GEM Listing Rules.

By order of the Board  
**Enviro Energy International Holdings Limited**  
**Chan Wing Him Kenny**  
*Chairman*

Hong Kong, 12 October 2007

*As at the date of this announcement, the executive directors are Mr. Chan Wing Him Kenny and Mr. Chan Man Ching, and the independent non-executive directors are Mr. Lo Chi Kit, Mr. Poon Lai Yin, Michael and Mr. Tam Hang Chuen.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material aspects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

*This announcement will remain on the website of GEM at [www.hkgem.com](http://www.hkgem.com) on the "Latest Company Announcements" page for at least 7 days and the website of the Company at [www.enviro-energy.com.hk](http://www.enviro-energy.com.hk).*