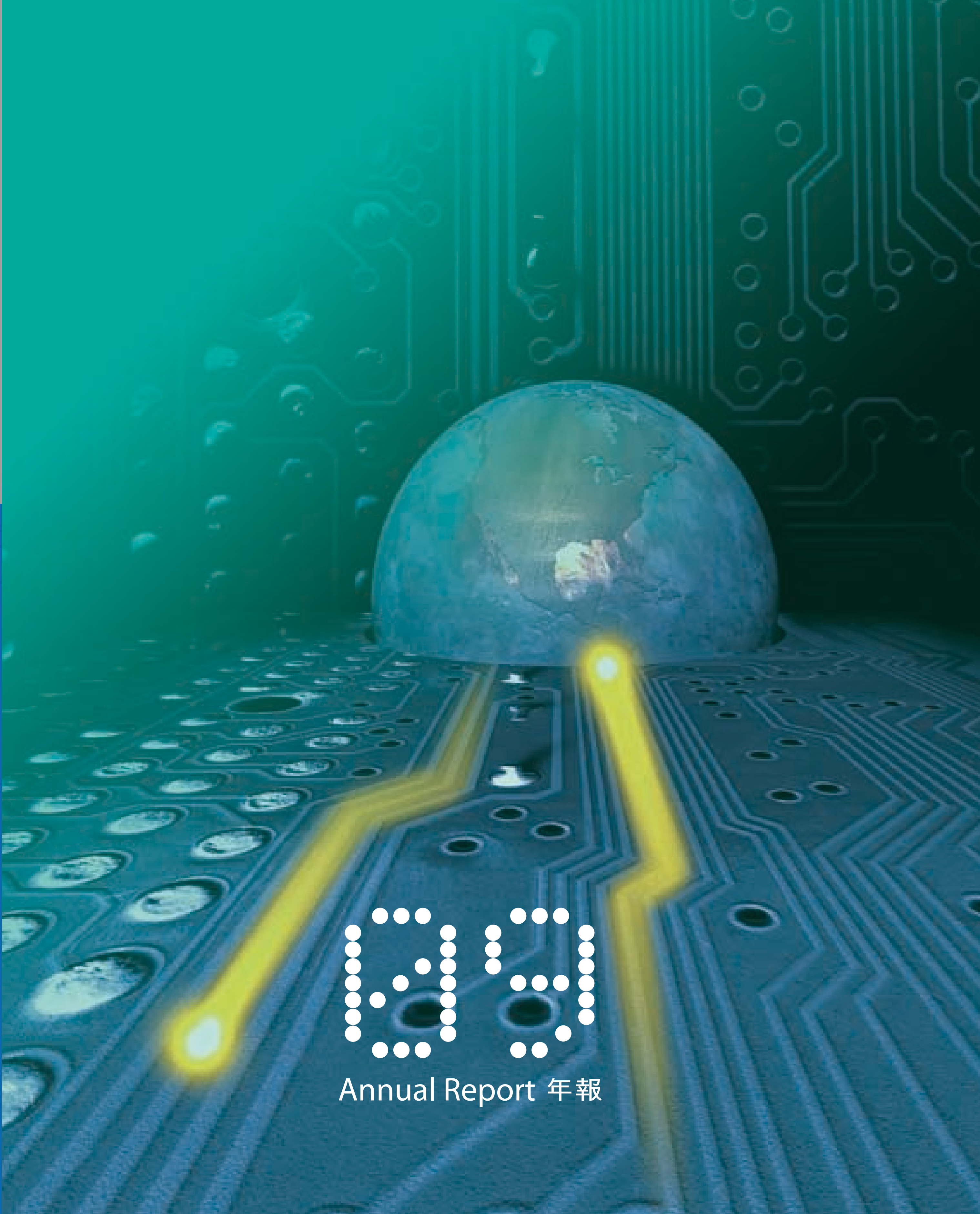
# GLOBAL TECH (HOLDINGS) LIMITED
# 耀科國際（控股）有限公司

(Stock Code 股份代號：143)



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Annual Report 年報

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# Corporate Profile

# Corporate Profile

Global Tech (Holdings) Limited (the "Company") and its subsidiaries (collectively the "Group") power and optimise the marketing networks of technological-solution providers. Based on fundamental customer insights and expertise in branding, marketing-distribution and after-sales services, the Group drives solutions that enable electronic-consumables developers to engage new and larger audiences through emerging initiatives.

In addition, the Group also has interests in the provision of repair services for telecommunications products, and invests in selected financial assets.

The Group realises the promise of enriching people's lives by bringing timely innovations to market and ensuring they meet the demands of users.

# Chairman's Statement

Dear Shareholders,

The year ended 30 September 2009 was a period of much lower consumption in many key sectors, although some markets showed signs of stabilising towards the end of the financial year. The impact of the financial tsunami was felt most significantly in the last quarter of 2008, but the severe economic headwinds persisted into the first two quarters of 2009.

The Group is mindful that economic forecasts for the core markets remain cautious. In view of this, the Group has continued to adopt a prudent strategy in managing existing activities and seeking new business opportunities, while maintaining strict discipline in cost and capital management.

The global economy is likely to remain weak and have a significant impact on technology budgets. In a statement cautioning the global technology sector, research firm Gartner forecast that the market will have difficulty recovering to 2008 revenue levels before 2012. Citing 2009 as the worst year ever for the information technology sector, Gartner estimated that global spending was headed towards a 5.2% overall plunge. While the worldwide hardware market was forecast to suffer an approximate 16.5% year-on-year fall in 2009, global telecommunications spending was also expected to experience a 4% decline. Thus, for industry players, the year 2010 will be all about balancing the overall focus on cost, risk and growth.

Even though smartphones are in the strongest-performing segment, the world's top cellular phone makers, including Nokia and Sony Ericsson, intend to cut the number of models in their range and take a long hard look at their future plans.

At the same time, substantial subsidies for handsets continue to be another drag on the development of the telecommunications sector. When Apple entered the smartphone business in 2007, it tried to reverse the traditional model in which carriers had always subsidised the cost of handsets. However, consumers have shown some resistance to the high upfront cost and, with its second-generation iPhone, Apple went back to the traditional subsidy model. This prevailing practice continued to result in major telecommunications companies reporting increased handset subsidy costs as a proportion of mobile service revenue in the second half of 2009, leading analysts to postpone forecasts of turnaround in earnings.

The ever-intensifying war between handset players did not stop at product innovations and price competition. In the latest development, applications that run on handsets have become the new centerpieces of telecommunications players' mobile strategies. The war has now turned into a battle of the apps stores.

The popularity of Apple's app model has prompted major players such as Research in Motion (maker of the BlackBerry), Palm (maker of the Pre), Google (maker of the Android mobile-operating system) and Microsoft (maker of Windows Mobile) jostle more aggressively for their share of the territory.

The mobile app market is maturing fast. The next market opportunity is expected to be enabling mobile app portability. Users who switch mobile carriers are often unable to take their mobile apps with them because of incompatible alternative mobile app platforms. Standardisation is the new theme, but the vision of global widgets will take some years to materialise as there is still no sign that the mobile industry is moving towards a single, dominant operating system. Eventually, the market may converge around a smaller number of operating systems. In the meantime, app developers and users have to cope with the complexities of their market.

# Chairman's Statement

All in all, the communications industry is experiencing a period of unprecedented innovation and transformation. Competition is heating up and businesses are consolidating. Opportunities and risks are emerging quickly, especially since the financial crisis has ushered in fundamental changes in most industries and markets.

Dismal economic events have culminated in drastic declines in the market valuations of companies in nearly every sector, and have severely impacted the performance of the telecommunications industry. The global backdrop remains a grimly hostile landscape of legacies from the crisis, as the Organisation for Economic Co-operation and Development ("OECD") lamented in its bi-annual global outlook.

The world continues to be faced with an acute mix of stress factors, ranging across public finances, removal of financial life-support programmes, restructuring for growth, rising unemployment, near-zero interest rates, global imbalances and foreign exchange instability. The OECD expects recovery to be uneven, unsteady and unpredictable as leading economies remain in a dilemma over their exit strategies from huge debt and rescue spending.

Acknowledging the difficult economic landscape ahead, where consumption is still sluggish and inflationary pressures are building in key sectors, the Group noticed that maintaining a high level of inventory will lower the return on investment. At the beginning of the year, in order to prepare for the forthcoming difficulties, the Group had determined to cease being the distributor of the major supplier to minimise the potential loss due to the heavy inventory and unfavourable pricing. However, the Group will continue to search for smartphone suppliers with the flexibility to accommodate the Group's strategy of minimising inventories while boosting the customer base. Further, the Group remains committed to the provision of repair services of telecommunications products and may enter into other non-mobile device segments to diversify its risk and provide better prospects to the Group. The Group will also continue to foster an environment where management is mandated to focus more on improving operational efficiency and establishing a lean, variable cost structure, financial discipline and balance-sheet improvements.

The almost total collapse of financial markets has been a salutary lesson for many, and has prompted the Group to prepare contingency plans for a new portfolio of activities in order to deal with increased risk in the world of business and disruptive industry innovations.

The Group is guided by a governing objective to support its customers' success through the development of efficient marketing processes that help deliver innovative technologies to enrich people's lives. And it is in today's technology innovations, we believe, that we will find the seeds of the solutions to the mounting challenges that lie ahead.

**SY Ethan, Timothy**
*Chairman*

Hong Kong, 11 January 2010

# Management Discussion and Analysis

## Financial Highlights

For the year ended 30 September 2009, the Group recorded a turnover of approximately HK$30.9 million (2008: HK$676.4 million), representing a decrease of approximately 95.4% over the previous year. The sharp decline in turnover was resulted from a major subsidiary, which no longer provides the distribution services to the major supplier, with reference made to the Company's announcement dated 25 February 2009. However, the Group will keep on pledging effort in providing repair services of telecommunications products. The Group's financial performance in the year under review was also shaped by a global economic contraction which has had a very negative impact on consumer confidence, as well as intensified heavy pressure on industry margins.

The reporting year continued to witness intense competition in the telecommunications industry, leading to high capex, network operating and subscriber acquisition costs. The strategic interests of established telecommunications companies and further entry through second generation (2G), third generation (3G), worldwide interoperability for microwave access (WiMAX), Mobile Virtual Network Operators (MVNO) or other routes may also intensify competitive forces.

Following other developed telecommunications markets of smartphones in Asia, North America and Europe, the local telecommunications for smartphones are growing rapidly. As reported by a major mobile network operator, the number of smartphone users has increased by 70% since last year. High-end models, mainly consisting of 3G smartphones, have experienced record high growth which limit the expansion of the market for middle range of mobile phones. With the increasing penetration rate in wireless telecommunications, the near-term growth volume is expected to remain robust. Nevertheless, in view of the vigorous competition in the telecommunications industry, mobile phone brands tended to use cut-throat price as their sales promotions to boost their customer base or clear up their excessive inventory. The growth in sales volume therefore cannot guarantee to generate a profitable income from the operation. The Group had already foreseen such unfavourable market condition during early of the year and decided to stop providing distribution services to the major supplier in order to protect the interests of the shareholders. As a result, the Group's sales from the trading of telecommunications products during the year naturally decreased by 98.8% to approximately HK$8.2 million (2008: HK$690.7 million). However, the Group would still continue to source for potential smartphone suppliers to meet the market trend.

The Group's loss from operations of approximately HK$167.8 million last year turned around to profit from operations of approximately HK$1.3 million for the year. The Group recorded profit for the year of approximately HK$2.1 million compared with the loss of approximately HK$171.4 million a year ago. The improvement was due to other revenue received, net gains on deconsolidation of subsidiaries in winding up and income from repair services.

## The Hong Kong Market

Despite the global economic downturn, the telecommunications market in Hong Kong has succeeded in maintaining its momentum and achieved steady growth in 2009, with the penetration rate for mobile services sustaining healthy growth. According to the latest data from OFTA (Office of the Telecommunications Authority), the mobile subscriber penetration rate for August 2009 rose to 170%, signifying an almost 10% increment from the same period last year. Owing to the proliferation of smartphones or converged mobile devices, as well as other advanced mobile equipment, Hong Kong's mobile data usage in 2009 surged to roughly 6.1 and 25.9 times that recorded for 2008 and 2007 respectively.

Hong Kong's position as the region's leading wireless-enabled city is evidenced by this strong growth. Out of the five mobile network operators, the four offering a 3G service have already deployed 3.5G services utilising High Speed Downlink Packet Access (HSDPA) technology that supports downloading speeds of up to 14.4 Mbps. With this advanced technology, subscribers are able to download and upload large files, including email attachments, via the internet on their mobile devices, and enjoy faster and better quality video-streaming and downloading, as well as high-speed web browsing.

Looking ahead, the telecommunications market will remain vibrant and even more competitive. Mobile phone brands are competing vigorously among themselves on pricing and functions, while network operators are struggling on the battlefield using the weapons of price promotions, value-added services and marketing campaigns.

Mobile phones are also at war with other compact mobile devices, including mini notebooks or netbooks. A local mobile network operator registered over 70% growth in smartphone users on its network. The operator is therefore committing more resources to the enhancement of the customer experience on Android and iPhone platforms, which are now gaining in popularity.

According to the Hong Kong Tourism Board, the number of inbound tourists has increased by 20% compared with the same period last year. The mobile subscriber penetration rate in the major cities of mainland China, principally Beijing, Shanghai and Guangzhou, recorded the fastest growth in the entire country and has already exceeded 80%. Tourists from these cities pay frequent visits to Hong Kong and have always regarded Hong Kong as one of their favourite destinations.

And in November, subsequent to the April regulation permitting Shenzhen permanent residents to apply for Individual Visit Scheme endorsements for multiple visits to Hong Kong within one year, the Hong Kong SAR Government announced that the Mainland authorities would also allow non-Guangdong residents residing in Shenzhen to apply for Individual Visit Scheme endorsements to visit Hong Kong.

The resulting influx of Mainland visitors has undoubtedly stimulated sales of consumer electronics and telecommunications, and purchases of authentic brand-name mobile phones have always been the highlight of their visits. Unlike local consumers, Mainland visitors have little time to shop around for bargains. As a result, they are willing to spend generously on the most up-to-date and sought-after models. Business generated by these Mainland visitors remains one of the largest income sources for mobile phone retailers in Hong Kong. However, the local tourism industry is keeping a watchful eye on the threats posed by the opening of rival tourist attractions in Shanghai and Singapore.

With China entering the 3G era, a further driving force has been generated, with mobile network operators making great efforts to boost their subscriber bases. For example, China Mobile has recently announced its very first time division duplex long-term evolution (TD-LTE), or fourth-generation (4G) network, to be launched during World Expo 2010 Shanghai China, by which time the number of mobile subscribers in the Mainland is forecast to reach 826 million.

At the local level, although the first signs of economic recovery are evident, the retail industry and manufacturers en masse have been badly hurt by the effects of the credit crunch and downward price pressures. Findings of a recent survey by the Hong Kong Polytechnic University revealed that consumer electronics was one of the retail categories most likely to adopt price promotions. As indicated in the report, pricing has a greater impact during financial crises, suggesting that customers are more sensitive to the price of products. Prices for both telecommunications services and devices are forecast to remain under pressure.

### Liquidity, financial and working capital resources

As at 30 September 2009, the Group's total non-current assets contracted to approximately HK$34.8 million (2008: HK$57.7 million), mainly due to impairment loss in intangible assets.

Due to the Group's policy of maintaining low level of inventories for the year, inventories decreased to approximately HK$1.5 million as at 30 September 2009 (2008: HK$3.7 million).

As at 30 September 2009, the Group's net trade receivables decreased from approximately HK$45.0 million last year to approximately HK$40.7 million in the current year.

The Group has continued to take measures to optimise its cash-management. As at 30 September 2009, the value of the Group's investment in financial assets at fair value through profit or loss amounted to approximately HK$0.4 million (2008: HK$5.8 million).

The Group was granted a banking facility and fixed deposit of approximately HK$4.7 million (2008: HK$106.4 million) was pledged as collateral. The current ratio was approximately 2.07 (2008: 1.23) while the liquid ratio stood at approximately 2.05 (2008: 1.21).

As at 30 September 2009, there is no borrowing within the Group (bank borrowings in 2008: HK$61.9 million). As at 30 September 2008, the bank borrowings were secured by fixed deposits of approximately HK$106.4 million and the investment property with carrying amount of HK$12.0 million. Since the bank borrowings were repaid during the year ended 30 September 2009, the pledge of such collateral were then released. The gearing ratio, which is expressed as a percentage of total borrowings over total assets, was nil (2008: 26.2%).

As in previous years and in the face of the challenge of global financial instability, the Group will renew its commitment to adopting a conservative cash-management policy.

### Currencies

The Group conducts its core business transactions mainly in Hong Kong, New Taiwan and United States dollars. The majority of the Group's cash and bank balances are also denominated in these three currencies. During the year ended 30 September 2009, the Group did not experience significant exposure to exchange rate and interest rate fluctuations. As a result, the Group did not enter into any material foreign exchange contracts, currency swaps or other financial derivatives.

### Litigation

A landlord, who leased an office premises to Techglory International Limited ("TGI"), a wholly-owned subsidiary of the Group, issued a writ of summons of approximately HK$1,775,000 to TGI in respect of rental disputes. Due to unprofitable operation, TGI was wound up by way of creditors' voluntary winding up, and therefore, no provision in respect of TGI's obligation has been made in the consolidated financial statements.

### Prospects and Strategic Outlook

Entering the smartphone market is the only way forward for mobile phone brands, without exception. The success of smartphone market leader Apple can be mainly attributed to its outstanding operating system, together with a mobile application store offering over 75,000 applications to iPhone users. According to market intelligence provider IDC, the top three smartphone brands by shipment volume in the third quarter of 2009 were Nokia, Research In Motion (RIM) and Apple. They all deploy proprietary operating systems: The iPhone and BlackBerry are loaded with closed-source operating systems, while Nokia uses its Symbian.

Part of the market reflects the need for manufacturers to develop their own operating systems in order to stay the course and triumph in the smartphone stakes, prompting the manufacturers to realise the importance of controlling their own platforms. The remainder of the market considers that Android will be the core of various handset platforms. Nobody knows which of these competing approaches will be the ultimate winner in this race, but definitely it will be a marathon in the field of research and development.

With the fast internet access many smartphones now offer, users are starting to use their mobile phones for the internet browsing which a year ago they would normally have done on a desktop computer. Based on the latest research from BIA/Kelsey, a consulting and valuation services provider, a consumer study of US mobile phone users found that 18.5% of respondents used their mobile device to search for products or services, 15.9% for movies and entertainment information, and 13.3% for restaurant information.

Similar usage patterns exist in developed markets across the Asia Pacific region. A study conducted by Asia Pacific Mobile Observatory has shown that users principally view mobile phones as devices for organising their busy lives and to make them more productive and efficient. For these users, mobile phones are also a more convenient means of accessing products and services. Therefore, ease of web surfing via a particular mobile device will directly affect its popularity, and consequently its sales. As the mobile web matures, one of the spin-offs will be an increase in brand expenditure on mobile advertising, which is predicted to be bigger than spending on SMS marketing in 2009, and which will quadruple by 2014, according to Juniper Research.

Mobile distributors, retailers and operators alike also face the challenge of minimising their inventory levels. During this recession, mobile users have been keeping their devices for six to nine months longer than in the past, and are expected to be less inclined to allocate much of their disposable income to new devices, a factor that will prolong the handset replacement cycle. Many consumer indexes are showing slow pick-up of consumer spending after the economic crisis.

In view of the ever-changing mobile ecosystem, maintaining an adequate profit margin from the operation will be the main goal of the Company; hence it will consistently adopt a low-level inventory policy.

Sourcing for potential mobile devices will not be the only goal for the Company in the coming year. In view of the adverse market condition in telecommunications/consumer electronics industry, diversification will be one of the top challenges for the Group. We may enter into other non-mobile devices segments, given that the new business units will be able to provide better prospects to the Group.

## Employee Information

At 30 September 2009, the Group employed a work force of 61 (2008: 50). Staff costs, including salaries and bonuses, were approximately HK$16.4 million (2008: HK$45.7 million).

The Group adheres to a competitive remuneration policy to ensure it can motivate and retain existing employees as well as attract potential employees.

The remuneration packages mainly include salary payments, group medical insurance plans and discretionary bonuses awarded on a performance basis. The Group provides pension schemes for employees as part of their staff benefits.

# Corporate Governance Report

## CORPORATE GOVERNANCE PRACTICES

Adapting and adhering to recognised standards of corporate governance principles and practices has always been one of the top priorities of the Company. The board of directors of the Company (the "Board") believes that good corporate governance is one of the areas that leads to the success of the Company and in balancing the interests of shareholders, customers and employees, and the Board is devoted to ongoing enhancements of the efficiency and effectiveness of such principles and practices.

Throughout the year ended 30 September 2009, the Company has complied with the code provisions ("Code Provisions") set out in the Code of Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except for certain deviations specified with considered reasons as explained below.

## THE BOARD OF DIRECTORS

### Composition and Responsibilities

The Board currently comprises six directors, of which two are Executive Directors, one is a Non-executive Director, and three are Independent Non-executive Directors.

The Board members are:

*Executive Directors:*
Mr. SY Ethan, Timothy *(Chairman)*
Mr. SUNG Yee Keung, Ricky

*Non-executive Director:*
Mr. KO Wai Lun, Warren

*Independent Non-executive Directors:*
Mr. Andrew David ROSS
Mr. Geoffrey William FAWCETT
Mr. Charles Robert LAWSON

The biographical details of each director of the Company ("Director") are set out in the section "Human Capital" on page 20.

While the Board is primarily overseeing and managing the Company's affairs, the Chairman of the Board provides leadership to the Board in carrying out its duties. The Executive Directors constituting the senior management of the Company are delegated with responsibilities in the day-to-day management of the Company and make operational and business decisions within the control of and delegation framework of the Company. The Non-executive Directors (including Independent Non-executive Directors) contribute valuable views and proposals for the Board's deliberation and decisions.

The positions of Chairman of the Board and Chief Executive Officer ("CEO") of the Company are both currently carried on by Mr. SY Ethan, Timothy. Although Code Provision A.2.1 provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual, the Board considers that the structure currently operated by the Company does not undermine the balance of power and authority between the Board and the management. The Board members have considerable experience and qualities which they bring to the Company and the Board believes that it is able to ensure that the balance of power between the Board and the management is not impaired. The Board believes that having the same person performing the roles of both Chairman and CEO does provide the Group with strong and consistent leadership and that, operating in this manner allows for more effective and efficient overall strategic planning of the Group.

### Board Meetings

The Board members meet regularly, normally four times each year at approximately quarterly intervals, to discuss the overall strategy as well as the operational and financial performance of the Company. Other Board meetings will be held when necessary. Such Board meetings involve the active participation, either in person or through other electronic means of communication, of a majority of Directors. During the year ended 30 September 2009, four regular Board meetings were held and the attendance records of individual Directors are set out below:

| | **Number of Meetings Attended/Held** |
|---|---|
| *Executive Directors:* | |
| Mr. SY Ethan, Timothy | 4/4 |
| Mr. SUNG Yee Keung, Ricky | 0/4 |
| *Non-executive Director:* | |
| Mr. KO Wai Lun, Warren | 4/4 |
| *Independent Non-executive Directors:* | |
| Mr. Andrew David ROSS | 4/4 |
| Mr. Geoffrey William FAWCETT | 2/4 |
| Mr. Charles Robert LAWSON | 4/4 |

Appropriate notices are given to all Directors in advance for attending regular and other Board meetings. Meeting agendas and other relevant information are normally provided to the Directors in advance of Board meetings. All Directors are consulted to include additional matters in the agenda for Board meetings.

Directors have access to the advice and services of the Company Secretary with a view to ensuring that Board procedures, and all applicable rules and regulations, are followed.

Both draft and final versions of the minutes are sent to all Directors for their comments and records. Minutes of Board meetings are kept by the Company Secretary and such minutes are open for inspection at any reasonable time on reasonable prior notice by any Director.

### Appointment, Re-election and Removal

All Non-executive Directors have entered into service contracts with the Company for a specific term of two years.

Code Provision A.4.2 provides that every director should be subject to retirement by rotation at least once every three years. According to Article 116 of the articles of association, all Directors (except the CEO) shall retire by rotation at the annual general meeting of the Company at least once every three years. In the opinion of the Board, stability and continuation are key factors to the successful implementation of business plans. The Board believes that it is beneficial to the Group that there is continuity in the role of the CEO and, therefore, the Board is of the view that the CEO should be exempt from this arrangement at the present time.

The Board is collectively responsible for appointing new Directors either to fill casual vacancies or as additional Board members and removing any Director. Candidates to be appointed are those experienced, high calibre individuals with sufficient skill and knowledge required for the positions. All candidates must be able to meet the standards as set forth in rules 3.08 and 3.09 of the Listing Rules. A candidate who is to be appointed as an Independent Non-executive Director should also meet the independence criteria set out in rule 3.13 of the Listing Rules. During the year ended 30 September 2009, there was no change in the composition of the Board.

### Model Code for Securities Transactions by Directors

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct for dealing in securities of the Company by the Directors. Specific enquiry has been made to all Directors who have confirmed that they have complied with the required standard set out in the Model Code throughout the year under review.

### Confirmation of Independence

Each of the Independent Non-executive Directors has made an annual confirmation of independence pursuant to rule 3.13 of the Listing Rules. The Company is of the view that all Independent Non-executive Directors meet the independence guidelines set out in rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

## REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

### Emolument Policy

The remuneration policy of the Group is to ensure the fairness and competitiveness of total remuneration. The emoluments of Executive Directors are determined based on the skill, knowledge, individual performance as well as contributions, the scope of responsibility and accountability of such Directors, taking into consideration of the Company's performance and prevailing market conditions. The remuneration policy of Non-executive Directors (including Independent Non-executive Directors) is to ensure that the Non-executive Directors are adequately compensated for their efforts and time dedicated to the Company's affairs including their participation in respective Board committees. The emoluments of Non-executive Directors are determined with reference to their experience, duties and knowledge.

### Remuneration Committee

The Board established the Remuneration Committee in July 2006 with written terms of reference in compliance with the Code Provisions (which were further reviewed by the Board in June 2008). The Committee comprises three Independent Non-executive Directors, namely Messrs. Geoffrey William FAWCETT, Andrew David ROSS and Charles Robert LAWSON, one Non-executive Director, namely Mr. KO Wai Lun, Warren and one Executive Director, namely Mr. SY Ethan, Timothy, and is chaired by Mr. Geoffrey William FAWCETT.

The Remuneration Committee is responsible for, inter alia, making recommendations to the Board on the Company's emolument policy and on the establishment of a formal and transparent procedure for developing such policy. The revised written terms of reference of the Remuneration Committee are available on the Company's website.

During the year, the Remuneration Committee reviewed the remuneration packages of the Directors and employees of the Company.

The Remuneration Committee held one meeting during the year, and the attendance record of individual Committee members are set out below:

| | **Number of Meetings Attended/Held** |
|---|---|
| Mr. Geoffrey William FAWCETT *(Chairman)* | 1/1 |
| Mr. Andrew David ROSS | 1/1 |
| Mr. Charles Robert LAWSON | 1/1 |
| Mr. KO Wai Lun, Warren | 1/1 |
| Mr. SY Ethan, Timothy | 1/1 |

## ACCOUNTABILITY AND AUDIT

### Financial Reporting

The Board acknowledges its responsibility for the preparation of the financial statements which give a true and fair view of the state of affairs of the Group. The financial statements set out on pages 33 to 91 were prepared on a going concern basis. Financial results of the Group are announced in a timely manner in accordance with statutory and/or regulatory requirements.

During the year, the Company engaged Messrs. HLB Hodgson Impey Cheng ("HLB") as the external auditors. Apart from providing audit services, HLB also reviewed the interim results of the Group. The fees in respect of audit and non-audit services provided by HLB for the year ended 30 September 2009 approximately amounted to HK$1,100,000 and HK$270,000 respectively.

The reporting responsibilities of HLB are set out in the Independent Auditors' Report on pages 31 and 32.

## Internal Controls

The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness.

During the year, the Company conducted reviews on the effectiveness of the internal control system, which not only reviewed the adequacy of resources, but also the accounting and financial reporting functions, as required by the Code Provisions. The Audit Committee also reviewed with members of the management the work done and results of such reviews.

## Audit Committee

The existing Audit Committee of the Company was established in December 2004, with written terms of reference in compliance with the Code Provisions adopted in August 2005 (which were further reviewed by the Board in July 2006). The Audit Committee reports to the Board and has held regular meetings since its establishment to review and make recommendations to improve the Group's financial reporting process and internal controls. The Committee currently comprises three Independent Non-executive Directors, namely Messrs. Andrew David ROSS, Geoffrey William FAWCETT and Charles Robert LAWSON and one Non-executive Director, namely Mr. KO Wai Lun, Warren, and is chaired by Mr. Andrew David ROSS.

The revised written terms of reference of the Audit Committee are available on the Company's website.

During the year, the Audit Committee reviewed with the management of the Company the accounting principles and practices adopted by the Group, and discussed internal controls and financial reporting matters. The Audit Committee also met with the external auditors and reviewed the annual and interim reports of the Company.

The Audit Committee members met twice during the year, and the attendance records of individual Committee members are set out below:

| | **Number of Meetings Attended/Held** |
|---|---|
| Mr. Andrew David ROSS *(Chairman)* | 2/2 |
| Mr. Geoffrey William FAWCETT | 1/2 |
| Mr. Charles Robert LAWSON | 2/2 |
| Mr. KO Wai Lun, Warren | 2/2 |

## DELEGATION BY THE BOARD

While at all times the Board retains full responsibility for guiding and monitoring the Company in discharging its duties, certain responsibilities are delegated to various Board committees which have been established by the Board to deal with different aspects of the Company's affairs. Unless otherwise specified in their respective written terms of reference as approved by the Board, these Board committees are governed by the Company's articles of association as well as the Board's policies and practices (in so far as the same are not in conflict with the provisions contained in the articles of association).

The Board has also delegated the responsibility of implementing its strategies and the day-to-day operation to the management of the Company under the leadership of the Executive Directors. Clear guidance has been made as to the matters that should be reserved to the Board for its decision which include matters on, inter alia, capital, finance and financial reporting, internal controls, communication with shareholders, Board membership, delegation of authority and corporate governance.

## COMMUNICATION WITH SHAREHOLDERS

In order to provide more relevant information to our shareholders, the Company has also published on its website, the composition of the Board committees as well as their respective written terms of reference.

Specific enquiries from shareholders can be sent in writing to the Company at our head office in Hong Kong or by email or through the Company's Investor Relations Adviser.

# Human Capital

# Human Capital

After a period of successive set-backs, labour market conditions stabilised during the third quarter of 2009 amidst the initial phase of a tentative economic recovery. Though still exhibiting a considerable degree of weakness, a few positive developments emerged in the labour market towards the end of the third quarter. The decline in the seasonally adjusted unemployment rate was a particularly notable trend. At the same time, the decline in labour wages seen at the end of the second quarter began to ease off. Moreover, the effect of rocketing international oil prices and prices of other commodities, together with a rebound in local securities and the property market, have exerted an upward and inflationary pressure on prices. According to the Hong Kong Economic Report issued by Hong Kong SAR Government, Hong Kong's economy experienced slight consumer price inflation in September 2009.

The Management closely monitors labour market trends and staff performance is benchmarked to enable effective allocation of resources so as to ensure that the right staff are recruited and retained. To foster a performance-oriented organisation, the Management performs regular reviews of its human resources policies, as well as staff remuneration, professional development and succession plans.

The Group maintains its position of regarding human capital the top corporate priority because it is one of the company beliefs that its competitive edge relies entirely on its team of high-calibre staff who are able to react to a fast-paced consumer environment while staying close to the latest developments in technology and applications. Embedded training programmes are also designed to keep staff up to date with the latest technology trends, while a well-defined hierarchy is maintained to demonstrate a structured career path and to provide staff with adequate motivation to seek promotion within the Group.

In striving for efficiency and effectiveness in the competitive and rapidly evolving telecommunications industry, the Group requires its members to have continuity, and to be equipped with experience and the skills required to achieve total reliability in services to customers. Furthermore, our talents possess an individual and collective passion about what they do. To this end, we wish to extend our sincere appreciation to our colleagues for their untiring efforts and dedication during these difficult times.

# Human Capital

## EXECUTIVE DIRECTORS

**Mr. SY Ethan, Timothy**, aged 36, is the Chairman and Chief Executive Officer of the Company. He joined the Group in 1997 and is responsible for the Group's corporate strategies.

**Mr. SUNG Yee Keung, Ricky**, aged 44, is an Executive Director of the Company. He joined the Group in 1993 and is responsible for the Group's strategic planning. Mr. Sung has over 17 years of experience in the customer telecommunications industry and over 20 years of trading experience in the People's Republic of China.

## NON-EXECUTIVE DIRECTOR

**Mr. KO Wai Lun, Warren**, aged 42, is a Non-executive Director of the Company since 2003. Educated in England and Canada, Mr. Ko obtained his Bachelor of Science Degree from Simon Fraser University in Canada and Bachelor of Laws Degree in England. He was a partner of Richards Butler, an international law firm, between 2001 and 2005. He is currently a partner at the law firm, Robertsons and specialises in corporate finance work including initial public offerings, mergers and acquisitions and restructuring. He is qualified to practise law in both England and Wales and Hong Kong.

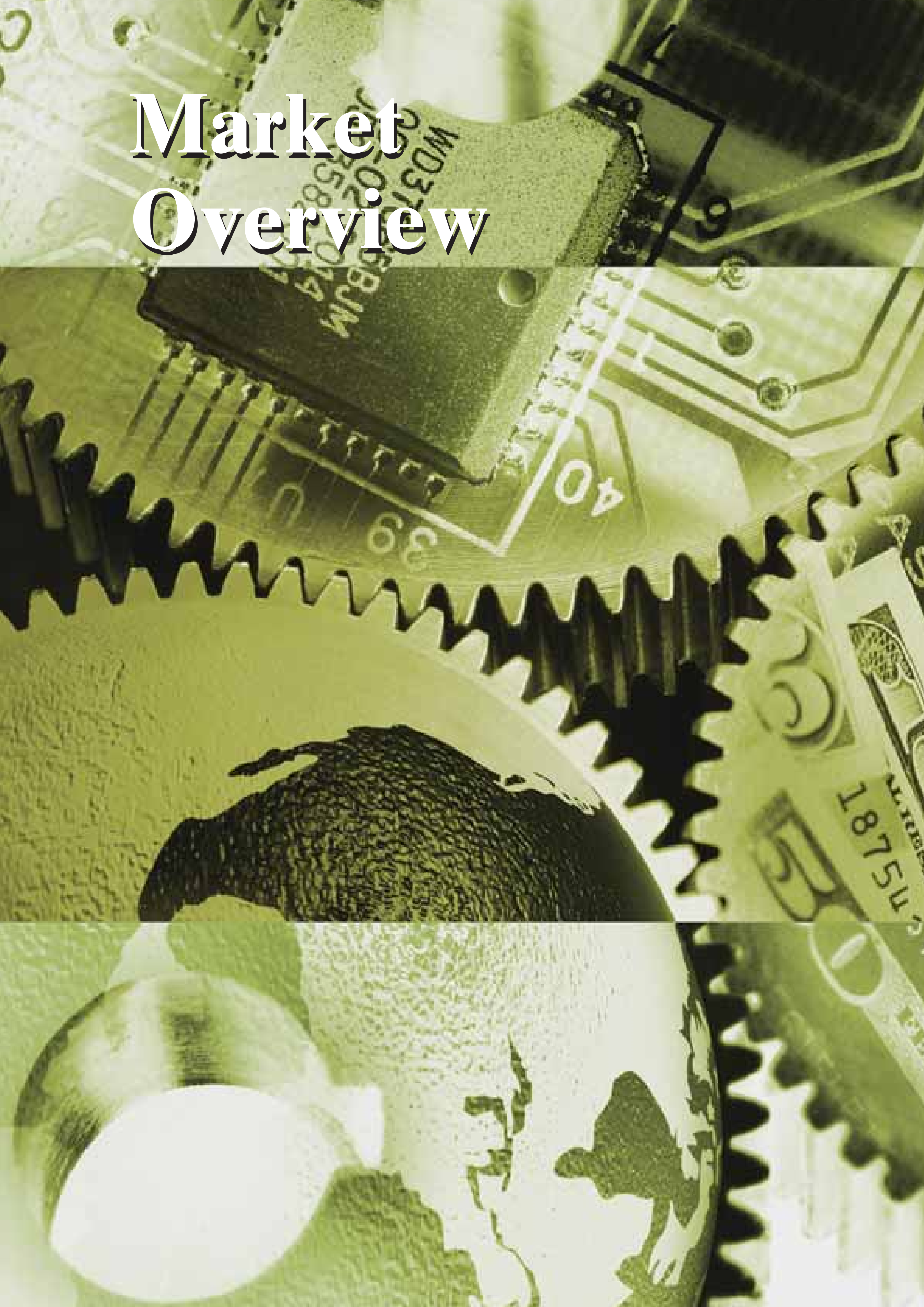
## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Andrew David ROSS**, aged 56, is an Independent Non-executive Director of the Company since 2004. He is a partner of Baker Tilly Hong Kong Limited, Certified Public Accountants and the finance director of Windy City International Limited. Mr. Ross holds a Bachelor of Arts Degree in Accountancy and Law and is a member of both the Institute of Chartered Accountants of Scotland and the Hong Kong Institute of Certified Public Accountants. Mr. Ross has over 30 years of experience in auditing, business accounting, taxation and business valuations and has been involved in due diligence investigations, preparation of pre-listing documents and giving expert opinions on a number of auditing and accounting issues.

**Mr. Geoffrey William FAWCETT**, aged 52, is an Independent Non-executive Director of the Company since 2004. Graduated from John Moores University of Liverpool, England, Mr. Fawcett has over 30 years of experience in the maritime transportation industry, particularly in successfully formulating plans and strategies for Fortune 200 level maritime transportation companies, the fastest growing US State Port Authority and a variety of other large international organisations.

**Mr. Charles Robert LAWSON**, aged 60, is an Independent Non-executive Director of the Company since 2005. Mr. Lawson is the senior vice president of Amerex International (H.K.) Limited. He is a fellow member of both the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants. Mr. Lawson has extensive experience in general and financial management. He has been exposed to a number of bank negotiations and restructuring documentation. He also has extensive knowledge of most of the areas in the Far East region.

# Market Overview



# Market Overview

According to Gartner, global mobile phone sales posted a mere 0.1% year-on-year growth in the third quarter of 2009. Nokia is still on top, securing a market share of 38%. Samsung and LG both saw their market share grow by 2.5%, taking second and third places respectively. The third runner-up was Motorola, whose market share dropped to 4.5%, while Sony Ericsson continued to lose market share, now down to 4.3%.

The major mobile phone manufacturers have shifted the war zone from basic models to the global smartphone market, which continued to weather the economic recession to reach a new record for shipments during a single quarter. According to IDC, during the third quarter of 2009, shipments of smartphones increased by 4.2% and 3.2%, compared with the third quarter of 2008 and second quarter of 2009 respectively.

Based on Gartner's report released in August 2009, mid-range mobile phone models are becoming less popular. Consumers are either scaling back to cheaper, low-end devices, or are opting for feature-loaded smartphones, which explains the surge in demand for smartphones. These latest devices are especially welcome by mobile network operators because, as a marketing tactic, they are usually bundled with expensive and high-usage data plans, which in turn increases the volume of smartphones being sold. Additionally, consumers, especially the technology-savvy demographic, are turning to smartphones as the primary device for obtaining first-hand updates from the web.

As in previous quarters, the top three smartphone vendors by shipment and market value were Nokia, RIM and Apple. However, in November 2009 Apple for the first time surpassed Nokia to become the most profitable mobile vendor. The profit margin at Nokia's mobile phone division has been shrinking during the global economic downturn, with smartphone sales falling in the third quarter to 35% from 41%. During the same period, Apple experienced a 25% increase in revenue while Nokia recorded a 20% drop.

Smartphones have already been on the market for over a decade. Based on research findings from mobile advertising specialist AdMob, the older generations of smartphones are out, and a new generation of smartphones with much better and faster browsing functions now dominates the trend. Advanced hardware, including super-size touch screens, high-pixel built-in cameras, Wi-Fi and 3G internet connectivity and mega storage compatibility are now considered just the basic requirements in a smartphone.

An operating system which determines the overall flow as well as browsing speed is now considered more the heart and soul of a smartphone. Mobile software companies are devoting substantial resources to the development of operating systems and related applications. Successful smartphone brands, such as Apple's iPhone, offer not only a smooth operating system but also complement their systems with a wide selection of applications, ranging from entertainment, games and music downloads, to stock market monitors. According to strategy and technology consultant Strategy Analytics, Symbian and RIM's BlackBerry together dominated the operating system market, with Symbian securing 44% and BlackBerry an impressive 20%. Apple iPhone took the third place followed by Windows Mobile. The iPhone operating system overtook Symbian in September 2009 to secure a 40% market share, while Symbian dropped 9% to 34%. However, as Android and the range of cloud computing is backed by Google, Gartner forecasts this operating system to take the number two spot by 2012. Besides, Motorola has recently launched its Motoblur and Samsung's proprietary Bada is on the way. These are just two notable new entrants to a market where further new arrivals are expected soon.

# Market Overview

Although smartphone brands remain confident about the potential for smartphones in the fourth quarter of 2009 and in 2010, there remain major challenges ahead for the mobile phone industry. Although sales of smartphones still represent a fraction of the overall mobile phone market, they are growing rapidly, while sales of basic mobile phones are flat. As smartphones gain mainstream acceptance, the market's sharp growth has broken down the wall between retail and corporate markets, the latter being bolstered by executives and professionals. Smartphones are now being eagerly acquired by consumers to replace their older mobile phones. So it is logical to assume that, if equipped with adequately user-friendly applications, smartphones will one day be in a head-on battle with basic mobile phone models in the mid-low tier market, a scenario which will further intensify competition and bring on another round in the elimination race.

At the same time, the flourishing grey-market for counterfeit mobile phones is beginning to threaten the mobile phone market. To visualise the extent of its impact, when China Unicom recently began offering Apple's iPhone, it sold a mere 5,000 units during the first weekend, while Apple sold one million units in the United States on its first weekend earlier this year, according to Reuters. And the grey-market extends well beyond China: in Africa, Eastern Europe, Latin America and even the United States, mobile phone counterfeits are propagating. Industry experts calculate that the grey-market now constitutes 13% of mobile phone supply globally. Legal mobile phone manufacturers are also extremely concerned because the chances are that these players will develop the expertise to enter the legal market.

Last but not least, in an already crowded market, fierce competition among smartphone brands continues to intensify, as it does among the operating systems, whether or not they are owned by mobile phone brands. Tremendous resources have been allocated to research and development to catch up with consumer demand and expectations that never cease rising. And thanks to the huge marketing and promotional expenses involved in launching new models, the industry's already slim margins are likely to be further eroded.

In conclusion, blockbuster devices, aggressive pricing, extensive marketing and constant innovation remain vital to survival in an extremely competitive mobile phone industry.

# Corporate Information

| | |
|---|---|
| Executive Directors | Mr. SY Ethan, Timothy<br>Mr. SUNG Yee Keung, Ricky |
| Non-executive Director | Mr. KO Wai Lun, Warren |
| Independent Non-executive Directors | Mr. Andrew David ROSS<br>Mr. Geoffrey William FAWCETT<br>Mr. Charles Robert LAWSON |
| Registered office | Ugland House<br>South Church Street<br>P.O. Box 309<br>George Town<br>Grand Cayman<br>Cayman Islands |
| Head office and principal place of business | 2305 Enterprise Square Three<br>39 Wang Chiu Road<br>Kowloon Bay<br>Kowloon<br>Hong Kong<br>Tel. : 2425-8888<br>Fax. : 3181-9980<br>E-mail : info@iglobaltech.com<br>Website : www.iglobaltech.com |
| Company Secretary | Ms. WONG Shuk Ching |
| Authorised representatives | Mr. SY Ethan, Timothy<br>Ms. WONG Shuk Ching |
| Auditors | HLB Hodgson Impey Cheng<br>Chartered Accountants<br>Certified Public Accountants<br>31/F., Gloucester Tower<br>The Landmark<br>11 Pedder Street<br>Central<br>Hong Kong |

# Corporate Information

| | |
|---|---|
| Hong Kong legal advisers | Richards Butler<br>20/F., Alexandra House<br>16-20 Chater Road<br>Central<br>Hong Kong |
| Principal banker | DBS Bank (Hong Kong) Limited<br>G/F., The Center<br>99 Queen's Road Central<br>Central<br>Hong Kong |
| Principal share registrar and transfer office | Butterfield Fulcrum Group (Cayman) Limited<br>Butterfield House<br>68 Fort Street, P.O. Box 705<br>Grand Cayman KY1-1107<br>Cayman Islands |
| Hong Kong branch share registrar and transfer office | Tricor Abacus Limited<br>26/F., Tesbury Centre<br>28 Queen's Road East<br>Hong Kong |
| Singapore share transfer agent | Boardroom Corporate & Advisory Services Pte. Ltd.<br>3 Church Street<br>#08-01 Samsung Hub<br>Singapore 049483 |
| Listing information | The Stock Exchange of Hong Kong Limited: 143<br>Singapore Exchange Securities Trading Limited: G11 |
| Investor relations adviser | t6.communications limited<br>Room 1302<br>McDonald's Building<br>48 Yee Wo Street<br>Causeway Bay<br>Hong Kong<br>Tel. : 2511-8388<br>Fax. : 2511-8238<br>E-mail : enquiry@t6pr.com |

# Report of the Directors

The Directors submit their report together with the audited financial statements of the Company and the Group for the year ended 30 September 2009.

## PRINCIPAL ACTIVITIES AND SEGMENT INFORMATION

The principal activity of the Company is investment holding. The principal activities of the principal subsidiaries of the Company are set out in note 20 to the consolidated financial statements.

An analysis of the Group's performance for the year ended 30 September 2009 by business and geographical segments is set out in note 8 to the consolidated financial statements.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 September 2009 are set out in the consolidated income statement on page 33.

The Directors resolved not to make any payment of an interim dividend (2008: HK$Nil) and do not recommend the payment of a final dividend (2008: HK$Nil) for the year ended 30 September 2009.

## RESERVES

Movements in the reserves of the Group and the Company during the year ended 30 September 2009 are set out in the consolidated statement of changes in equity on page 37 and note 34 to the consolidated financial statements respectively.

## DONATIONS

The Group made no charitable and other donations (2008: HK$10,000) during the year ended 30 September 2009.

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year ended 30 September 2009 are set out in note 18 to the consolidated financial statements.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 30 September 2009.

## BANK BORROWINGS

Details of the bank borrowings of the Group at 30 September 2009 are set out in note 31 to the consolidated financial statements.

## DIRECTORS

The Directors who held office during the year ended 30 September 2009 and up to the date of this report are as follows:

Mr. SY Ethan, Timothy
Mr. SUNG Yee Keung, Ricky
Mr. KO Wai Lun, Warren*
Mr. Andrew David ROSS**
Mr. Geoffrey William FAWCETT**
Mr. Charles Robert LAWSON**

* *Non-executive Director*
** *Independent Non-executive Director*

In accordance with Article 116 of the Articles of Association of the Company, Messrs. SUNG Yee Keung, Ricky and Geoffrey William FAWCETT shall retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

## BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of the Directors are set out on page 20.

## DISTRIBUTABLE RESERVES

Details of distributable reserves of the Company at 30 September 2009 are set out in note 34 to the consolidated financial statements.

## FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 92.

## DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the forthcoming annual general meeting have a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

## CONNECTED TRANSACTIONS

No transactions were entered into by the Group during the year ended 30 September 2009, which constitute connected transactions under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

## DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 37 to the consolidated financial statements, no Director had material beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries was a party at any time during the year ended 30 September 2009.

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year, no Director has been recorded as having interests in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

## DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 30 September 2009, the following Directors and chief executive of the Company had the following interests in long positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 352 of the Securities and Futures Ordinance (Chapter 571 of the Laws of the Hong Kong) (the "SFO"):

### (a) Ordinary shares

| Name of Director | Number of shares held as at 30 September 2009 | Approximate percentage of shareholding | Capacity in which interests are held |
|---|---|---|---|
| Mr. SUNG Yee Keung, Ricky | 72,913,303 * | 1.41% | Beneficial owner |

* These shares include 250,000 shares which were jointly owned by Ms. SUNG Mei Ling, the sister of Mr. SUNG Yee Keung, Ricky.

### (b) Share options

| Name of Director | Date of grant | Exercise price per share HK$ | Exercise period | Number of options held at 1 October 2008 | Number of options expired during the year | Number of options held at 30 September 2009 | Capacity in which interests are held |
|---|---|---|---|---|---|---|---|
| Mr. SY Ethan, Timothy | 26 April 1999 | 0.150 | 25 May 1999 to 24 May 2009 | 100,000,000 | (100,000,000) | – | Beneficial owner |

The above share options are unlisted physically settled options granted pursuant to a share option scheme adopted on 16 March 1999, details of which are set out in note 36 to the consolidated financial statements. Upon exercise of the share options in accordance with the said share option scheme, ordinary shares of HK$0.01 each in the share capital of the Company are issuable.

Save as disclosed above, at 30 September 2009, none of the Directors, chief executive of the Company or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO, or were required to be notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

Apart from the above, at no time during the year was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

## INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS DISCLOSEABLE UNDER THE SFO

At 30 September 2009, the register of substantial shareholders maintained under section 336 of the SFO shows that the following companies (not being Directors or chief executive of the Company) had long positions of 5% or more in the shares of the Company which fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

| Name of shareholder | Capacity | Number of shares | Approximate percentage of shareholding |
|---|---|---|---|
| Optimum Pace International Limited | Beneficial owner | 2,942,608,695 | 56.96% |

Save as disclosed above, no other person was recorded in the register required to be kept under section 336 of the SFO as having an interest or short position in the shares or underlying shares of the Company as at 30 September 2009.

## 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 ended 30 September 2009.

## MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales for the year ended 30 September 2009 attributable to the Group's major suppliers and customers are as follows:

| | Percentage of the total purchases/sales accounted for |
|---|---|
| Purchases | |
| – the largest supplier | 58.1% |
| – five largest suppliers combined | 90.3% |
| Sales | |
| – the largest customer | 64.4% |
| – five largest customers combined | 84.4% |

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

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association although there are no restrictions against such rights under the laws of the Cayman Islands.

## PENSION SCHEME

On 1 December 2000, the Group set up a Mandatory Provident Fund Scheme (the "MPF Scheme") in accordance with the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). The assets of the MPF Scheme are held separately from those of the Group and are under the control of an independent trustee.

Both the Group and its employees are required to contribute 5% of the employees' monthly salaries. The mandatory contributions required to be made respectively by the Group and an employee are each capped at HK$1,000 per month. Members are entitled to 100% of the employers' mandatory contributions as soon as they are paid to the relevant MPF Scheme but all benefits derived from the mandatory contributions must be preserved until an employee reaches the retirement age of 65 or in accordance with the rules of the MPF Scheme.

In addition to the mandatory contributions, the Group makes voluntary contributions for certain employees during the year. Total monthly contributions made by the Group to an employee are capped at 5% of the relevant employee's salaries.

## PUBLIC FLOAT

Based on information publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained the prescribed public float under the Listing Rules.

## AUDITORS

Messrs. HLB Hodgson Impey Cheng will retire at the forthcoming annual general meeting of the Company and a resolution for their re-appointment as auditors of the Company will be proposed at the said meeting.

On behalf of the Board
**SY Ethan, Timothy**
*Chairman*

Hong Kong, 11 January 2010

HLB 國衛會計師事務所
Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

**INDEPENDENT AUDITORS' REPORT**
**TO THE SHAREHOLDERS OF GLOBAL TECH (HOLDINGS) LIMITED**
*(incorporated in the Cayman Islands with limited liability)*

We have audited the consolidated financial statements of Global Tech (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 33 to 91 which comprise the consolidated and company balance sheets at 30 September 2009, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

## DIRECTOR'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

## AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

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

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

## OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and the Group at 30 September 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**HLB Hodgson Impey Cheng**
Chartered Accountants
Certified Public Accountants

Hong Kong, 11 January 2010

# Consolidated Income Statement

For the year ended 30 September 2009

| | Notes | 2009 HK$'000 | 2008 HK$'000 |
|---|---|---|---|
| **Turnover** | 7 | **30,927** | 676,356 |
| **Cost of sales** | | **(23,708)** | (738,652) |
| **Gross profit/(loss)** | | **7,219** | (62,296) |
| **Other revenue** | 9 | **52,979** | 2,873 |
| **Other income** | 10 | **407,327** | 411 |
| **Selling and distribution expenses** | | **(3,125)** | (21,135) |
| **Administrative expenses** | | **(43,414)** | (85,725) |
| **Other operating expenses** | | **(419,679)** | (1,975) |
| **Profit/(loss) from operations** | 11 | **1,307** | (167,847) |
| **Finance costs** | 12 | **(1,245)** | (3,585) |
| **Fair value gain on investment property** | 17 | **1,800** | – |
| **Realised gains on disposal of available-for-sale financial assets** | | **520** | – |
| **Profit/(loss) before taxation** | | **2,382** | (171,432) |
| **Taxation** | 13 | **(297)** | 12 |
| **Profit/(loss) for the year** | 14 | **2,085** | (171,420) |
| **Dividends** | 15 | **–** | – |
| **Earnings/(loss) per share attributable to equity holders of the Company** | | | |
| Basic and diluted | 16 | **HK$0.001** | HK$(0.033) |

All of the Group's activities are classified as continuing operations.

The accompanying notes form an integral part of these consolidated financial statements.

# Consolidated Balance Sheet

At 30 September 2009

| | Notes | 2009<br>HK$'000 | 2008<br>HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment property | *17* | **13,800** | 12,000 |
| Property, plant and equipment | *18* | **1,624** | 3,983 |
| Intangible assets | *19* | **–** | 29,381 |
| Available-for-sale financial assets | *22* | **19,352** | 12,301 |
| | | **34,776** | 57,665 |
| **Current assets** | | | |
| Inventories | *23* | **1,473** | 3,668 |
| Trade receivables | *24* | **40,722** | 44,967 |
| Prepayments, deposits and other receivables | *25* | **7,300** | 9,055 |
| Financial assets at fair value through profit or loss | *26* | **416** | 5,761 |
| Pledged time deposits | *27* | **4,662** | 106,360 |
| Cash and bank balances | *28* | **69,439** | 8,217 |
| | | **124,012** | 178,028 |
| **Current liabilities** | | | |
| Trade payables | *29* | **1,029** | 7,652 |
| Accrued charges and other payables | *30* | **5,843** | 22,502 |
| Tax payable | | **52,993** | 52,535 |
| Bank borrowings – secured | *31* | **–** | 61,863 |
| | | **59,865** | 144,552 |
| **Net current assets** | | **64,147** | 33,476 |
| **Total assets less current liabilities** | | **98,923** | 91,141 |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | *32* | **801** | 504 |
| **Net assets** | | **98,122** | 90,637 |

# Consolidated Balance Sheet

At 30 September 2009

| | Notes | 2009<br>HK$'000 | 2008<br>HK$'000 |
|---|---|---|---|
| **Equity** | | | |
| **Capital and reserves attributable to equity holders of the Company** | | | |
| Share capital | *33* | **51,659** | 51,659 |
| Reserves | | **46,463** | 38,978 |
| **Total equity** | | **98,122** | 90,637 |

The consolidated financial statements were approved and authorised for issue by the board of directors on 11 January 2010 and signed on its behalf by:

**SY Ethan, Timothy**
*Executive Director*

**SUNG Yee Keung, Ricky**
*Executive Director*

The accompanying notes form an integral part of these consolidated financial statements.

# Balance Sheet

At 30 September 2009

| | Notes | 2009 HK$'000 | 2008 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Interests in subsidiaries | 20 | **24,764** | 83,828 |
| Available-for-sale financial assets | 22 | **5,300** | 10,500 |
| | | **30,064** | 94,328 |
| **Current assets** | | | |
| Amounts due from subsidiaries | 21 | **8,185** | 2,024 |
| Prepayments, deposits and other receivables | 25 | **282** | 328 |
| Cash and bank balances | 28 | **5,192** | 610 |
| | | **13,659** | 2,962 |
| **Current liabilities** | | | |
| Accrued charges and other payables | 30 | **3,926** | 4,629 |
| Amounts due to subsidiaries | | **6,679** | – |
| | | **10,605** | 4,629 |
| **Net current assets/(liabilities)** | | **3,054** | (1,667) |
| **Net assets** | | **33,118** | 92,661 |
| **Equity** | | | |
| **Capital and reserves attributable to equity holders of the Company** | | | |
| Share capital | 33 | **51,659** | 51,659 |
| (Deficit)/reserves | 34 | **(18,541)** | 41,002 |
| **Total equity** | | **33,118** | 92,661 |

The financial statements were approved and authorised for issue by the board of directors on 11 January 2010 and signed on its behalf by:

**SY Ethan, Timothy**
*Executive Director*

**SUNG Yee Keung, Ricky**
*Executive Director*

The accompanying notes form an integral part of these financial statements.

# Consolidated Statement of Changes in Equity

**For the year ended 30 September 2009**

| | Share capital HK$'000 | Share premium HK$'000 | Capital reserve HK$'000 | Capital redemption reserve HK$'000 | Investment property revaluation reserve HK$'000 *(Note)* | Investment revaluation reserve HK$'000 | Exchange difference reserve HK$'000 | Accumulated losses HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|---|---|
| At 1 October 2007 | 51,659 | 457,804 | 2,450 | 160 | 2,521 | – | 2,971 | (255,397) | 262,168 |
| Exchange differences | – | – | – | – | – | – | (111) | – | (111) |
| Loss for the year | – | – | – | – | – | – | – | (171,420) | (171,420) |
| At 30 September 2008 and 1 October 2008 | 51,659 | 457,804 | 2,450 | 160 | 2,521 | – | 2,860 | (426,817) | 90,637 |
| Exchange differences | – | – | – | – | – | – | 1,133 | – | 1,133 |
| Gain on fair value change of available-for-sale financial assets | – | – | – | – | – | 5,880 | – | – | 5,880 |
| Release of translation reserve upon deregistration of overseas branch and office | – | – | – | – | – | – | (1,564) | – | (1,564) |
| Release of translation reserve upon deconsolidation of subsidiaries | – | – | – | – | – | – | (49) | – | (49) |
| Profit for the year | – | – | – | – | – | – | – | 2,085 | 2,085 |
| **At 30 September 2009** | **51,659** | **457,804** | **2,450** | **160** | **2,521** | **5,880** | **2,380** | **(424,732)** | **98,122** |

*Note:*

The balance of investment property revaluation reserve of the Group represented the revaluation reserve arising from the transfer of leasehold land and buildings to investment property and such amount will not be recognised in the consolidated income statement until disposal of such investment property.

# Consolidated Cash Flow Statement

For the year ended 30 September 2009

| | 2009<br>HK$'000 | 2008<br>HK$'000 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Profit/(loss) before taxation | **2,382** | (171,432) |
| Adjustments for: | | |
| Depreciation | **1,269** | 1,925 |
| Amortisation of intangible assets | **3,480** | 6,960 |
| Fair value gain on investment property | **(1,800)** | – |
| Fair value gains on financial assets at fair value through profit or loss | **(2,177)** | – |
| Impairment loss in intangible assets | **25,901** | – |
| Impairment loss in property, plant and equipment | **1,785** | – |
| Impairment loss in available-for-sale financial assets | **186** | – |
| Impairment loss in trade receivables | **30** | 705 |
| Write down in inventories | **1,898** | – |
| Impairment loss in other receivables | **391,531** | – |
| Reversal of impairment loss of trade receivables | **(967)** | – |
| Realised gains on disposal of available-for-sale financial assets | **(520)** | – |
| Loss on disposals of property, plant and equipment | **86** | 1,270 |
| Net gain on deconsolidation of subsidiaries in winding up | **(400,093)** | – |
| Written off of trade receivables | **(1,077)** | – |
| Written off of accrued charges and other payables | **(6,244)** | – |
| Written off of property, plant and equipment | **105** | – |
| Dividend income | **(181)** | (49) |
| Interest income | **(680)** | (2,824) |
| Interest expenses | **1,245** | 3,585 |
| Operating cash flows before movements in working capital | **16,159** | (159,860) |
| Decrease in inventories | **297** | 96,702 |
| Decrease in trade receivables | **6,259** | 106,423 |
| Decrease in prepayments, deposits and other receivables | **1,642** | 24,931 |
| Increase in financial assets at fair value through profit or loss | **–** | (2,645) |
| Decrease in trade payables | **(6,623)** | (75,956) |
| Decrease in accrued charges and other payables | **(615)** | (27,389) |
| Cash generated from/(used in) operations | **17,119** | (37,794) |
| Interest expenses | **(1,245)** | (3,585) |
| Profits tax refund/(paid) | **458** | (18) |
| Net cash generated from/(used in) operating activities | **16,332** | (41,397) |

# Consolidated Cash Flow Statement

For the year ended 30 September 2009

| | 2009<br>HK$'000 | 2008<br>HK$'000 |
|---|---|---|
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchase of property, plant and equipment | **(944)** | (2,910) |
| Proceeds from disposals of property, plant and equipment | **56** | 44 |
| Proceeds from disposals of available-for-sale financial assets | **6,550** | – |
| Net cash outflow arising from deconsolidation of subsidiaries in winding up | **(1,037)** | – |
| Interest income | **680** | 2,824 |
| Dividend income | **181** | 49 |
| Net cash generated from investing activities | **5,486** | 7 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Decrease in bank borrowings | **(61,863)** | (8,333) |
| Decrease/(increase) in pledged time deposits | **101,698** | (31,156) |
| Payment of capital element of finance lease | **–** | (42) |
| Net cash generated from/(used in) financing activities | **39,835** | (39,531) |
| **Net increase/(decrease) in cash and cash equivalents** | **61,653** | (80,921) |
| **Cash and cash equivalents at the beginning of the year** | **8,217** | 27,387 |
| **Effect of foreign exchange rate changes** | **(431)** | (112) |
| **Cash and cash equivalents at the end of the year** | **69,439** | (53,646) |
| **Analysis of the balances of cash and cash equivalents** | | |
| Cash and bank balances | **69,439** | 8,217 |
| Bank overdrafts *(note 31)* | **–** | (61,863) |
| | **69,439** | (53,646) |

## 1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 9 December 1998 as an exempted company with limited liability and its shares have a primary listing on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and a secondary listing on Singapore Exchange Securities Trading Limited.

The registered office of the Company is Ugland House, South Church Street, P.O. Box 309, George Town, Grand Cayman, Cayman Islands and the principal place of business of the Company is located at 2305 Enterprise Square Three, 39 Wang Chiu Road, Kowloon Bay, Kowloon, Hong Kong.

The principal activity of the Company is investment holding and the principal activities of its principal subsidiaries are set out in note 20 to the consolidated financial statements.

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

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, the following new standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1 October 2008. A summary of the new and revised HKFRSs adopted by the Group is set out as follows:

| | |
|---|---|
| Amendments to HKAS 39 and HKFRS 7 | Reclassification of Financial Assets |
| HK(IFRIC) – Int 9 and HKAS 39 (Amendments) | Embedded Derivatives |
| HK(IFRIC) – Int 12 | Service Concession Arrangements |
| HK(IFRIC) – Int 13 | Customer Loyalty Programmes |
| HK(IFRIC) – Int 14 | HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction |
| HK(IFRIC) – Int 16 | Hedges of a Net Investment in a Foreign Operation |
| HK(IFRIC) – Int 18 | Transfers of Assets from Customers |

HKAS 39 Financial Instruments: Recognition and Measurement amendment on reclassification of financial assets permits reclassification of certain financial assets out of the held-for-trading category if specified conditions are met. The related amendment to HKFRS 7 – Financial Instruments: Disclosures, introduces disclosure requirements with respect to financial assets reclassified out of the held-for-trading category. The amendment is effective prospectively from 1 July 2008. The Group has reclassified certain financial assets out of the held-for-trading category pursuant to this amendment.

Except for the adoption of the Amendments to HKAS 39 and HKFRS 7 as described above, the adoption of the other amendments and new interpretations had no material effect on the results and financial position of the Group for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

## 3. ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

| | |
|---|---|
| HKFRSs (Amendments) | Improvements to HKFRSs[1] |
| HKFRSs (Amendments) | Improvements to HKFRSs 2009[2] |
| HKAS 1 (Revised) | Presentation of Financial Statements[3] |
| HKAS 23 (Revised) | Borrowing Costs[3] |
| HKAS 24 (Revised) | Related Party Disclosures[4] |
| HKAS 27 (Revised) | Consolidated and Separate Financial Statements[5] |
| HKAS 32 (Amendment) | Classification of Right Issues[6] |
| HKAS 32 & HKAS 1 (Amendments) | Puttable Financial Instruments and Obligations Arising on Liquidation[3] |
| HKAS 39 (Amendment) | Eligible Hedged Item[5] |
| HKFRS 1 (Amendment) | Additional Exemptions for First-Time Adopters[7] |
| HKFRS 1 and HKAS 27 (Amendments) | Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[3] |
| HKFRS 2 (Amendment) | Share-based Payment – Vesting Conditions and Cancellations[3] |
| HKFRS 2 (Amendment) | Share-based Payment – Group Cash-settled Share-based Payment Transactions[7] |
| HKFRS 7 (Amendment) | Improving Disclosures about Financial Instruments[3] |
| HKFRS 3 (Revised) | Business Combinations[5] |
| HKFRS 8 | Operating Segments[3] |
| HK(IFRIC) – Int 15 | Agreements for the Construction of Real Estate[3] |
| HK(IFRIC) – Int 17 | Distributions of Non-cash Assets to Owners[5] |

1 Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009

2 Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate

3 Effective for annual periods beginning on or after 1 January 2009

4 Effective for annual periods beginning on or after 1 January 2011

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

6 Effective for annual periods beginning on or after 1 February 2010

7 Effective for annual periods beginning on or after 1 January 2010

## 3. ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination of the Group for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 October 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. HKAS 23 (Revised) will remove the option of immediately expensing those borrowing cost directly attributable to the acquisition, construction or production of a qualifying asset.

The management is in the process of making an assessment of the impact of these new or revised standards, amendments or interpretations.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements of the Group and of the Company are set out below. These policies have been consistently applied to all the year presented, unless otherwise stated.

### (a) Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable HKFRSs, which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations ("Ints") issued by the HKICPA and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosure provisions of The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and the disclosure requirements of the Hong Kong Companies Ordinance.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost convention, as modified for the revaluation of certain financial assets at fair value through profit or loss, available-for-sale financial assets and investment property which are stated at their fair values. The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the application of the Group's accounting policies.

### (b) Basis of consolidation

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

***Subsidiaries***

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

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

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

### (b) Basis of consolidation (continued)

***Subsidiaries (continued)***

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

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

### (c) Interests in subsidiaries

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

### (d) Segment reporting

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

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

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

### (e) Revenue recognition

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

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

ii. Service income is recognised when services are rendered;

iii. Sale of financial assets are recognised on a trade date basis;

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

v. Dividend income from investments is recognised when the Group's right to receive payment is established.

### (f) Property, plant and equipment

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

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

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

| | |
|---|---|
| Computers and equipment | 20-30% |
| Furniture and fixtures | 20% |
| Leasehold improvements | 20-100% |
| Motor vehicles | 30% |

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

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

### (g) Investment property

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

Investment property is carried at fair value. The fair value of investment property is based on a valuation by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the property being valued. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Changes in fair values are recognised in the consolidated income statement.

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

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

### (h) Leases

Leases are classified as finance leases whenever the terms of the leases transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value at the date of acquisition or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as an obligation under finance lease. Finance charges are charged directly to the consolidated income statement, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

Rentals payable under operating leases are charged to the consolidated income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

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

### (i) Foreign currency translation

#### *i. Functional and presentation currency*

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

#### *ii. Transactions and balances*

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

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the reserve in equity.

#### *iii. Group companies*

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

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

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

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

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

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

### (j) Employee benefits

#### *i. Employee leave entitlements*

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

#### *ii. Retirement benefit obligations*

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

The Group also undertakes mandatory pension schemes covering retirement benefits for its Taiwan employees as required by relevant legislations and regulations in Taiwan.

The Group also undertakes the state-sponsored retirement benefits scheme organised by the relevant local government authority for its employees in the People's Republic of China.

#### *iii. Share-based compensation*

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

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

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

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

### (k) Taxation

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

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

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

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

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

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

### (l) Intangible assets

Intangible assets acquired separately and with finite useful lives are carried at cost less accumulated amortisation and any identified impairment losses (see note 4(p)). Amortisation for intangible assets with finite useful lives are charged to the consolidated income statement on a straight-line basis over their estimated useful lives.

The Group's intangible assets with finite useful lives amortised from the date they are available for use and the estimated useful life is as follows:

| | |
|---|---|
| Customer list | 10 years |
| Handset market data bank | 3 years |

Both the useful lives and the methods of amortisation are reviewed annually.

### (m) Inventories

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

### (n) Trade and other receivables

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

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

### (o) Financial instruments

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

#### *i. Financial assets*

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

*Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss comprise financial assets held for trading purpose and derivative financial instruments that are not designated as effective hedging instruments. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in the consolidated income statement in the period in which they arise.

*Loans and receivables*

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

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

### (o) Financial instruments (continued)

#### *i. Financial assets (continued)*

*Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated or not classified as any of the other categories (set out above). At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in the consolidated income statement. Any impairment losses on available-for-sale financial assets are recognised in the consolidated income statement. Impairment losses on available-for-sale financial assets will not reverse in subsequent periods. For available-for-sale financial assets, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in the consolidated income statement when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not be reversed in subsequent periods.

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

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

### (o) Financial instruments (continued)

#### *ii. Financial liabilities and equities*

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at fair value through profit or loss and other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

*Financial liabilities*

Financial liabilities including trade payables, accrued charges and other payables and bank borrowings, are subsequently measured at amortised cost, using the effective interest rate method. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

*Financial guarantee contracts*

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs if a specified debtor fails to make payment when due in accordance with the original or modified terms of debt instrument. A financial guarantee contract issued by the Group and not designated as financial assets at fair value through profit or loss is recognised initially at its fair value less transaction costs which are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

#### *iii. Derecognition*

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred or the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in the consolidated income statement.

For financial liabilities, they are removed from the Group's consolidated balance sheet when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in the consolidated income statement.

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

### (p) Impairment of assets

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

#### *i. Calculation of recoverable amount*

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

#### *ii. Reversals of impairment losses*

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

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

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

### (q) Cash and cash equivalents

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

### (r) Provision

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

### (s) Borrowings

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

### (t) Contingent liabilities and contingent assets

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

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

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

### (u) Related parties transactions

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

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

## 5. FINANCIAL RISK MANAGEMENT

### Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, prepayments, deposits and other receivables, financial assets at fair value through profit or loss, pledged time deposits, cash and bank balances, trade payables, accrued charges and other payables and bank borrowings. Details of these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

**Categories of financial instruments**

| | **2009** | 2008 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| **Financial assets** | | |
| Loans and receivables (including cash and bank balances) | **122,123** | 168,599 |
| Financial assets at fair value through profit or loss | **416** | 5,761 |
| Available-for-sale financial assets | **19,352** | 12,301 |
| **Financial liabilities** | | |
| Amortised costs | **6,872** | 92,017 |

## 5. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Financial risk factors

The Group is exposed to a variety of financial risks: market risk (including foreign exchange risk and price risk), credit risk, liquidity risk and cash flow and fair value interest rate risk, which result from both its operating and investing activities. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Management regularly manages the financial risks of the Group. Because of the simplicity of the financial structure and the current operations of the Group, no major hedging activities are undertaken by management.

### (i) Market risk

#### *(1) Foreign exchange risk*

The Group operates mainly in Hong Kong, principally with respect to Hong Kong Dollars. Hong Kong Dollars are pegged to the United States Dollars and the foreign exchange rate exposure between them are considered limited.

#### *(2) Price risk*

The Group's equity investments classified as available-for-sale financial assets and financial assets at fair value through profit or loss which are measured at fair value at each balance sheet date and expose the Group to price risk.

The Group's equity price risk is mainly concentrated on listed equity securities which quoted in The Stock Exchange of Hong Kong Limited. The management will monitor the price movements and take appropriate actions when it is required.

*Sensitivity analysis on price risks management*

The sensitivity analyses below have been determined based on the exposure to price risks on listed equity securities at the reporting date.

If the prices of the respective equity instruments have been 5% higher/lower, profit before taxation for the Group would be increased/decreased by approximately HK$21,000 (2008: loss decreased/increased by approximately HK$288,000) as a result of the changes of fair value of financial assets at fair value through profit or loss.

Investment revaluation reserve for the Group would be increased/decreased by approximately HK$670,000 (2008: HK$Nil) as a result of the changes of available-for-sale financial assets.

## 5. FINANCIAL RISK MANAGEMENT (CONTINUED)

**Financial risk factors (continued)**

***(ii) Credit risk***

The carrying amounts of trade and other receivables included in the consolidated balance sheet represent the Group's maximum exposure to credit risk in relation to the Group's financial assets. No other financial assets carry a significant exposure to credit risk.

In order to minimise the credit risk, the management of the Group has credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In this regards, the Directors consider that the Group's credit risk is significantly reduced.

The Group's concentration of credit risk by geographical location is mainly in Hong Kong. The Group also has concentration of credit risk by customers as approximately 94% (2008: 92%) and 100% (2008: 98%) of total trade receivables were due from the Group's largest customer and the five largest customers respectively.

The Group performs ongoing credit evaluation of its customers' financial condition and requires no collateral from its customers. The impairment loss in trade receivables is based upon a review of the expected collectability of all trade receivables.

***(iii) Liquidity risk***

The Group manages its liquidity risk by regularly monitoring current and expected liquidity requirements and ensuring sufficient liquid cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet the Group's liquidity requirements in the short and long term. In addition, the management of the Group continuously monitors forecast and actual cash flows and matches the maturity profiles of financial assets and liabilities.

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities. The tables below have been drawn up based on the contractual maturities of the undiscounted financial liabilities including interest that will accrue to those liabilities expect when the Group are entitled and intends to repay the liability before its maturity.

**At 30 September 2009**

| | Weighted average effective interest rate | Within 1 year HK$'000 | Between 1 and 5 years HK$'000 | Over 5 years HK$'000 | Total contractual undiscounted cash flow HK$'000 | Total carrying amount HK$'000 |
|---|---|---|---|---|---|---|
| **Non-derivative financial liabilities** | | | | | | |
| Trade payables | – | 1,029 | – | – | 1,029 | 1,029 |
| Accrued charges and other payables | – | 5,843 | – | – | 5,843 | 5,843 |
| | | 6,872 | – | – | 6,872 | 6,872 |

## 5. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Financial risk factors (continued)

#### *(iii) Liquidity risk (continued)*

**At 30 September 2008**

| | Weighted average effective interest rate | Within 1 year HK$'000 | Between 1 and 5 years HK$'000 | Over 5 years HK$'000 | Total contractual undiscounted cash flow HK$'000 | Total carrying amount HK$'000 |
|---|---|---|---|---|---|---|
| **Non-derivative financial liabilities** | | | | | | |
| Trade payables | – | 7,652 | – | – | 7,652 | 7,652 |
| Accrued charges and other payables | – | 22,502 | – | – | 22,502 | 22,502 |
| Bank borrowings | 7–9% | 61,863 | – | – | 61,863 | 61,863 |
| | | 92,017 | – | – | 92,017 | 92,017 |

#### *(iv) Cash flow and fair value interest rate risk*

The Group's exposure to changes in interest rates is mainly attributable to its bank borrowings. Bank borrowings at variable rates expose the Group to fair value interest rate risk (see note 31 for details of bank borrowings). The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

*Sensitivity analysis on cash flow and fair value interest rate risk*

The sensitivity analysis below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the balance sheet date. For variable rate borrowings, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 50 basis point increase or decrease in HIBOR is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

At 30 September 2009, the Group has no variable rate borrowings, the effect of interest rate change is insignificant. If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's loss for the year ended 30 September 2008 would increase/decrease by approximately HK$309,000. This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

## 5. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Fair value estimation

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

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

(ii) the fair value of other financial assets and financial liabilities (including derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using the relevant prevailing market rate.

(iii) The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair value.

### Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt (which include interest bearing borrowing and variable rate bank borrowings), cash and cash equivalents, and equity attributable to equity holders of the Company, comprising issued share capital and reserves. The Directors review the capital structure on a continuous basis. As part of this review, the Directors consider the cost of capital and the risks associated with capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends and issuance of new share as well as the addition of new borrowings.

The Group monitors its capital on the basis of the gearing ratio of bank borrowings over total assets. The Group aims to maintain the gearing ratio at a reasonable level.

## 5. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Capital risk management (continued)

The gearing ratios at the balance sheet dates are as follows:

| | **2009** | 2008 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Bank borrowings | **–** | 61,863 |
| Total assets | **158,788** | 235,693 |
| Gearing ratios | **N/A** | 26.2% |

*Notes:*

(a) Debt comprises with the bank borrowings (note 31).

(b) Total assets include all non-current assets and current assets of the Group.

## 6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

### (a) Impairment of trade and other receivables

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

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

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

In accordance with HKAS 16, the Group estimates the useful lives of property, plant and equipment to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, and technical obsolescence arising from changes in the market demands or service output of the assets. The Group also performs annual reviews on whether the assumptions made on useful lives continue to be valid. The Group test annually whether the assets have suffered any impairment. The recoverable amount of an asset or a cash generating unit is determined based on value-in-use calculations which require the use of assumptions and estimates.

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

Investment property is stated at fair value based on the valuation performed by an independent valuer. In determining the fair value, the valuer has based on method of valuation which involves certain estimates and assumptions. In relying on the valuation report, the management has exercised their judgements and is satisfied that the method of valuation is reflective of the current market conditions. Should there are any changes in assumptions due to change of market conditions, the fair value of the investment property will be adjusted accordingly.

### (d) Allowance for obsolete and slow-moving inventories

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

### (e) Impairment on intangible assets

The Group performs annual tests on whether there has been impairment of intangible assets. The recoverable amounts of the intangible assets were assessed by an independent firm of professional qualified valuer using appropriate technical models. If the carrying values exceeded the recoverable amounts of the intangible assets, impairment loss would be recognised in the consolidated income statement. These valuations may require the use of estimates and assumptions.

## 7. TURNOVER

The principal activities of the Group are (i) trading of telecommunications products; (ii) provision of repair services of telecommunications products; and (iii) investments in financial assets.

An analysis of turnover is as follows:

| | **2009** | 2008 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Sales of goods | **8,163** | 690,724 |
| Provision of repair services | **20,587** | 8,384 |
| Gain/(loss) from financial assets at fair value through profit or loss, net* | **2,177** | (22,752) |
| | **30,927** | 676,356 |

* At the year ended 30 September 2009, gain from financial assets at fair value through profit or loss of approximately HK$2,177,000 represents an increase in fair value on financial assets at fair value through profit or loss. The financial assets at fair value through profit or loss of approximately HK$7,522,000 were reclassified to available-for-sale financial assets.

At the year ended 30 September 2008, loss from financial assets at fair value through profit or loss represents the sale of financial assets at fair value through profit or loss of approximately HK$16,738,000 less the cost of sales which comprises (i) the cost of financial assets at fair value through profit or loss of approximately HK$18,730,000 and (ii) decrease in fair value on financial assets at fair value through profit or loss of approximately HK$20,760,000, respectively.

## 8. SEGMENT INFORMATION

The Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

### Business segments

During the year ended 30 September 2009, the Group was principally engaged in (i) trading of telecommunications products; (ii) provision of repair services of telecommunications products; and (iii) investments in financial assets.

## 8. SEGMENT INFORMATION (CONTINUED)

### Business segments (continued)

Segment information about these businesses for the years ended 30 September 2009 and 2008 is as follows:

| | Trading of telecommunications products 2009 HK$'000 | Provision of repair services of telecommunications products 2009 HK$'000 | Investments in financial assets 2009 HK$'000 | Consolidated 2009 HK$'000 |
|---|---|---|---|---|
| Turnover | 8,163 | 20,587 | 2,177 | 30,927 |
| Segment results | (5,493) | 844 | 2,177 | (2,472) |
| Unallocated income | | | | 462,626 |
| Unallocated expenses | | | | (456,527) |
| Finance costs | | | | (1,245) |
| Profit before taxation | | | | 2,382 |
| Taxation | | | | (297) |
| Profit for the year | | | | 2,085 |
| Segment assets | 116,298 | 6,258 | 416 | 122,972 |
| Available-for-sale financial assets | | | | 19,352 |
| Unallocated corporate assets | | | | 16,464 |
| Consolidated total assets | | | | 158,788 |
| Segment liabilities | 1,216 | 1,527 | 138 | 2,881 |
| Unallocated corporate liabilities | | | | 57,785 |
| Consolidated total liabilities | | | | 60,666 |

## 8. SEGMENT INFORMATION (CONTINUED)

### Business segments (continued)

| | Trading of telecommunications products 2009 HK$'000 | Provision of repair services of telecommunications products 2009 HK$'000 | Investments in financial assets 2009 HK$'000 | Consolidated 2009 HK$'000 |
|---|---|---|---|---|
| Capital expenditure | 411 | 533 | – | 944 |
| Depreciation and amortisation | 4,278 | 471 | – | 4,749 |
| Impairment loss in intangible assets | | | | 25,901 |
| Impairment loss in available-for-sale financial assets | | | | 186 |
| Impairment loss in trade receivables | | | | 30 |
| Impairment loss in other receivables | | | | 391,531 |

| | Trading of telecommunications products 2008 HK$'000 | Provision of repair services of telecommunications products 2008 HK$'000 | Investments in financial assets 2008 HK$'000 | Consolidated 2008 HK$'000 |
|---|---|---|---|---|
| Turnover | 690,724 | 8,384 | (22,752) | 676,356 |
| Segment results | (123,020) | (2,889) | (6,816) | (132,725) |
| Unallocated expenses | | | | (35,122) |
| Finance costs | | | | (3,585) |
| Loss before taxation | | | | (171,432) |
| Taxation | | | | 12 |
| Loss for the year | | | | (171,420) |

## 8. SEGMENT INFORMATION (CONTINUED)

### Business segments (continued)

| | Trading of telecommunications products 2008 HK$'000 | Provision of repair services of telecommunications products 2008 HK$'000 | Investments in financial assets 2008 HK$'000 | Consolidated 2008 HK$'000 |
|---|---|---|---|---|
| Segment assets | 203,160 | 3,949 | 6,125 | 213,234 |
| Available-for-sale financial assets | | | | 12,301 |
| Unallocated corporate assets | | | | 10,158 |
| Consolidated total assets | | | | 235,693 |
| Segment liabilities | 85,443 | 1,616 | 56 | 87,115 |
| Unallocated corporate liabilities | | | | 57,941 |
| Consolidated total liabilities | | | | 145,056 |
| Capital expenditure | 1,854 | 1,056 | – | 2,910 |
| Depreciation and amortisation | 8,323 | 562 | – | 8,885 |
| Impairment loss in intangible assets | | | | – |
| Impairment loss in available-for-sale financial assets | | | | – |
| Impairment loss in trade receivables | | | | 705 |
| Impairment loss in other receivables | | | | – |

### Geographical segments

During the years ended 30 September 2009 and 2008, more than 99% of the Group's turnover, total assets and capital expenditure were derived from and located in Hong Kong. Therefore, no geographical segment for the respective years is presented.

## 9. OTHER REVENUE

| | **2009** | 2008 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Interest income | **680** | 2,824 |
| Dividend income | **181** | 49 |
| Compensation income | **51,566** | – |
| Bad debt recovered | **524** | – |
| Sundry income | **28** | – |
| | **52,979** | 2,873 |

## 10. OTHER INCOME

| | **2009** | 2008 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Exchange gains | **–** | 147 |
| Gains on deconsolidation of subsidiaries in winding up *(note 40)* | **400,093** | – |
| Written-off of accrued charges and other payables | **6,244** | – |
| Reversal of impairment loss of trade receivables | **967** | – |
| Sundry income | **23** | 264 |
| | **407,327** | 411 |

## 11. PROFIT/(LOSS) FROM OPERATIONS

Expenses included in cost of sales, selling and distribution expenses, administrative expenses and other operating expenses are stated after charging/(crediting):

| | 2009<br>HK$'000 | 2008<br>HK$'000 |
|---|---|---|
| Cost of trading inventories sold | 7,309 | 695,391 |
| Employee benefit expenses *(note 35)* | 15,892 | 45,267 |
| Retirement benefit costs *(note 35)* | 541 | 418 |
| Depreciation | | |
| – owned assets | 1,269 | 1,890 |
| – leased assets | – | 35 |
| Amortisation of intangible assets | 3,480 | 6,960 |
| Auditors' remuneration | 1,370 | 1,602 |
| Loss on disposals of property, plant and equipment * | 86 | 1,270 |
| Exchange loss * | 87 | – |
| Impairment loss in intangible assets * | 25,901 | – |
| Impairment loss in available-for-sale financial assets * | 186 | – |
| Impairment loss in trade receivables * | 30 | 705 |
| Impairment loss in other receivables * | 391,531 | – |
| Write down in inventories | 1,898 | – |
| Impairment loss in property, plant and equipment * | 1,785 | – |
| Reversal of impairment loss of trade receivables | (967) | – |
| Operating lease rental in respect of rental premises | 6,395 | 14,505 |

* Items included in other operating expenses.

## 12. FINANCE COSTS

| | 2009<br>HK$'000 | 2008<br>HK$'000 |
|---|---|---|
| Interest element of finance leases | – | 3 |
| Interest expenses on secured bank borrowings wholly repayable within five years | 1,245 | 3,582 |
| | 1,245 | 3,585 |

## 13. TAXATION

| | 2009 HK$'000 | 2008 HK$'000 |
|---|---|---|
| **Current tax:** | | |
| Hong Kong profits tax: | | |
| Current year | **–** | – |
| Overseas taxation: | | |
| Current year | **–** | 18 |
| | **–** | 18 |
| **Deferred tax:** | | |
| Change in tax rate | **–** | (30) |
| Charge for the year | **297** | – |
| Taxation attributable to the Group | **297** | (12) |

*Note:*

Hong Kong Profits Tax is calculated at 16.5% (2008: 16.5%) on the estimated assessable profits for the year. On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the reduction in corporate profits tax rate by 1% to 16.5% effective from the year of assessment 2008/2009. The effect of such decrease has been reflected in measuring the current and deferred tax for the year ended 30 September 2008.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

No provision for Hong Kong profits tax has been made for the companies in the Group as they either have no assessable profits or have available tax losses brought forward from prior years to offset against current year's estimated assessable profits.

## 13. TAXATION (CONTINUED)

The tax charge/(credit) for the years are reconciled to the profit/(loss) before taxation per the consolidated income statement as follows:

| | 2009 | | 2008 | |
|---|---|---|---|---|
| | **HK$'000** | **%** | HK$'000 | % |
| Profit/(loss) before taxation | **2,382** | | (171,432) | |
| Tax at statutory tax rate | **393** | **16.5** | (28,286) | (16.5) |
| Tax effect of expenses that are not deductible in determining taxable profit | **70,932** | **2,977.8** | 3,032 | 1.8 |
| Tax effect of income that is not taxable in determining taxable profit | **(66,343)** | **(2,785.2)** | (115) | (0.1) |
| Tax effect of change in tax rate | **–** | **–** | 30 | – |
| Utilisation of tax losses previously not recognised | **(7,343)** | **(308.2)** | – | – |
| Unrecognised tax losses | **2,361** | **99.1** | 25,776 | 15.0 |
| Unrecognised deductible temporary differences | **297** | **12.5** | (449) | (0.2) |
| Tax charge/(credit) and effective tax rate for the year | **297** | **12.5** | (12) | – |

## 14. PROFIT/(LOSS) FOR THE YEAR

The Group's consolidated profit attributable to equity holders is approximately HK$2,085,000 (2008: loss HK$171,420,000) of which net loss of approximately HK$60,168,000 (2008: HK$124,142,000) is dealt with the financial statements of the Company.

## 15. DIVIDENDS

The Directors do not recommend the payment of any dividend for the year ended 30 September 2009 (2008: HK$Nil).

## 16. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings/(loss) per share is based on the profit attributable to equity holders of the Company of approximately HK$2,085,000 (2008: loss HK$171,420,000) and on 5,165,973,933 (2008: 5,165,973,933) ordinary shares in issue during the year.

No diluted earnings per share for the year ended 30 September 2009 has been presented as the exercise price of the share options outstanding during the year was higher than the average market price of the Company's shares for the year 2009. No share option was outstanding as at 30 September 2009.

No diluted loss per share for the year ended 30 September 2008 has been presented as the share options outstanding during the year had an anti-dilutive effect on the basic loss per share for the year 2008.

## 17. INVESTMENT PROPERTY

| | Group | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| **Fair value:** | | |
| At the beginning of the year | **12,000** | 12,000 |
| Fair value gain recognised | **1,800** | – |
| **At the end of the year** | **13,800** | 12,000 |

The fair value of the Group's investment property at 30 September 2009 and 2008 are stated at fair value which has been arrived at on the basis of a valuation carried out on that date by Asset Appraisal Ltd ("AAL"), a firm of independent qualified professional valuers with no connection to the Group. AAL is a member of Hong Kong Institute of Surveyors ("HKIS") and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to HKIS Valuation Standards on properties, was arrived by reference to market evidence of recent transaction prices for similar properties.

At 30 September 2008, the Group's investment property with a net book value of HK$12,000,000 was pledged to secure banking facilities granted to the Group (note 31). Due to the repayment of all relevant borrowings during the year, all the above pledges were released.

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

## 18. PROPERTY, PLANT AND EQUIPMENT

### Group

| | Leasehold improvements | Furniture and fixtures | Computers and equipment | Motor vehicles | Total |
|---|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **Cost:** | | | | | |
| At 1 October 2007 | 7,216 | 1,737 | 5,812 | 1,820 | 16,585 |
| Exchange difference | 2 | – | 3 | – | 5 |
| Additions | 2,391 | 53 | 466 | – | 2,910 |
| Disposals | (6,489) | (266) | (919) | (270) | (7,944) |
| At 30 September 2008 and 1 October 2008 | 3,120 | 1,524 | 5,362 | 1,550 | 11,556 |
| Exchange difference | (1) | – | (3) | – | (4) |
| Additions | – | 35 | 844 | 65 | 944 |
| Disposals | (262) | (117) | (62) | (243) | (684) |
| Written off | (14) | (40) | (437) | – | (491) |
| Deconsolidation of subsidiaries | – | – | – | (1,372) | (1,372) |
| **At 30 September 2009** | 2,843 | 1,402 | 5,704 | – | 9,949 |
| **Accumulated depreciation and impairment losses:** | | | | | |
| At 1 October 2007 | 5,467 | 1,469 | 3,518 | 1,820 | 12,274 |
| Exchange difference | – | – | 4 | – | 4 |
| Charge for the year | 912 | 88 | 925 | – | 1,925 |
| Written back on disposals | (5,367) | (225) | (768) | (270) | (6,630) |
| At 30 September 2008 and 1 October 2008 | 1,012 | 1,332 | 3,679 | 1,550 | 7,573 |
| Exchange difference | – | – | (2) | – | (2) |
| Charge for the year | 566 | 40 | 660 | 3 | 1,269 |
| Written back on disposals | (247) | (64) | (50) | (181) | (542) |
| Impairment losses recognised | 985 | 40 | 760 | – | 1,785 |
| Reversal on written off | – | – | (386) | – | (386) |
| Eliminated on deconsolidation of subsidiaries | – | – | – | (1,372) | (1,372) |
| **At 30 September 2009** | 2,316 | 1,348 | 4,661 | – | 8,325 |
| **Net book value:** | | | | | |
| **At 30 September 2009** | 527 | 54 | 1,043 | – | 1,624 |
| At 30 September 2008 | 2,108 | 192 | 1,683 | – | 3,983 |

## 19. INTANGIBLE ASSETS

### Group

| | Customer list | Handset market data bank | Total |
|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 |
| **Cost:** | | | |
| At 1 October 2007 | 25,000 | 13,380 | 38,380 |
| Addition | – | – | – |
| At 30 September 2008 and 1 October 2008 | 25,000 | 13,380 | 38,380 |
| Addition | – | – | – |
| **At 30 September 2009** | **25,000** | **13,380** | **38,380** |
| **Accumulated amortisation and impairment losses:** | | | |
| At 1 October 2007 | 1,667 | 372 | 2,039 |
| Amortisation for the year | 2,500 | 4,460 | 6,960 |
| At 30 September 2008 and 1 October 2008 | 4,167 | 4,832 | 8,999 |
| Amortisation for the year | 1,250 | 2,230 | 3,480 |
| Impairment losses for the year | 19,583 | 6,318 | 25,901 |
| **At 30 September 2009** | **25,000** | **13,380** | **38,380** |
| **Carrying amount:** | | | |
| **At 30 September 2009** | – | – | – |
| At 30 September 2008 | 20,833 | 8,548 | 29,381 |

During the year, the Group performed impairment tests on those intangible assets with reference to the valuation carried out by B.I. Appraisals Limited, a firm of independent qualified valuers, for the purpose of assessing the recoverable amounts. Such valuation has been carried out using appropriate technical models.

## 19. INTANGIBLE ASSETS (CONTINUED)

The recoverable amount of the customer list have been determined based on the financial projections and the expected life of the customer list anticipated by the management. The discount rate applied to cash flow projections of the relevant customer list is 12%. The projected cash flows are based on the view of the management of the most likely operating and economic conditions and the status of the customer list.

The recoverable amount of the handset market data bank have been estimated based on observable market prices of similar handset market data bank.

The Directors reviewed the carrying amount of the customer list and the handset market data bank with reference to current market situation and the fair values determined by B.I. Appraisals Limited, an independent professional qualified valuer, and considered an impairment loss of approximately HK$19,583,000 and HK$6,318,000 were recognised in the consolidated income statement for the customer list and the handset market data bank respectively for the year ended 30 September 2009.

## 20. INTERESTS IN SUBSIDIARIES

| | Company | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| Unlisted shares, at cost | **191,093** | 191,093 |
| Impairment loss recognised | **(166,329)** | (107,265) |
| | **24,764** | 83,828 |

## 20. INTERESTS IN SUBSIDIARIES (CONTINUED)

Details of the Company's principal subsidiaries at 30 September 2009 and 2008 are as follows:

| Subsidiaries | Place of incorporation/ operation | Particulars of fully paid up capital | Percentage of equity attributable to the Company 2009 % | 2008 % | Principal activities |
|---|---|---|---|---|---|
| **Indirectly held** | | | | | |
| Ample Vision Holdings Limited | British Virgin Islands/ Hong Kong | US$1 Ordinary | **100** | 100 | General trading |
| Camdenville Group Limited | British Virgin Islands/ Hong Kong | US$1 Ordinary | **100** | 100 | Trading of telecommunications products |
| Linktech Hong Kong Limited | Hong Kong | HK$2 Ordinary | **100** | 100 | Provision of repair services of telecommunications products |

At 30 September 2008, Techglory International Limited ("TGI") was a wholly-owned subsidiary of the Group incorporated in Hong Kong. During the year ended 30 September 2009, it was placed under voluntary liquidation and was deconsolidated during the year. Details of deconsolidation were set out in note 40 to the consolidated financial statements.

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

The carrying amounts of the investments in subsidiaries are reduced to their recoverable amounts which are determined by reference to the estimation of future cash flows expected to be generated from the respective subsidiaries.

## 21. AMOUNTS DUE FROM SUBSIDIARIES

| | Company | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| Amounts due from subsidiaries | **8,185** | 271,881 |
| Impairment loss recognised | **–** | (269,857) |
| | **8,185** | 2,024 |

The amounts due from subsidiaries grouped under current assets are unsecured, interest-free and recoverable on demand.

The carrying amounts of amounts due from subsidiaries are reduced to their recoverable amounts which are determined by reference to the estimation of future cash flows expected to be generated from the respective subsidiaries.

## 22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | Group | | Company | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| At the beginning of the year | **12,301** | 12,301 | **10,500** | 10,500 |
| Additions | **7,522** | – | **–** | – |
| Disposal | **(6,030)** | – | **(5,200)** | – |
| Fair value change | **5,880** | – | **–** | – |
| Impairment loss recognised | **(186)** | – | **–** | – |
| Deconsolidation of subsidiaries | **(135)** | – | **–** | – |
| At the end of the year | **19,352** | 12,301 | **5,300** | 10,500 |
| Available-for-sale financial assets at 30 September, comprise of | | | | |
| **Unlisted debt securities:** | | | | |
| Club debentures *(note (a))* | **5,950** | 12,301 | **5,300** | 10,500 |
| **Listed securities:** | | | | |
| Equity securities listed in Hong Kong *(note (b))* | **13,402** | – | **–** | – |
| | **19,352** | 12,301 | **5,300** | 10,500 |

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

*Notes:*

(a) The club debentures are stated at cost less impairment loss at each balance sheet date.

During the year under review, the Directors reassessed the recoverable amount of club debentures with reference to the valuation performed by AAL. The recoverable amounts of club debentures were assessed by reference to market evidence of transaction prices for similar club debentures and determined that the carrying amounts of the club debentures are higher than their recoverable amounts and an impairment loss of approximately HK$186,000 (2008:HK$Nil) was recognised in the consolidated income statement.

(b) All of equity securities are held for long term investment purpose and stated at fair values. Fair values of the listed investments are determined by reference to the quoted market bid prices available on the Stock Exchange.

(c) For the year ended 30 September 2009, the Group has determined that certain quoted investments are no longer held for the purpose of trading. Hence, financial assets at fair value through profit or loss with fair value of approximately HK$7,522,000 were reclassified to available-for-sale financial assets at the date of reclassification (the “Reclassification”).

Before the Reclassification, fair value gains on the financial assets at fair value through profit or loss of approximately HK$1,901,000 were recognised in the consolidated income statement. Following the Reclassification, fair value gains on the reclassified available-for-sale financial assets of approximately HK$5,880,000 were recognised in investment revaluation reserve in equity accordingly (2008: no such reclassification).

## 23. INVENTORIES

| | Group | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| Finished goods | **5,441** | 5,738 |
| Less: Allowance for obsolete and slow-moving inventories | **(3,968)** | (2,070) |
| | **1,473** | 3,668 |

At 30 September 2009, inventories of approximately HK$23,000 (2008: HK$132,000) are carried at net realisable value.

## 24. TRADE RECEIVABLES

At the balance sheet dates, the aging analysis of the trade receivables is as follows:

| | Group | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| Current | **2,178** | 1,634 |
| One to three months overdue | **90** | 2,517 |
| More than three months, but less than twelve months overdue | **41** | 151,759 |
| Over twelve months overdue | **158,308** | 10,966 |
| | **160,617** | 166,876 |
| Less: Impairment loss recognised | **(119,895)** | (121,909) |
| | **40,722** | 44,967 |

*Notes:*

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

ii. Included in the trade receivable balances are debtors with an aggregate carrying amount of approximately HK$38,544,000 (2008: HK$43,333,000) which are overdue at the reporting date for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable, as there is an agreed repayment plan. The Group does not hold any collateral over these balances.

The aging of trade receivables which are overdue but not impaired is as follows:

| | **2009** | 2008 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| One to three months overdue | **90** | 2,020 |
| More than three months, but less than twelve months overdue | **11** | 41,313 |
| Over twelve months overdue | **38,443** | – |
| | **38,544** | 43,333 |

## 24. TRADE RECEIVABLES (CONTINUED)

*Notes (continued):*

iii. The movement of the allowance for impairment loss of trade receivables is as follows:

| | 2009<br>HK$'000 | 2008<br>HK$'000 |
|---|---|---|
| At the beginning of the year | 121,909 | 121,204 |
| Impairment loss recognised | 30 | 705 |
| Written off | (1,077) | – |
| Reversal of impairment loss | (967) | – |
| At the end of the year | 119,895 | 121,909 |

iv. The aging analysis of the Group's trade receivables which are impaired is as follows:

| | 2009<br>HK$'000 | 2008<br>HK$'000 |
|---|---|---|
| One to three months overdue | – | 497 |
| More than three months, but less than twelve months overdue | 30 | 110,446 |
| Over twelve months overdue | 119,865 | 10,966 |
| At the end of the year | 119,895 | 121,909 |

## 25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2009<br>HK$'000 | 2008<br>HK$'000 | 2009<br>HK$'000 | 2008<br>HK$'000 |
| Prepayments | 584 | 1,145 | 282 | 315 |
| Deposits | 4,664 | 6,030 | – | – |
| Other receivables | 393,583 | 1,880 | 256,338 | 13 |
| | 398,831 | 9,055 | 256,620 | 328 |
| Less: | | | | |
| Impairment loss recognised | (391,531) | – | (256,338) | – |
| | 7,300 | 9,055 | 282 | 328 |

Included in other receivables of the Group was an amount of approximately HK$391,531,000 (2008: HK$Nil) due from the deconsolidated subsidiaries of the Group. The amounts due from the deconsolidated subsidiaries were considered to be fully impaired as these subsidiaries were put into liquidation during the year ended 30 September 2009.

## 26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | Group | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| Listed investments: | | |
| – Equity securities listed in Hong Kong | **416** | 5,761 |

All financial assets at fair value through profit or loss are stated at fair values. Fair values of the listed investments are determined with reference to the quoted market bid prices available on the Stock Exchange.

## 27. PLEDGED TIME DEPOSITS

**Group**

The balances, which were carried at the prevailing market interest rate, represent deposits pledged to a bank to secure banking facilities granted to the Group, and therefore classified as current assets. The pledged deposits will be released upon expiry or termination or upon the settlement of relevant banking facilities. At 30 September 2009, all the pledged time deposits were denominated in the United States Dollar.

## 28. CASH AND BANK BALANCES

| | Group | | Company | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Cash at bank and in hand | **64,439** | 8,217 | **5,192** | 610 |
| Short-term time deposits | **5,000** | – | **–** | – |
| Cash and bank balances | **69,439** | 8,217 | **5,192** | 610 |

## 28. CASH AND BANK BALANCES (CONTINUED)

For the purpose of the consolidated cash flow statement, cash and cash equivalents included cash at bank and in hand, net of outstanding bank overdrafts. Cash and cash equivalents at the balance sheet dates as shown in the consolidated cash flow statement can be reconciled to the related items in the consolidated balance sheet as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Cash at bank and in hand | **69,439** | 8,217 | **5,192** | 610 |
| Bank overdraft *(note 31)* | **–** | (61,863) | **–** | – |
| Cash and bank balances | **69,439** | (53,646) | **5,192** | 610 |

*Notes:*

i. Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for period from one day to one month depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposits rates.

ii. Detailed information of the bank overdrafts is set out in note 31.

iii. The Group's and the Company's bank balances that are denominated in currencies other than the functional currency of the respective group entities are set out below:

| | Group | | Company | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Hong Kong Dollars | **67,987** | 7,202 | **5,192** | 581 |
| United States Dollars | **–** | 9 | **–** | – |
| New Taiwan Dollars | **1,452** | 857 | **–** | 28 |
| Others | **–** | 149 | **–** | 1 |

## 29. TRADE PAYABLES

At the balance sheet dates, the aging analysis of the trade payables is as follows:

| | Group | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| Current and within one month | **1,002** | 1,554 |
| One to three months overdue | **20** | 794 |
| Overdue over three months | **7** | 5,304 |
| | **1,029** | 7,652 |

## 30. ACCRUED CHARGES AND OTHER PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Accrued charges | **1,777** | 5,065 | **604** | 989 |
| Other payables | **4,066** | 17,437 | **3,322** | 3,640 |
| | **5,843** | 22,502 | **3,926** | 4,629 |

Included in other payables of the Group and the Company was an amount of approximately HK$487,000 (2008: HK$487,000) due to a director of the Company. The amount was unsecured, interest-free and has no fixed terms of repayment.

## 31. BANK BORROWINGS – SECURED

| | Group | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| Bank overdrafts | **–** | 61,863 |

*Notes:*

i. At 30 September 2008, the bank borrowings were secured by the Group's investment property and short-term time deposits with net carrying amounts of approximately HK$12,000,000 and HK$106,360,000 respectively and such collaterals were released during the year ended 30 September 2009 following the full repayment of bank borrowings was made in the year.

ii. The bank borrowing rates were ranging from 7% to 9% (2008: 7% to 9%).

## 32. DEFERRED TAX LIABILITIES

### Group

The movement of recognised deferred tax liabilities during the years is as follows:

| | Revaluation of property 2009 HK$'000 | 2008 HK$'000 |
|---|---|---|
| At the beginning of the year | **504** | 534 |
| Debit/(credit) to the consolidated income statement *(note 13)* | **297** | (30) |
| At the end of the year | **801** | 504 |

At 30 September 2009, the Group had cumulative tax losses of approximately HK$29,652,000 (2008: HK$75,100,000) is available for offsetting against future profits. Deferred tax assets have not been recognised in respect of the estimated tax losses of HK$29,652,000 (2008: HK$75,100,000) due to uncertainty of future profit streams.

### Company

At 30 September 2009, the Company has estimated unused tax losses of approximately HK$21,039,000 (2008: HK$19,557,000) available for offsetting against future profits. Losses may be carried forward indefinitely. No deferred tax assets have been recognised due to uncertainty of future profits streams.

## 33. SHARE CAPITAL

| | Group and Company 2009 and 2008 Number of Shares | HK$'000 |
|---|---|---|
| Ordinary shares of HK$0.01 each | | |
| Authorised | **20,000,000,000** | 200,000 |

| | Number of shares | HK$'000 |
|---|---|---|
| Issued and fully paid | **5,165,973,933** | 51,659 |

## 34. (DEFICIT)/RESERVES

### Company

| | Share premium HK$'000 | Capital redemption reserve HK$'000 | Exchange difference reserve HK$'000 | Accumulated losses HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| At 1 October 2007 | 648,897 | 160 | (565) | (483,288) | 165,204 |
| Exchange difference | – | – | (60) | – | (60) |
| Loss for the year | – | – | – | (124,142) | (124,142) |
| At 30 September 2008 and 1 October 2008 | 648,897 | 160 | (625) | (607,430) | 41,002 |
| Exchange difference | – | – | 125 | – | 125 |
| Release of translation reserve upon deregistration of an oversea office | – | – | 500 | – | 500 |
| Loss for the year | – | – | – | (60,168) | (60,168) |
| **At 30 September 2009** | **648,897** | **160** | **–** | **(667,598)** | **(18,541)** |

*Note:*

At 30 September 2009, the Company has no distributable reserve (2008: HK$41,467,000), represented by share premium less accumulated losses of the Company. Under the Companies Law (2001 Second Revision) of the Cayman Islands, share premium of the Company is distributable to the members, subject to a solvency test.

## 35. EMPLOYEE BENEFIT EXPENSES

### (a) Staff cost

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

| | Group 2009 HK$'000 | Group 2008 HK$'000 |
|---|---|---|
| Salaries and allowances | **15,561** | 44,801 |
| Discretionary bonuses | **59** | 62 |
| Staff welfare | **272** | 404 |
| Contributions to retirement fund | **541** | 418 |
| | **16,433** | 45,685 |

## 35. EMPLOYEE BENEFIT EXPENSES (CONTINUED)

### (b) Directors and senior management emoluments

The emoluments of the Directors are as follows:

| | Year ended 30 September 2009 | | | |
|---|---|---|---|---|
| Name of Directors | Fees HK$'000 | Salaries and allowances HK$'000 | Contributions to retirement fund HK$'000 | Total HK$'000 |
| **Executive Directors** | | | | |
| Mr. SY Ethan, Timothy | – | – | – | – |
| Mr. SUNG Yee Keung, Ricky | – | 360 | 16 | 376 |
| **Non-executive Director** | | | | |
| Mr. KO Wai Lun, Warren | 300 | – | – | 300 |
| **Independent Non-executive Directors** | | | | |
| Mr. Andrew David ROSS | 420 | – | – | 420 |
| Mr. Geoffrey William FAWCETT | 300 | – | – | 300 |
| Mr. Charles Robert LAWSON | 300 | – | – | 300 |
| | 1,320 | 360 | 16 | 1,696 |

| | Year ended 30 September 2008 | | | |
|---|---|---|---|---|
| Name of Directors | Fees HK$'000 | Salaries and allowances HK$'000 | Contributions to retirement fund HK$'000 | Total HK$'000 |
| **Executive Directors** | | | | |
| Mr. SY Ethan, Timothy | – | 13,500 | 675 | 14,175 |
| Mr. CHEUNG Wing Yin, Vigny Wiley[1] | – | 929 | 23 | 952 |
| Mr. SUNG Yee Keung, Ricky | – | 585 | 29 | 614 |
| Mr. WAN Kwok Cheong[2] | – | 1,298 | 36 | 1,334 |
| **Non-executive Director** | | | | |
| Mr. KO Wai Lun, Warren | 390 | – | – | 390 |
| **Independent Non-executive Directors** | | | | |
| Mr. Andrew David ROSS | 555 | – | – | 555 |
| Mr. Geoffrey William FAWCETT | 390 | – | – | 390 |
| Mr. Charles Robert LAWSON | 390 | – | – | 390 |
| | 1,725 | 16,312 | 763 | 18,800 |

1 Mr. Cheung Wing Yin, Vigny Wiley resigned as a Director with effect from 4 June 2008.

2 Mr. Wan Kwok Cheong resigned as a Director with effect from 1 September 2008.

## 35. EMPLOYEE BENEFIT EXPENSES (CONTINUED)

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

Certain Directors have waived emoluments for the years ended 30 September 2009 and 2008 and up to the dates of the reports:

| | Year ended 30 September 2009 | | | From 1 October 2009 to the date of the report | | |
|---|---|---|---|---|---|---|
| Name of Directors | Fees HK$'000 | Salaries and allowances HK$'000 | Contributions to retirement fund HK$'000 | Fees HK$'000 | Salaries and allowances HK$'000 | Contributions to retirement fund HK$'000 |
| **Executive Director** | | | | | | |
| Mr. SY Ethan, Timothy | – | 18,000 | 900 | – | 5,032 | 252 |
| **Non-executive Director** | | | | | | |
| Mr. KO Wai Lun, Warren | 120 | – | – | 34 | – | – |
| **Independent Non-executive Directors** | | | | | | |
| Mr. Andrew David ROSS | 180 | – | – | 50 | – | – |
| Mr. Geoffrey William FAWCETT | 120 | – | – | 34 | – | – |
| Mr. Charles Robert LAWSON | 120 | – | – | 34 | – | – |

| | Year ended 30 September 2008 | | | From 1 October 2008 to the date of the 2008 report (22 December 2008) | | |
|---|---|---|---|---|---|---|
| Name of Directors | Fees HK$'000 | Salaries and allowances HK$'000 | Contributions to retirement fund HK$'000 | Fees HK$'000 | Salaries and allowances HK$'000 | Contributions to retirement fund HK$'000 |
| **Executive Director** | | | | | | |
| Mr. SY Ethan, Timothy | – | 4,500 | 225 | – | 4,065 | 203 |
| **Non-executive Director** | | | | | | |
| Mr. KO Wai Lun, Warren | 30 | – | – | 27 | – | – |
| **Independent Non-executive Directors** | | | | | | |
| Mr. Andrew David ROSS | 45 | – | – | 41 | – | – |
| Mr. Geoffrey William FAWCETT | 30 | – | – | 27 | – | – |
| Mr. Charles Robert LAWSON | 30 | – | – | 27 | – | – |

## 35. EMPLOYEE BENEFIT EXPENSES (CONTINUED)

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

No amounts have been paid by the Group to the Directors as inducement to join the Group, as compensation for loss of office or as commitment fees to existing Directors for entering into new service contracts with the Group for the year ended 30 September 2009 (2008: HK$Nil).

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

At the balance sheet dates, the details of the outstanding options granted by the Company to an executive director of the Company were as follows:

| Grantees | Date of grant | Exercise price per share | Exercise period | Number of options outstanding at 1 October 2008 | Number of options expired during the year | Number of options outstanding at 30 September 2009 |
|---|---|---|---|---|---|---|
| | | HK$ | | | | |
| **Executive Director** | | | | | | |
| Mr. SY Ethan, Timothy | 26 April 1999 | 0.150 | 25 May 1999 to 24 May 2009 | 100,000,000 | (100,000,000) | – |

Apart from the aforesaid, no other emoluments have been paid to the Directors for the year ended 30 September 2009 (2008: HK$Nil).

### (c) Five highest paid individuals

The five individuals with the highest emoluments in the Group for the year included no (2008: three) Directors whose emoluments are set out in note 35(b). The aggregate of the emoluments payable in respect of the five (2008: the remaining two) individuals during the year are as follows:

| | Group 2009 HK$'000 | 2008 HK$'000 |
|---|---|---|
| Basic salaries and allowances | **3,117** | 1,924 |
| Discretionary bonuses | **–** | 94 |
| Contributions to retirement fund | **141** | – |
| | **3,258** | 2,018 |

| | Number of individual 2009 | 2008 |
|---|---|---|
| Emolument bands: | | |
| Nil to HK$1,000,000 | **5** | 1 |
| HK$1,000,001 to HK$1,500,000 | **–** | 1 |

## 36. SHARE OPTION SCHEME

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

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

| | Old Scheme | New Scheme |
|---|---|---|
| Purpose of the schemes | As incentive to employees, including executive directors, of the Company or its subsidiaries | As incentive to employees and directors of the Company or its subsidiaries and other eligible persons who have made contribution to the Group |
| Participants of the schemes | Full-time employees, including executive directors, of the Company or its subsidiaries | Full-time or part-time employees, including directors, of the Company or its subsidiaries; advisers, consultants, suppliers and agents to the Company or its subsidiaries and such other persons who, at the sole determination of the Board of Directors, have contributed to the Group |
| Total number of shares available for issue under the schemes and percentage of issued share capital as at the date of this annual report | No share option was outstanding as at the date of this report. No further options will be granted under the Old Scheme. | No share option had been granted under the New Scheme. The Company may grant share options to subscribe for 516,597,393 shares of the Company, representing approximately 10.00% of the shares in issue as at the date of this report |

## 36. SHARE OPTION SCHEME (CONTINUED)

| | Old Scheme | New Scheme |
|---|---|---|
| Maximum entitlement of each participant under the schemes | 25% of the aggregate number of shares for the time being issued and issuable under the Old Scheme | The total number of shares issued and to be issued upon exercise of the options granted to each participant (including exercised, cancelled and outstanding options) in any 12-month period must not exceed 1% of the shares in issue unless the same is approved by shareholders in general meeting |
| The period within which the shares must be taken up under an option | At any time during a period to be notified by the Board of Directors, which period not to exceed 10 years commencing on the date on which the option is accepted and expiring on a day not later than the last day of the 10-year period | At any time during a period to be notified by the Board of Directors, which period not to exceed 10 years commencing on the date on which the option is accepted and expiring on a day not later than the last day of the 10-year period |
| The minimum period for which an option must be held before it can be exercised | None | None |
| The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid | HK$1.00 is to be paid as consideration for the grant of option within 30 days from the date of offer | HK$1.00 is to be paid as consideration for the grant of option within 30 days from the date of offer |

## 36. SHARE OPTION SCHEME (CONTINUED)

| | Old Scheme | New Scheme |
|---|---|---|
| The basis of determining the exercise price | The exercise price shall be determined by the Board of Directors but shall not be less than the higher of:<br>(a) 80% of the average of the official closing price of the shares as stated in the daily quotations sheet of the Stock Exchange for the 5 trading days immediately preceding the date of offer; and<br>(b) the nominal value of a share | The exercise price shall be determined by the Board of Directors but shall not be less than the highest of:<br>(a) the official closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of offer;<br>(b) the average of the official closing price of the shares as stated in the Stock Exchange's daily quotations sheet for the 5 business days immediately preceding the date of offer; and<br>(c) the nominal value of a share |
| The remaining life of the schemes | The Old Scheme would have been valid and effective for a period of 10 years commencing on the adoption date on 16 March 1999. The Old Scheme was terminated by a shareholders' resolution on 27 March 2003 | The New Scheme shall be valid and effective for a period of 10 years commencing on the adoption date on 27 March 2003 |

Details of the share options outstanding during the year ended 30 September 2009 which were granted under the Old Scheme are as follows:

| Grantees | Date of grant | Exercise price per share | Exercise period | Number of options outstanding at 1 October 2008 | Number of options expired during the year | Number of options outstanding at 30 September 2009 |
|---|---|---|---|---|---|---|
| | | HK$ | | | | |
| **Executive Director** | | | | | | |
| Mr. SY Ethan, Timothy | 26 April 1999 | 0.150 | 25 May 1999 to 24 May 2009 | 100,000,000 | (100,000,000) | – |

## 36. SHARE OPTION SCHEME (CONTINUED)

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

During the year, 100,000,000 share options previously granted to an executive director under the Old Scheme had expired. Other than that, no share option had been granted, exercised or lapsed under the Old Scheme during the year under review.

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

## 37. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following material related party transactions during the year:

### Key management personnel compensation

Compensation for key management personnel, including amount paid to the Directors and certain of the highest paid employees of the Company, as disclosed in note 35, is as follows:

| | Group | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| Salaries and allowances | **1,680** | 17,964 |
| Contributions to retirement fund | **16** | 761 |
| | **1,696** | 18,725 |

## 38. OPERATING LEASE COMMITMENT

a) The Group leases certain of its properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to six years.

At the balance sheet dates, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

| | Group | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| Within one year | **1,180** | 6,846 |
| In the second to fifth years, inclusive | **167** | 19,446 |
| Over five years | **–** | 2,293 |
| | **1,347** | 28,585 |

## 39. CONTINGENT LIABILITIES

Included in the terms of the sale and purchase agreement in connection with the acquisition of Calaview Assets Limited ("Calaview") and Sino Media Group (SMG) Limited ("SMG") (the "Acquired Companies") entered into by the Group in the year 2000, the Group has agreed to pay the vendor an amount of approximately HK$35,000,000 contingent upon successful listing of either one of the Acquired Companies on any recognised stock exchange. Up to the date of approval of these consolidated financial statements, the Group has no plan of listing the shares of the Acquired Companies on any recognised stock exchange. During the year, Calaview is in the process of striking-off and SMG was dissolved by creditors' voluntary winding up.

## 40. DECONSOLIDATION OF SUBSIDIARIES IN WINDING UP

In June 2009, TGI held an extraordinary general meeting at which it was resolved to wind up TGI by way of a voluntary winding up under Section 241 of the Hong Kong Companies Ordinance and liquidators were appointed.

In addition, an inactive subsidiary of the Group was in the process of winding up during the year ended 30 September 2009. Accordingly, the Group had deconsolidated these subsidiaries as the Directors considered that the Group's control over these subsidiaries had been lost. The assets and liabilities of these subsidiaries at the respective dates of deconsolidation were as follows:

| | **2009**<br>**HK$'000** |
|---|---|
| Assets and liabilities deconsolidated: | |
| Available-for-sale financial assets | **135** |
| Prepayments, deposits and other receivables | **115** |
| Cash and bank balances | **1,037** |
| Exchange reserve realised upon deconsolidation | **(49)** |
| Accrued charges and other payables | **(401,331)** |
| Gains on deconsolidation of subsidiaries in winding up | **(400,093)** |
| Analysis of net outflow of cash and cash equivalents arising from winding-up subsidiaries: | |
| Cash and bank balances of subsidiaries in winding up | **(1,037)** |

*Notes:*

1. A landlord leased an office premises to TGI and issued a writ of summons of approximately HK$1,775,000 to TGI in respect of the rental disputes. Since TGI was in the process of winding up and no further provision in respect thereof has been made in the consolidated financial statements accordingly.

2. An amount due to the Group of approximately HK$391,531,000 was included in accrued charges and other payables.

## 41. AUTHORISATION FOR ISSUE OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Directors on 11 January 2010.

# Five Year Financial Summary

**For the year ended 30 September 2009**

| | For the year ended 30 September | | | | |
|---|---|---|---|---|---|
| | **2009** | 2008 | 2007 | 2006 | 2005 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| | | | (Restated) | | |
| **Results** | | | | | |
| Turnover | **30,927** | 676,356 | 1,315,279 | 1,018,095 | 1,206,174 |
| Profit/(loss) before taxation | **2,382** | (171,432) | (49,636) | (63,756) | (123,870) |
| Taxation | **(297)** | 12 | 165 | (31,526) | (622) |
| Profit/(loss) attributable to equity holders of the Company | **2,085** | (171,420) | (49,471) | (95,282) | (124,492) |
| Dividends | **–** | – | – | – | – |

| | At 30 September | | | | |
|---|---|---|---|---|---|
| | **2009** | 2008 | 2007 | 2006 | 2005 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **Assets and liabilities** | | | | | |
| Investment property | **13,800** | 12,000 | 12,000 | 12,000 | – |
| Property, plant and equipment | **1,624** | 3,983 | 4,311 | 3,701 | 5,925 |
| Leasehold land | **–** | – | – | – | 8,340 |
| Intangible assets | **–** | 29,381 | 36,341 | – | – |
| Available-for-sale financial assets | **19,352** | 12,301 | 12,301 | 79,275 | – |
| Club debentures | **–** | – | – | – | 12,301 |
| Net current assets | **64,147** | 33,476 | 197,749 | 221,065 | 380,325 |
| | **98,923** | 91,141 | 262,702 | 316,041 | 406,891 |
| Equity attributable to equity holders of the Company | **98,122** | 90,637 | 262,168 | 315,465 | 406,469 |
| Long-term liabilities | **–** | – | – | 42 | 82 |
| Deferred tax liabilities | **801** | 504 | 534 | 534 | 340 |
| | **98,923** | 91,141 | 262,702 | 316,041 | 406,891 |