THE QUAYPOINT CORPORATION LIMITED
紀 翰 集 團 有 限 公 司*

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2330)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 30 JUNE 2006

RESULTS

The board of directors (the "Board") of The Quaypoint Corporation Limited (the "Company") announces the audited consolidated income statement of the Company and its subsidiary companies (collectively, the "Group") for the year ended 30 June 2006 and the consolidated balance sheet of the Group as at 30 June 2006 together with comparative figures for the year ended 30 June 2005, as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 30 June 2006

	Note	**2006** *RMB'000*	2005 *RMB'000*
Turnover	3	**115,581**	187,965
Cost of sales		**(107,172)**	(158,931)
Gross profit		**8,409**	29,034
Other revenue	3	**104**	1,234
Other income		**1,885**	31
Distribution costs		**(316)**	(1,941)
Administrative expenses		**(50,563)**	(32,349)
Impairment loss on available-for-sale securities/ investment in securities		**(31,314)**	(3,700)
Impairment loss on held-to-maturity securities		**(150,704)**	–
Other operating expenses		**(15,325)**	(376)
Finance cost	4	**(9,690)**	(7,940)
Loss from operations	5	**(247,514)**	(16,007)
Income tax	6	**(6)**	(3,098)
Loss attributable to equity shareholders		**(247,520)**	(19,105)
Loss per share			
Basic	7	**(RMB70.72 cents)**	(RMB5.46 cents)

CONSOLIDATED BALANCE SHEET

As at 30 June 2006

	Note	**2006** *RMB'000*	2005 *RMB'000* (restated)
Non-current assets			
Property, plant and equipment		**2,796**	3,581
Property under development		**72,285**	66,263
Available-for-sale securities/Investment in securities		**–**	31,916
Prepaid lease payment		**1,987**	2,028
Total non-current assets		**77,068**	103,788
Current assets			
Inventories		**2,459**	4,817
Trade receivables	8	**1,679**	30,387
Bills receivable	8	**–**	9,435
Prepayments, deposits and other receivables		**5,939**	17,999
Held-to-maturity securities/Trust fund investments		**–**	150,704
Cash and bank balances		**96,765**	14,487
Total current assets		**106,842**	227,829
Current liabilities			
Trade payables	9	**2,642**	11,191
Bills payable, secured	9	**–**	18,851
Provision, accruals and other payables		**34,423**	6,728
Receipts in advance		**612**	3,260
Due to a director		**1,025**	-
Current portion of interest-bearing borrowings		**4,798**	2,000
Short-term bank loan		**97,912**	100,000
Taxation payable		**8,534**	8,764
Total current liabilities		**149,946**	150,794
Net current (liabilities) assets		**(43,104)**	77,035
Total assets less current liabilities		**33,964**	180,823
Capital and reserves			
Ordinary share capital		**37,100**	37,100
Convertible redeemable preference shares		**104,000**	–
Reserves		**(111,816)**	136,568
Total equity		**29,284**	173,668
Non-current liabilities			
Interest-bearing borrowings		**4,680**	7,155
		33,964	180,823

NOTES

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretation issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The HKICPA has issued a number of new and revised HKFRS which are generally effective for accounting periods beginning on or after 1 January 2005. Details of major changes in accounting policies following the adoption of these HKFRS are summarized in note 2.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that available-for-sale investment is stated at fair value as explained in the accounting policies set out below.

At the balance sheet date, the Group's current liabilities exceeded its current assets by RMB43,104,000, as the Group has made significant provisions on its short term assets, including a provision of RMB150,704,000 on the trust fund investments. In addition, certain of its subsidiaries in the PRC are also involved in claims by PRC banks for guarantees which were allegedly given by these subsidiaries to third parties without formal approval of the Group management. The sustainability of the Group as a going concern is dependent on its ability to successfully obtain adequate medium to long term financing to fund its operations before sufficient cash flows are generated from profitable operations and to favourably resolve the claims. After evaluating all the relevant facts available to them, the Directors are of the opinion that the Group should be able to maintain itself as a going concern by raising adequate additional finance and by debt restructuring; details are set out below:

(a) Prior to the balance sheet date, the Company has successfully raised significant amount of cash by issuing convertible redeemable preference shares ("Preference Shares") for working capital purposes and has the option of requiring the subscriber to subscribe more Preference Shares if the need arises;

(b) The Directors are in the process of negotiation for a restructuring of the short term bank loan of RMB98 million with the Bank of China, Shenzhen Branch; and

(c) The Directors are liaising closely with lawyers in the PRC and the third parties concerned to actively address the claims raised by the PRC banks and will be actively defending questionable claims.

2. CHANGE IN ACCOUNTING POLICIES

The HKICPA has issued a number of new and revised HKFRSs that are effective for accounting periods beginning on or after 1 January 2005.

The following sets out information on the significant changes in accounting policies for the current and prior accounting periods reflected in these financial statements.

(a) Financial instruments (HKAS 32, Financial instruments: Disclosure and presentation and HKAS 39, Financial instruments: Recognition and measurement)

The adoption of HKAS 32 and HKAS 39 has resulted in a change in accounting policy for recognition, measurement, derecognition of financial instruments and disclosure of financial statements. Prior to 1 July 2005, the Group classified investments into investment in securities and trust fund investments. Investment in securities were stated at cost less provision for impairment losses that was expected to be other than temporary. Trust fund investments were stated at their fair value and changes in fair value were recognised in income statements as they arose.

Upon the adoption of HKAS 32 and HKAS 39, the Group and the Company's investment in securities and trust fund investments were re-designated as available-for-sale securities and held-to-maturities securities respectively. They have been re-measured in accordance with HKAS 39 as appropriate. The adoption of HKAS 32 and HKAS 39 had no significant impact on the results and financial positions of the current and prior accounting periods. No prior period adjustments were required.

(b) Lease (HKAS 17, Lease)

In prior years, leasehold land held for development was stated at cost less any identified impairment loss. With the adoption of HKAS 17 as from 1 July 2005, the Group adopted a new policy for such land. Under the new policy, the leasehold interest in the land is accounted for as being held under an operating lease and classified as prepaid lease payment. The cost of acquiring such land is amortised on a straight-line basis over the period of the lease term.

(c) Definition of related parties (HKAS 24, related party disclosure)

As a result of the adoption of HKAS 24, *Related party disclosures*, the definition of related parties has been expanded to clarify that related parties include entities that are under the significant influence of a related party that is an individual (i.e. key management personnel, significant shareholders and/or their close family members) and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group. The clarification of the definition of related parties has not resulted in any material changes to the previously reported disclosures of related party transactions nor has it had any material effect on the disclosures made in the current period, as compared to those that would have been reported had SSAP 20, *Related party disclosures*, still been in effect.

3. TURNOVER AND OTHER REVENUE AND SEGMENT INFORMATION

Turnover and other revenue consist of:

	2006 *RMB'000*	2005 *RMB'000*
Income from		
– Sales of automation products	**111,538**	185,670
– Fees for project and technical services	**4,043**	2,295
Total turnover	**115,581**	187,965
Other revenue		
– Bank interest income	**104**	530
– Unrealised gain on trust fund investments	**–**	704
	104	1,234
Total revenue	**115,685**	189,199

For management purposes, the Group is currently organised into two business operations. These divisions are the basis on which the Group reports its primary segment information. Principal activities as follows:

– Automation products
– Project and technical services

Business segments

	Automation products *RMB'000*	**Project and technical services** *RMB'000*	**Consolidated** *RMB'000*
For the year ended 30 June 2006			
Turnover	**111,539**	**4,042**	**115,581**
Segment results	**(35,411)**	**3,850**	**(31,561)**
Unallocated operating income and expenses			**(8,922)**
Unallocated corporate expenses			**(197,341)**
Finance costs			**(9,690)**
Loss from operations			**(247,514)**
Income tax			**(6)**
Loss attributable to equity shareholders			**(247,520)**

Other information	**Automation products** *RMB'000*	**Project and technical services** *RMB'000*	**Unallocated** *RMB'000*	**Consolidated** *RMB'000*
Capital expenditure	**38**	**–**	**633**	**671**
Depreciation and amortisation	**1,126**	**–**	**–**	**1,126**
Impairment loss	**–**	**–**	**182,040**	**182,040**

	Automation products *RMB'000*	Project and technical services *RMB'000*	Consolidated *RMB'000*
For the year ended 30 June 2005			
Turnover	185,670	2,295	187,965
Segment results	16,166	(12,413)	3,753
Unallocated operating income and expenses			(7,744)
Unallocated corporate expenses			(4,076)
Finance costs			(7,940)
Loss from operations			(16,007)
Income tax			(3,098)
Loss attributable to equity shareholders			(19,105)

Other information	Automation products *RMB'000*	Project and technical services *RMB'000*	Unallocated *RMB'000*	Consolidated *RMB'000*
Capital expenditure	417	–	–	417
Depreciation and amortisation	1,365	–	–	1,365
Amortisation of software development costs	–	6,600	–	6,600
Impairment loss	–	–	3,700	3,700

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of assets.

	2006 *RMB'000*	2005 *RMB'000*
Revenue from external customers		
PRC (including Hong Kong)	**88,428**	186,393
Malaysia	**27,153**	1,572
	115,581	187,965

All segment assets and capital expenditures are in the PRC (including Hong Kong).

4. FINANCE COSTS

	2006 *RMB'000*	2005 *RMB'000*
Interest on bank and other borrowings and overdraft wholly repayable within 5 years	**9,690**	7,532
Interest on bank and other borrowings wholly repayable after 5 years	**–**	408
	9,690	7,940

5. LOSS FROM OPERATIONS

Loss from operations is stated after charging the following:

	2006 *RMB'000*	2005 *RMB'000*
Staff costs (including director's emoluments):		
Salaries, wages and other benefits	**6,673**	8,093
Contributions to defined contribution plans	**325**	396
	6,998	8,489
Included in research and development expenditures	**(757)**	(1,037)
	6,241	7,452
Auditors' remuneration	**551**	320
Bad debts	**309**	557
Cost of inventories	**107,172**	158,931
Depreciation of property, plant and equipment	**1,126**	1,365
Impairment loss on available-for-sale securities/investment in securities	**31,314**	3,700
Impairment loss on held-to-maturity securities	**150,704**	–
Impairment loss on property, plant and equipment	**22**	–
Impairment loss on software development costs	**–**	2,600
Loss on disposal of property, plant and equipment	**309**	378
Operating lease rentals of premises	**877**	1,054
Provision for corporate guarantee	**15,000**	–
Provision for doubtful debts	**33,353**	3,006
Provision for obsolete and slow moving inventories	**595**	1,210
Research and development expenditures	**1,564**	1,794

6. INCOME TAX

(a) Taxation charge in the consolidated income statement

	2006	2005
	RMB'000	*RMB'000*
Current taxation		
– Hong Kong Profits tax	**–**	3,098
Under-provision in prior year		
– Hong Kong Profits tax	**6**	–
Taxation charge	**6**	3,098

(i) Overseas income tax

The Company is incorporated in the Cayman Islands and is exempted from taxation in the Cayman Islands until 2020. The Company's subsidiaries established in the British Virgin Islands are incorporated under the international Business Companies Acts of the British Virgin Islands and, accordingly, are exempted from payment of British Virgin Islands income taxes.

(ii) Hong Kong Profits tax

No Hong Kong Profits tax has been provided in the financial statements as the Company and its subsidiaries operating in Hong Kong did not derive any assessable profits for the year (2005: provided at the rate of 17.5% on the estimated assessable profits).

(iii) PRC enterprise income tax

Taxation arising in the PRC is calculated at the rates prevailing in the PRC.

The wholly owned subsidiaries of the Company, Techwayson Industrial Limited and Techwayson Technology (Shenzhen) Limited, are High-Tech enterprise which were established and are operating in a special economic zone of the PRC, and are normally subject to the PRC enterprise income tax at a rate of 15%. However, they are exempted from PRC enterprise income tax for two years starting from the first year of profitable operations after offsetting prior year losses, followed by a 50% reduction in the tax rate for the next six years.

The tax exemption period of Techwayson Industrial Limited expired on 31 December 2000 and thereafter, it is subject to the PRC enterprise income tax at 7.5% for years until 31 December 2003 and another three years until 31 December 2006 provided it continues to qualify as a High-Tech enterprise. This year is the first year of profitable operations of Techwayson Technology (Shenzhen) Limited.

(b) Reconciliation between tax expenses and accounting profit at applicable tax rates

	2006	2005
	RMB'000	*RMB'000*
Loss before taxation	**(247,514)**	(16,007)
Notional tax on loss before taxation, calculated at the rates applicable to profits in the countries concerned	**(38,908)**	(2,801)
Tax effect of non-deductible expenses	**31,371**	901
Tax effect of non-taxable income	**(12)**	(19)
Tax effect of unused tax losses not recognised	**7,518**	1,223
Tax effect of deductible temporary difference not recognised	**31**	–
Others	**–**	3,794
Under-provision in prior year	**6**	–
Taxation charge	**6**	3,098

7. LOSS PER SHARE

The calculation of loss per share for the year ended 30 June 2006 is based on the consolidated loss attributable to shareholders of RMB247,520,000 (2005: RMB19,105,000) and the weight average number of 350,000,000 shares (2005: 350,000,000 shares) in issue during the year.

No diluted loss per share is presented as there were no dilutive potential ordinary shares in issue during the year ended 30 June 2006 and 2005.

8. TRADE RECEIVABLES AND BILLS RECEIVABLE

Trade receivables and bills receivable consisted of:

	The Group	
	2006	2005
	RMB'000	*RMB'000*
Trade receivables	**23,841**	33,393
Less: Provision for doubtful debts	**(22,162)**	(3,006)
	1,679	30,387
Bills receivable	**–**	9,435

Customers are normally required to settle the debts within one month upon issue of invoices, except for certain well established customers where the terms are extended to two to three months.

In the review of the recoverability of trade receivables at each balance sheet date, the management made their judgement based on the age of the amount due, the extent of settlements received subsequent to the balance sheet date and the accessibility of the trade receivables. For the year ended 30 June 2006, the management recognised a full provision in respect of trade debts of RMB22,162,000 for which the relevant customers were not accessible.

Ageing analysis of trade receivables and bills receivable at the year end date is as follows:

	The Group	
	2006	2005
	RMB'000	*RMB'000*
Trade receivables		
0 – 60 days	**909**	13,777
61 – 90 days	**97**	3,337
91 – 365 days	**141**	12,911
Over 365 days	**532**	362
	1,679	30,387
Bills receivable		
0 – 60 days	**–**	9,435

9. TRADE PAYABLES AND BILLS PAYABLE

Ageing analysis of trade payables and bills payable at the year end date is as follows:

	The Group	
	2006	2005
	RMB'000	*RMB'000*
Trade payables		
0 – 60 days	**864**	2,234
61 – 90 days	**–**	1,073
91 – 365 days	**25**	5,987
Over 365 days	**1,753**	1,897
	2,642	11,191
Bills payable		
0 – 60 days	**–**	18,851

EXTRACT FROM THE REPORT OF THE AUDITORS

The financial statements for the year ended 30 June 2006 have been audited by the Group's auditors. The auditors' report of the Group's financial statements for the year ended 30 June 2006 contained an emphasis of matter. The following is extracted from the auditors' report:

Fundamental uncertainty

In forming our opinion we have considered the adequacy of the disclosures made in the financial statements relating to a pending litigation against the Group for an alleged guarantee given to the bank for a bank loan granted to a third party. The future settlement of this guarantee could result in additional liabilities. Details of the circumstances relating to this fundamental uncertainty are described in note 37(b) to the financial statements. We consider that appropriate estimates and disclosures have been made and our opinion is not qualified in this respect.

DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 30 June 2006 (2005: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group has undergone a period of difficulties. In early February 2006, the Company had been informed by its wholly-owned subsidiaries in the PRC, Techwayson Industrial Limited and Hiwayson Technology Limited (renamed as Techwayson Technology (Shenzhen) Ltd), that they have been served with writs of summons issued by the Tongling Intermediate People's Court and Shenzhen Intermediate People's Court. These two PRC subsidiaries are being sued for a total amount of approximately RMB155 million under certain guarantees allegedly issued in favour of the creditors of a company, namely Goldwiz Huarui (Tongling) Electronic Materials Company Limited ("Goldwiz Tongling"), in which the Group has an interest of 18.52%, and a third party. As the then and current Board were not aware of the underlying transactions concerning the two subsidiaries that were alleged in the writs of summon, the Company has investigated the relevant facts and is dealing with the issues related to these incidents.

As a result of this event, during the period from December 2005 to August 2006, the Group suffered a setback in its image over certain implicated financial and litigation issues, which also have affected its sales performance of its automation business. Sales during this period came almost to a standstill. For the year ended 30 June 2006, the Group recorded a total revenue of approximately RMB116 million (2005: RMB189 million), representing a decrease of 38.6% over last year. The audited loss attributable to equity shareholders of the Company for the year ended 30 June 2006 increased to approximately RMB247.5 million as compared to a loss of approximately RMB19 million for last year.

Although the Group has undergone a year full of difficulties, it has managed to cross the bridge. With the support of its committed workforce and the raising of additional financial funding, the Group has now recovered most of the lost ground and re-established its morale. It has started to submit tender applications for automation projects again. The management expects its automation business will get back to normal gradually and offer better return for the coming financial year.

In order to strengthen its income base, the Company has expanded its trading business into natural resources and other products. These new sectors, were developed late in the financial year and are not expected to contribute to the Company's performance until next financial year.

As disclosed by the major shareholder of Goldwiz Tongling, Goldwiz Tongling has suspended its operation since December 2005 due to critical liquidity problem. It has received writs of summons from banks, suppliers, trust company and former shareholder in respect of the alleged indebtedness of approximately RMB221.7 million. Since then, the management of Goldwiz Tongling has been negotiating with the creditors on any possible settlement agreements. However, in view of the substantial outstanding amount of alleged indebtedness and the litigations being involved by Goldwiz Tongling, the management of the Company is not optimistic regarding the prospect of Goldwiz Tongling. The Company, thus, has made a full provision of impairment on its investment in Goldwiz Tongling. Latest development of the litigations is reported in "Litigation" of this announcement.

Liquidity and Financial Resources

Apart from the loan payable and short-term bank loan totalling RMB107,390,000 (2005: RMB109,155,000) which were brought forward from the previous year, the Group generally finances its operations with internally generated cash flows. The Group is in negotiation with the bank for restructuring the short term loan to a long term loan. Terms of the restructuring are subject to change depending upon the result of these negotiations.

For the year ended 30 June 2006, 250,000,000 convertible redeemable preference shares at HK$0.4 each were issued and it gave rise to net proceeds of approximately HK$100,000,000. Moreover, the holder of these shares has granted the option to the Company to require the holder to subscribe for an additional 100,000,000 convertible redeemable preference shares at HK$0.4 each during the stipulated period. Upon the subscription of these additional shares by the holder, the Company will receive further proceeds of approximately HK$40,000,000.

The Group had, as at 30 June 2006, a trust fund investment with interest of RMB150,704,000 (2005: RMB150,704,000) (the "Fund") which was placed by two PRC subsidiaries with Kinghing Trust & Investment Co. Ltd. in the PRC (the "Trust Company"). The Trust Company has subsequently been ordered by the relevant PRC authority to suspend its operation and its assets are now being managed by the China Construction Bank. At the maturity date being May 2006, the Fund has not yet been returned by the Trust Company. The two subsidiaries of the Company have registered with the China Construction Bank on its redemption right on the Fund and the fixed return. The Group has issued a demand letter through its PRC lawyer to chase for the return of Fund and no reply has yet been received from the Trust Company. In view of the uncertainty on its recoverability, the Group has, for prudent purpose, made a full provision of RMB150,704,000 on the recoverability of the Fund.

As at 30 June 2006, the Group had total borrowings of RMB107,390,000 (2005: RMB109,155,000). Total cash and bank balances amounted to approximately RMB96,765,000 (2005: approximately RMB14,487,000). The gearing ratio, expressed as a percentage of total borrowings over total assets, was 58.4% (2005: 32.9%).

As at 30 June 2006, the Group's net current liabilities was approximately RMB43,104,000 (2005: net current assets of RMB77,035,000) and the current ratio was 0.71 (2005: approximately 1.51). Taking into account the existing and anticipated banking facilities, the cash balance and new operations of the Group, and the option right granted to the Company regarding the subscription of additional 100,000,000 convertible redeemable preference shares at HK$0.4 each by the holder, the Directors are satisfied that the Group has sufficient resources to meet in full its financial obligations as they fall due in the foreseeable future.

All borrowings of the Group carried interest at floating rates. The maturity profile of the borrowings as at 30 June 2006 is analysed as follows:

	RMB'000
Repayable within one year	102,710
Repayable after one year but within two years	2,340
Repayable after two years but within five years	2,340
	107,390

Segmental Information

The segment of automation products has experienced a slump during the year ended 30 June 2006. It recorded a decrease in turnover of 38.5% compared with the corresponding period last year. This decrease is mainly due to the fact that the Group suffered a setback in its image over certain implicated financial and litigation issues during the period from December 2005 to August of 2006. As a result, sales during this period came almost to a standstill. However, this segment is now recovering with the support from the committed workforce and additional financial funding. The management believes that automation business will revive entirely and offer a better return for the coming financial year.

Due to the resources reallocation, the turnover from project and technical services segment during the year ended 30 June 2006 maintained immaterial as compared with the total turnover of the Group. However, the management plans to re-develop this segment which was ignored by previous management and expects that it will generate a profitable return in the coming year.

Significant Investment

– *Investment in Equity Securities*

The Group has a long term investment of 18.52% interest in Goldwiz Tongling classified as Available-for-sale Securities in the consolidated balance sheet as at 30 June 2006. The Company has no control of the operation of Goldwiz Tongling. As disclosed by the major shareholder of Goldwiz Tongling, the operation of the factory of Goldwiz Tongling has been suspended since December 2005 due to a critical liquidity problem. It has also received writs of summons from various parties including suppliers, bankers, former shareholders and the Trust Company with a total alleged indebtedness of approximately RMB221.7 million. Due to the suspension of Goldwiz Tongling's operation and the pre-litigation protection orders made by the Tongling court on behalf of the creditors, Goldwiz Tongling was not able to finalize its accounts or calculate its unaudited net asset value as at 30 June 2006.

In view of the above factors, the uncertainty of resumption of Goldwiz Tongling's operation and the various litigations it is involved and the fact that the Group has never received any dividend income from the investment in Goldwiz Tongling, the Group made a full provision of impairment loss of RMB31,314,000, taking into account the exchange difference of RMB602,000 (carrying value at 30 June 2005 : RMB31,916,000) for the year under review.

– *Property Under Development*

The construction works for the Group's R & D Centre located in Shenzhen Hi-tech Park, the PRC, has been resumed in the second half of 2006 and the management expects that completion of the building will be finalized in end 2006. Upon completion, the property will be a 7-storey building with a gross floor area of 17,586 square meters, including a basement car-park for approximately 60 cars. The property will be partly held for leasing purpose and partly for the use of the Group. Based on the existing expanding property leasing market in the PRC, the management believes that the property will contribute rental income of approximately RMB8,000,000 per annum to the Group after its completion, subject to the compliance of the relevant regulations of the Shenzhen Hi-tech Park.

Exposure to fluctuations in exchange rates

The Group mainly earns revenues and incurs costs in Renminbi, United States dollars and Hong Kong dollars. The Group's monetary assets and liabilities are denominated in Renminbi, United States dollars and Hong Kong dollars. As the exchange rates of United States dollars and Renminbi against Hong Kong dollars were relatively stable during the year under review, the Group's exposure to fluctuations in exchange rates is considered minimal and no financial instrument has been used for hedging purposes.

Capital structure

As at 30 June 2006, the Company issued 250,000,000 Convertible Redeemable Preference Shares at an issue price of HK$0.40 per share. The Convertible Redeemable Preference Shares bear a fixed cumulative preferential dividend at the rate of 3.5% per annum on the amount paid up or credited as paid up. The Company has the right to require, in the stipulated period, the conversion of all or part of the Convertible Redeemable Preference Shares or to redeem, subject to compliance with any legislation applicable to the Company, such Shares at amount (subject to adjustments under relevant events) equal to all amounts paid up or credited as paid up on the Convertible Redeemable Preference Shares. Based on their terms and conditions, the issued Convertible Redeemable Preference Shares have been classified as equity in the consolidated balance sheet.

Moreover, the Company has been granted an option to require the holder of the Convertible Redeemable Preference Shares during the relevant option period to subscribe for an additional 100,000,000 Convertible Redeemable Preference Shares at a subscription price of HK$0.4 per Convertible Redeemable Preference Share.

During the year ended 30 June 2006, there was no change in the Company's ordinary share capital.

Contingent liabilities

As at 30 June 2006, the Company has executed corporate guarantees to a bank to secure banking facilities granted to its subsidiaries and the banking facilities utilised by subsidiaries totaled approximately RMB98 million (2005: RMB145 million).

In addition, as mentioned in the Business Review, at 30 June 2006, two PRC subsidiaries of the Company have been served with writs of summons and are being claimed for a total amount of approximately RMB155 million under certain guarantees being allegedly issued by these two PRC subsidiaries. The guarantees were allegedly provided by the two PRC subsidiaries without the knowledge of the then and current Boards. Among the alleged guarantees, a total amount of approximately RMB94 million was said to be related to the loans borrowed by Goldwiz Tongling whilst approximately RMB60.7 million was related to the alleged loan borrowed by a third party, Shenzhen Ji Hai Industrial Company.

As informed by the management of Goldwiz Tongling, during the year ended 30 June 2006, Goldwiz Tongling has managed to repay a total amount of approximately RMB12.1 million to the plaintiffs by collecting its trade receivables. Regarding a litigation as to approximately RMB21.6 million, although Goldwiz Tongling has subsequently made certain repayment, it has not yet reached any settlement agreement with the plaintiff and the Company, being the alleged guarantor, has prudently made a provision of corporate guarantee in the amount of approximately RMB15 million. Accordingly, the contingent liability of the Group arising from the alleged guarantees at 30 June 2006 was approximately RMB128 million, after taking into account the aforesaid repayment made during the year and the provision of corporate guarantee made by the Group.

Subsequently and up to the date of this report, Goldwiz Tongling has repaid RMB8.2 million to the plaintiffs. Moreover, Goldwiz Tongling and one of the plaintiffs have reached settlement agreement on the litigation amounting to approximately RMB26.1 million, of which RMB14.6 million was said to be guaranteed by a PRC subsidiary of the Company. Regarding the litigations amounting to approximately RMB57.8 million, Goldwiz Tongling and the plaintiffs are in the final stage of conclusion of settlement agreements. Regarding the litigation amounting to RMB60.7 million, the Company would defend the case as the Company was advised by its legal adviser that the case would be defendable. Accordingly, the contingent liability of the Group arising from the alleged guarantees at the date of this report was further reduced to approximately RMB60.7 million, after taking into account the post-balance repayments, the reaching of settlement agreement and the final stage of conclusion of settlement agreements..

The Company was advised that should the indebtedness due to the plaintiffs be settled by Goldwiz Tongling, the contingent liability of the Group arising from the alleged guarantees will lapse.

Charge on assets

Some of the plaintiffs under the writs of summons that the Group received have put a protection order on the Group's property under development in Shenzhen. As some of the litigations have been settled while others are under negotiations, the Company believes that such charges will be removed in the near future.

Litigation

During the year, the Group has received certain writs of summons in respect of the total alleged claims of RMB154.7 million raised by following third parties in relation to the alleged guarantees given by two PRC wholly-owned subsidiaries of the Group on the indebtedness owed by Goldwiz Tongling or Shenzhen Ji Hai Industrial Company:

Plaintiff	Alleged claim
China Construction Bank, Tongling branch	RMB41.5 million with interest*
The Industrial and Commercial Bank of China, Tongling branch	RMB14.6 million with interest*
The Tongling Economic Technical Development Zone (Group) Company	RMB16.3 million*
The Bank of China, Tongling branch	RMB21.6 million with interest*
The Bank of China, Shenzhen branch	RMB60.7 million with interest#

* indebtedness owed by Goldwiz Tongling

\# indebtedness owed by Shenzhen Ji Hai Industrial Company

Details of the above litigation cases were set out in the Company's interim report for the six months ended 31 December 2005, the Company's announcement dated 25 May 2006 and circular dated 14 August 2006.

As advised by the Company's PRC lawyer, Goldwiz Tongling has been negotiating with its respective creditors. During the year under review, Goldwiz Tongling has managed to repay RMB12.1 million to the creditors. At the date of this announcement, Goldwiz Tongling and the plaintiff have reached settlement agreements on the litigations amounting to approximately RMB26.1 million, of which RMB14.6 million was said to be guaranteed by a PRC subsidiary of the Company. Moreover, Goldwiz Tongling and the plaintiffs are in the final stage of conclusion of settlement agreement on the litigations amounting to approximately RMB57.8 million, RMB49.6 million of which was outstanding at 30 June 2006. As to the litigation amounting to approximately RMB60.7 million, the Group will defend the case in view of certain irregularities of the alleged guarantee. Regarding a litigation as to approximately RMB21.6 million, Goldwiz Tongling has subsequently made certain repayment but since this company and the plaintiff have not yet reached any settlement agreement and therefore the Company, being the alleged guarantor, has made a provision of guarantee for approximately RMB15 million and the Company will seek legal advice to demand for the said amount in due course. The Company was further advised that should settlement on the loans be reached between Goldwiz Tongling and the plaintiffs, the contingent liability of the Group arising from the alleged guarantee will lapse.

During the year, the Group has also received a writs of summon from its main contractor in respect of the outstanding fee of approximately RMB16 million with interest in relation to construction of its property under development in Shenzhen, the PRC. Details of the case were also set out in the Company's announcement dated 25 May 2006 and circular dated 14 August 2006. Subsequent to the balance sheet date, the claim has been settled and the contractor has resumed work in August 2006 and the development is expected to be completed in end of 2006.

Moreover, subsequent to the balance sheet date, as disclosed in the Company' announcements dated 3 August 2006 and 6 October 2006, the Group has been served a notice of arbitration proceeding by Shenzhen Arbitration Committee in respect of the Group's indebtedness of RMB100 million together with interest due to The Bank of China, Shenzhen branch, the PRC (the "Bank Creditor"). Both parties have agreed preliminarily to make an out-of-court settlement. The Bank Creditor will proceed with internal approval procedures for restructuring the short term loan to a long term loan subject to the pledge of the property-under-development in favour of the Bank Creditor as security for the long term loan. The property was charged by the plaintiffs of the litigations against the Company in respect of the alleged guarantees for the indebtedness of Goldwiz Tongling. The Group is endeavoring to satisfy the pre-condition of the proposed debt restructuring and will continue its negotiation with the Bank Creditor.

Corporate Governance

The Company places great importance in its commitment to upholding a high standard of corporate governance. Good governance is an essential factor in corporate success. The new management is committed to keep a good corporate governance practice and has spent considerable time in reviewing its internal control to ensure the efficient use of resources and to enhance both corporate accountability and the creation of value.

Prospects

Going forward, the outlook of the Group for the next financial year is positive. In its automation business, confidence of its customers has improved significantly and more opportunities are being offered to the Group. Adoption of free market policies has fuelled China's economy, which has created many opportunities for application of programmable logic controllers ("PLCs") and other automation systems and solutions. The demand for automation products and systems thrives distinctively in a developing economy that has a strong manufacturing and industrial base like China. Besides being able to offer imported automation products to its customers, the Group can also provide its own propriety products and solutions of PLCs, which will give the Group a competitive edge.

As part of its diversification and expansion plan, the Group has opened up its trading business in natural resources. The Group has received support from two major suppliers in Indonesia for the supply of regular shipments of iron ores and coal. Also, subsequent to the balance sheet date, the Group has entered into a joint venture agreement with an independent third party for the provision of technical services and export services for an Indonesia company in respect of certain mined products such as iron ore and iron sand. The Group holds 25% equity interest in the joint venture company and the total maximum commitment will be approximately US$1.51 million which will be funded by internal resources of the Group. The management believes that the investment in the JV Company will further strengthen its source of supply of iron ore and iron sand for the Group's trading needs. Due to certain delay in the company registration procedures, production of the iron ore sand is estimated to be ready for trial shipment in early 2007.

Moreover, the Group has settled the dispute over the construction of its Research and Development Centre (the "Centre") in Shenzhen and construction work has been resumed. Completion of the Centre is expected to be finalized in end 2006. The Centre is a 7-storey building and is situated at the central of the Shenzhen Hi-tech Park. On completion, it will have a gross floor area of 17,586 sq meters, including a basement car-park for approximately 60 vehicles. The management believes that the Centre will contribute, upon its completion, a stable return to the Group in term of rental income. It also expects improved earnings from automation business and good returns from its natural resources trading in the coming year.

Employee and Remuneration Policies

For the year ended 30 June 2006, the Group has recorded staff costs of approximately RMB7 million (2005: RMB8.5 million). The Group employed, as at 30 June 2006, 66 (2005: 102) employees in the PRC and Hong Kong. Both the number of employee and staff costs has decreased as compared to the corresponding period last year as many staff have left the Group at the end of 2005. The Group has basically frozen its headcount since then due to the standstill of automation business in the second half of the financial year ended 30 June 2006 as mentioned above.

The Group encourages high productivity and remunerates its employees based on their qualifications, work experience, prevailing market prices and his/her contributions to the Group. Incentive schemes comprised of discretionary bonus and other merit payments to reward employees based on performance are also offered. Other employee benefits include mandatory provident fund and medical benefits for its employees in Hong Kong and similar benefits for its employees in the PRC.

COMPARATIVE FIGURES

Certain comparative figures have been adjusted or re-classified as a result of the changes in accounting policies.

PURCHASES, SALE OF REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company has complied with the Code of Corporate Governance as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the year ended 30 June 2006 except that the appropriate amendments of the Company's Articles of Association (regarding re-election and retirement of directors who are appointed to fill a casual vacancy) was approved by the shareholders on 28 October 2005 and policies, procedures and practices regarding the following issues were adopted by the Company since 9 December 2005 instead of throughout the whole year under review :

(1) approval of procedures to enable the Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances at the Company's expense;

(2) setting out in writing the responsibilities of the Chairman and CEO;

(3) specifying the terms of service of the then non-executive directors;

(4) adoption of the Company's own code of conduct (the "Code") regarding the securities transactions by certain employees of the Company and its subsidiaries who are considered to be likely in possession of unpublished price sensitive information in relation to the Company of its securities, in respect of their dealings in the securities of the Company. The Code represents written guidelines on no less exacting terms than the Model Code as set out in Appendix 10 of the Listing Rules; and

(5) the setting of formalized functions reserved to the Board and the Board's delegation of certain functions to the management which is represented by the newly established Executive Committee with specific written terms of reference. At the date of this report, the Executive Committee comprises the Chief Executive Officer, two executive directors and the Financial Controller.

Further information of the Company's corporate governance practice and details of the Company's deviations from certain code during the year will be set out in the corporate governance report to be contained in the Company's 2005 Annual Report which will be sent to the shareholders at the end of October 2006.

AUDIT COMMITTEE

The Audit Committee comprises five Independent Non-executive Directors and one Non-executive Director of the Company. The audited results for the year ended 30 June 2006 have been reviewed by the Audit Committee and external auditors.

By order of the Board
Chan Siu Chu Debby
Executive Director and CEO

Hong Kong, 24 October 2006

As at the date of this announcement, the Board of Directors of the Company comprises four Executive Directors, namely Dr. Sze Kwan, Mr. Siek Fui, Ms. Chan Siu Chu, Debby and Mr. Liu Ping, one Non-executive Director, namely Mr. Gerard McMahon and five Independent Non-executive Directors, namely Mr. Wee Soon Chiang, Henny, Mr. Wong Kam Kau, Eddie, Mr. Hui Hung, Stephen, Mr. Ng Kwok Chu, Winfield and Mr. Lau Sai Chung.

* *For identification purpose only*

Please also refer to the published version of this announcement in The Standard.