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 2007

RESULTS

The board of directors (the "Board") of The Quaypoint Corporation Limited (the "Company") is pleased to announce the audited consolidated income statement of the Company and its subsidiary companies (collectively, the "Group") for the year ended 30 June 2007 and the consolidated balance sheet of the Group as at 30 June 2007 together with comparative figures for the year ended 30 June 2006, as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 30 June 2007

	Note	**2007** **RMB'000**	2006 RMB'000
Turnover	2	**145,059**	115,581
Cost of sales		**(132,344)**	(107,172)
Gross profit		**12,715**	8,409
Other revenue	2	**1,202**	104
Other income	2	**46,106**	1,885
Distribution costs		**(12,236)**	(316)
Administrative expenses		**(28,822)**	(50,563)
Impairment loss on available-for-sale securities		**–**	(31,314)
Impairment loss on held-to-maturity securities		**–**	(150,704)
Other operating expenses		**(834)**	(15,325)
Finance costs	3	**(10,161)**	(9,690)
Share of losses of associates		**(104)**	–
Profit (Loss) from operations	4	**7,866**	(247,514)
Income tax	5	**(2)**	(6)
Profit (Loss) attributable to equity shareholders of the Company		**7,864**	(247,520)
Earnings (Loss) per share			
Basic	6	**RMB2.25 cents**	(RMB70.72 cents)
Diluted	6	**RMB2.22 cents**	N/A

CONSOLIDATED BALANCE SHEET

As at 30 June 2007

	Note	**2007** RMB'000	2006 RMB'000
Non-current assets			
Property, plant and equipment		**16,868**	2,796
Property under development		**–**	72,285
Investment properties		**166,693**	–
Prepaid lease payment		**273**	1,987
Interest in associates		**10,726**	–
Available-for-sale securities		**4,000**	–
Total non-current assets		**198,560**	77,068
Current assets			
Inventories		**2,923**	2,459
Trade receivables	7	**58,168**	1,679
Prepayments, deposits and other receivables		**10,990**	5,939
Held-to-maturity securities		**–**	–
Financial assets at fair value through profit or loss		**1,210**	–
Cash and bank balances		**57,551**	96,765
Total current assets		**130,842**	106,842
Current liabilities			
Trade payables	8	**11,829**	2,642
Bills payable, secured	8	**21,622**	–
Provision, accruals and other payables		**38,830**	34,423
Receipts in advance		**482**	612
Due to a director		**–**	1,025
Current portion of interest-bearing borrowings		**–**	4,798
Short-term bank loans		**139,520**	97,912
Taxation payable		**–**	8,534
Total current liabilities		**212,283**	149,946
Net current liabilities		**(81,441)**	(43,104)
Total assets less current liabilities		**117,119**	33,964
Capital and reserves			
Ordinary share capital		**37,100**	37,100
Convertible redeemable preference shares		**184,653**	104,000
Reserves		**(104,634)**	(111,816)
Total equity attributable to equity shareholders of the Company		**117,119**	29,284
Non-current liabilities			
Interest-bearing borrowings		**–**	4,680
		117,119	33,964

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 "Listing Rules").

The amendments to HKAS 39 require an entity to account for certain financial guarantee contracts in accordance with that standard. To comply with the requirements of the amended HKAS 39, the Group has adopted a new accounting policy to recognise financial guarantee contracts. On initial recognition, these contracts are measured at fair value and they are subsequently stated at the higher of:

– the amount initially recognised less where appropriate, cumulative amortisation recognised in accordance with the Group's revenue recognition policies; and

– the amount of the obligation under the contract, as determined in accordance with HKAS 37 "Provision, Contingent Liabilities and Contingent Assets" ("HKAS 37").

Prior to this new accounting policy, the Group disclosed the financial guarantees issued as contingent liabilities in accordance with HKFRS 4 "Insurance Contracts" and HKAS 37. Provisions for the Group's liabilities under the financial guarantee contracts were made when it was more likely than not that the guaranteed party would default and the Group would incur outflow of resources embodying economic benefits.

This new accounting policy has been applied retrospectively to the extent that the financial guarantee contracts were in existence at 1 July 2005 (ie the date when HKAS 39 was initially adopted by the Group). The fair value of the financial guarantee is insignificant.

The consolidated financial statements for the year ended 30 June 2007 comprise the financial statements of the Company and its subsidiaries and have been prepared under the historical cost convention, as modified by the revaluation of investment properties, available-for-sale financial assets and financial assets at fair value through profit or loss.

At the balance sheet date, the Group's current liabilities exceeded its current assets by RMB81,441,000. In addition, a PRC subsidiary has been involved in a claim by a PRC bank for a guarantee which was allegedly given by that subsidiary to a third party without formal approval of the Company's board of directors. 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 claim. 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) Subsequent to the balance sheet date, the Company issued 70,000,000 new ordinary shares at an issue price of HK$0.30 each;

(b) The Company is in the process of negotiation for a restructuring of the short term unsecured bank loan of approximately RMB88,234,000 into secured and long term loan;

(c) The Company is liaising with lawyers in the PRC and the third parties concerned to actively address the claim of approximately RMB60,693,000 raised by a PRC bank under a corporate guarantee and will actively defend the questionable claim; and

(d) The Company shall be able to raise additional funds in debt and/or by equity instruments as and when it is appropriate.

2. TURNOVER, OTHER REVENUE AND OTHER INCOME

	2007 *RMB'000*	2006 *RMB'000*
Turnover		
– Sales of automation products and electronic components	**94,404**	111,538
– Fees for project and technical services	**32,647**	4,043
– Sales of natural resources	**16,722**	–
– Rentals from investment properties	**1,286**	–
	145,059	115,581
Other revenue		
– Bank interest income	**1,202**	104
Other income		
– Dividend income from listed securities (financial assets at fair value through profit or loss)	**8**	–
– Excess of fair value of identified net assets acquired over cost	**1,338**	–
– Gain on disposal of property, plant and equipment	**59**	–
– Increase in fair value of investment properties	**37,964**	–
– Net realised gain on disposal of listed securities (financial assets at fair value through profit or loss)	**1,881**	–
– Net gain on disposal of subsidiaries	**3,801**	–
– Waiver of loan	**905**	–
– Others	**150**	1,885
	46,106	1,885
	192,367	117,570

Primary reporting format – Business Segments

	For the year ended 30 June 2007				
	Technology *RMB'000*	**Trading** *RMB'000*	**Property investment** *RMB'000*	**Unallocated** *RMB'000*	**Consolidated** *RMB'000*
Turnover	**32,647**	**111,126**	**1,286**	**–**	**145,059**
Segment results	**699**	**(17,274)**	**39,035**	**(3,495)**	**18,965**
Other operating expenses					**(834)**
Finance costs					**(10,161)**
Share of losses of associates					**(104)**
Profit before taxation					**7,866**
Income tax					**(2)**
Profit attributable to equity shareholders					**7,864**
Other information					
Capital expenditure	**15,027**	**184**	**11,605**	**376**	**27,192**
Depreciation and amortisation	**510**	**769**	**41**	**110**	**1,430**
Gain (Loss) on disposal of property, plant and equipment	**18**	**54**	**–**	**(13)**	**59**

	For the year ended 30 June 2006 (reclassified)				
	Technology *RMB'000*	Trading *RMB'000*	Property investment *RMB'000*	Unallocated *RMB'000*	Consolidated *RMB'000*
Turnover	–	115,581	–	–	115,581
Segment results	–	(34,274)	(20)	(6,187)	(40,481)
Other operating expenses					(197,343)
Finance costs					(9,690)
Loss before taxation					(247,514)
Income tax					(6)
Loss attributable to equity shareholders					(247,520)
Other information					
Capital expenditure	–	38	6,022	633	6,693
Depreciation and amortisation	–	1,035	20	112	1,167
Loss on disposal of property, plant and equipment	–	–	–	309	309
Impairment loss on available-for-sale securities	–	–	–	31,314	31,314
Impairment loss on held-to-maturity securities	–	–	–	150,704	150,704
Impairment loss on property, plant and equipment	–	–	–	22	22

	Total assets		**Total liabilities**	
	2007 ***RMB'000***	2006 *RMB'000*	**2007** ***RMB'000***	2006 *RMB'000*
Technology	**44,195**	–	**140,580**	–
Trading	**64,508**	37,393	**60,492**	133,052
Property investment	**166,988**	74,272	**10,121**	6,000
	275,691	111,665	**211,193**	139,052
Interest in associates	**10,726**	–	**–**	–
Unallocated	**42,985**	72,245	**1,090**	15,574
Total	**329,402**	183,910	**212,283**	154,626

Secondary reporting format – Geographical Segments

	Turnover		Total assets		Capital expenditure	
	2007	2006	**2007**	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
The PRC (including Hong Kong)	**142,682**	115,581	**318,676**	183,910	**27,192**	6,693
Egypt	**713**	–	**–**	–	**–**	–
Syria	**478**	–	**–**	–	**–**	–
Algeria	**454**	–	**–**	–	**–**	–
Lebanon	**443**	–	**–**	–	**–**	–
Turkey	**289**	–	**–**	–	**–**	–
	145,059	115,581	**318,676**	183,910	**27,192**	6,693
Interest in associates			**10,726**	–		
Total assets			**329,402**	183,910		

3. FINANCE COSTS

	2007	2006
	RMB'000	*RMB'000*
Interest on bank and other borrowings and overdraft wholly repayable within 5 years	**10,161**	9,690

4. PROFIT (LOSS) FROM OPERATIONS

Profit (Loss) from operations is stated after charging (crediting) the following:

	2007	2006
	RMB'000	*RMB'000*
Staff costs (including director's emoluments):		
Salaries, wages and other benefits	**10,706**	6,673
Contributions to defined contribution plans	**409**	325
	11,115	6,998
Included in research and development expenditures	**(820)**	(757)
	10,295	6,241
Auditors' remuneration	**660**	551
Amortisation of prepaid lease payment	**41**	41
Bad debts	**–**	309
Cost of inventories	**132,344**	107,172
Depreciation of property, plant and equipment	**1,389**	1,126
Gross rental income from investment properties less outgoings	**(1,149)**	–
Impairment loss on amount due from an associate	**530**	–
Impairment loss on available-for-sale securities	**–**	31,314
Impairment loss on held-to-maturity securities	**–**	150,704
Impairment loss on property, plant and equipment	**–**	22
Loss on disposal of property, plant and equipment	**–**	309
Operating lease rentals of premises	**1,915**	877
Provision for corporate guarantee	**–**	15,000
Provision for doubtful debts	**–**	33,353
Provision for obsolete and slow moving inventories	**–**	595
Research and development expenditures	**1,792**	1,564
Unrealised loss on listed securities (financial assets at fair value through profit or loss)	**831**	–

5. INCOME TAX

(a) Taxation charge in the consolidated income statement

	2007	2006
	RMB'000	*RMB'000*
Current taxation		
– Hong Kong Profits Tax	**2**	–
Under-provision in prior year		
– Hong Kong Profits Tax	**–**	6
Total taxation charge	**2**	6

(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 Act of the British Virgin Islands and, accordingly, are exempted from payment of British Virgin Islands income taxes.

(ii) Hong Kong Profits Tax

Hong Kong Profits Tax has been provided at the rate of 17.5% on the estimated assessable profits for the year. No Hong Kong Profits Tax had been provided for the year ended 30 June 2006 as the Company and its subsidiaries operating in Hong Kong did not derive any assessable profits for the year.

(iii) PRC enterprise income tax

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.

These subsidiaries either incurred tax losses for the year or had assessable profits for the year but offsetting by the unutilised tax losses carried forward.

Pursuant to the PRC Enterprise Income Tax Law (the "New Law") passed by the Tenth National People's Congress on 16 March 2007, the new PRC income tax rates for domestic and foreign enterprises are unified at 25% effective from 1 January 2008. Under the New Law, entities that are currently entitled to preferential tax rates may continue to enjoy the tax benefits. As detailed measures concerning the tax incentives have not been issued by the State Council, the management of the Group is not yet in a position to assess the impact, if any. The Group will continue to evaluate the impact when more detailed regulations are announced.

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

	2007	2006
	RMB'000	*RMB'000*
Profit (Loss) before taxation	**7,866**	(247,514)
Notional tax on profit (loss) before taxation, calculated at the rates applicable to profit (loss) in the countries concerned	**721**	(38,908)
Tax effect of non-deductible expenses	**5,622**	31,371
Tax effect of non-taxable income	**(5,652)**	(12)
Tax effect of unused tax losses not recognised	**5,109**	7,518
Tax effect of deductible temporary difference not recognised	**(41)**	31
Utilisation of previously unrecognised tax losses	**(5,757)**	–
Under-provision in prior year	**–**	6
Taxation charge	**2**	6

6. EARNINGS (LOSS) PER SHARE

The calculation of earnings (loss) per share for the year ended 30 June 2007 is based on the consolidated profit attributable to shareholders of RMB7,864,000 (2006: consolidated loss attributable to shareholders of RMB247,520,000) and the weighted average number of 350,000,000 shares (2006: 350,000,000 shares) in issue during the year.

The calculation of diluted earnings per share for the year is based on the profit attributable to equity shareholders of the Company of RMB7,864,000 and the weighted average number of ordinary shares of 354,235,347 shares, which is based on the weighted average number of ordinary shares for the purpose of basic earnings per share of 350,000,000 shares adjusted by the effect of deemed conversion of convertible redeemable preference shares of 4,235,347 shares. Since the Company's shares were suspended for trading since 16 March 2006 and only resumed for trading with effect from 25 June 2007, the effect of conversion of convertible redeemable preference shares only takes into the account the period of resumption of trading of the Company's shares 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. The convertible redeemable preference shares in issue as at 30 June 2006 were issued during the suspension of the trading in the shares of the Company.

Subsequent to the balance sheet date, the Company issued 70,000,000 new ordinary shares by private placing.

7. TRADE RECEIVABLES

Trade receivables consisted of:

	2007	2006
	RMB'000	*RMB'000*
Trade receivables	**58,168**	23,841
Less: Provision for doubtful debts	**–**	(22,162)
	58,168	1,679

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

	2007	2006
	RMB'000	*RMB'000*
Trade receivables		
0 – 60 days	**36,922**	909
61 – 90 days	**10,178**	97
91 – 365 days	**10,026**	141
Over 365 day	**1,042**	532
	58,168	1,679

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. However, for provision of project and technical service, the customers are required to pay by instalments in accordance with the relevant contracts with the last instalment being made within 9 months upon generation of electricity.

In the review of the recoverability of trade receivables at each balance sheet date, the management made their judgement based on factors such as the age of the amount due and the extent of settlements received subsequent to the balance sheet date. 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 and such debts have been written-off during the year ended 30 June 2007.

8. TRADE PAYABLES AND BILLS PAYABLE

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

	2007	2006
	RMB'000	*RMB'000*
Trade payables		
0 – 60 days	**5,983**	864
61 – 90 days	**3,883**	–
91 – 365 days	**1,012**	25
Over 365 days	**951**	1,753
	11,829	2,642
Bills payable		
0 – 60 days	**21,622**	–

EXTRACT FROM THE REPORT OF THE AUDITORS

The financial statements for the year ended 30 June 2007 have been audited by the Group's auditors. The auditors' report of the Group's financial statements for the year ended 30 June 2007 contained a modified opinion. The following is extracted from the auditors' report:

"Without qualifying our opinion we draw attention to note 2(b) to the financial statements concerning the adoption of going concern basis on which the financial statements have been prepared. The financial statements do not include any adjustments that would result if any of the circumstances forming the basis of going concern preparation described in note 2(b) to the financial statements is not applicable. We consider that appropriate disclosures have been made in this respect."

DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 30 June 2007 (2006: Nil). As at 30 June 2007, accumulated preferential dividends amounted to RMB4,156,000 (2006: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the financial year ended 30 June 2007, the Group's audited turnover increased by about 26% to approximately RMB145 million when compared with the previous year of approximately RMB115 million. It was mainly due to the recognition of turnover upon the completion of the commissioning on the TRT (Top Pressure Recovery Turbine) projects and the contribution of rental income from investment properties.

Having improvement in each business unit of the Group and in view of the appreciation of market value of the R&D Centre in Shenzhen, the Group recorded an audited profit attributable to equity shareholders of approximately RMB7.8 million compared to an audited loss of approximately RMB247.5 million of the previous year.

Currently, the phenomenal growth of China has shaped the global economic landscape and there is no question that this extraordinary growth of China underpins the surging prosperity of Hong Kong. Like many Hong Kong companies, we are also depending heavily on the mainland market and benefiting with China's unprecedented growth. China shall remain the centre of our investment area.

During the year, the Company has successfully accomplished the recovery to solidify its financial position and resolved the major litigation issues involving the alleged guarantees previously given by the Group. Moreover, with the great effort given by the current board, the relevant staff and the professional parties, the Company has resumed its shares trading in June 2007. The management is endeavoring to revamp the business growth of the Company and will continue to focus on three major business fronts, i.e. technology, trading and property investment.

Segmental information

Technology (formerly classified under Project and Technical Services segment)

In June 2007, the Group completed and successfully commissioned its three TRT contracts in the energy and environmental conservation, and the Group's PLCs (Programmable Logic Controllers) application in the projects had met the stringent standards. TRT is a generating system which utilizes the exhaust pressure and heat from the blast furnace of steel mill as its energy source. The electricity generated by the system will save energy for the steel mills of about 20% of electricity necessary for its operation. The Group is believed to be the first if not the only company in China that has to date undertaken three such projects at one go. With the good results, the Group will continue to engage in the provisions of such services and to provide sophisticated control and monitoring system in the coming year.

Trading

Trading business of the Group comprises distribution of imported automation products, trading of mineral resources such as iron ore, electronic related components and materials such as laminate products and related industries' raw material. In the mining and commodities trading in Indonesia, the Group has suffered an unfortunate setback. Although contracts and arrangements have been reached with the local suppliers, the sudden about turn of policy regarding the export of iron ores by the local authorities have left matter in abeyance. However, on the bright side, our associate company has recently fully installed the equipment and machineries in a mine owned by an Indonesian listed company. The Group has an exclusive sales contract for the products produced in the mine. Production of the iron ore sand are expected to start before end 2007. With the current facilities in place, monthly production is estimated at 30,000 dry metric tones. Buyer for the product has been identified.

Property investment

In our property portfolio, we own seven commercial units of approximately 4,582 sq. ft. in Hong Kong and the seven-storey R&D Centre with total floor area of approximately 17,500 sq. m. in Shenzhen. The seven-commercial units in Hong Kong have been fully let. During the year, we have completed the construction and renovation of the R&D Centre in Shenzhen, which serves also as our China office. Except of the ground floor and the first floor, which are now in the progress of leasing out, the remaining four floors of the R&D Centre have been fully let.

Significant investment

Investment properties

With the completion of the acquisition of Weina Land Limited in end December 2006, the Group has diversified its business to property investment holding which has strengthened the asset and revenue bases of the Group. The investment properties comprise seven units of office premises in Hong Kong with total saleable area of approximately 4,582 sq. ft. and the R&D Centre in Shenzhen with total floor area of approximately 17,500 sq. meters.

As at 30 June 2007, all of the office units of the Hong Kong properties, having total carrying value of approximately HK$46.34 million and certain floors of the R&D Centre were leased out to independent third parties.

Investment in an associate

In July 2006, a wholly-owned subsidiary of the Company and an independent party formed a joint-venture company, namely Orient Metro Limited (the "JV Company"), which is owned as to 25% by the Group and 75% by such independent party. The JV Company together with its subsidiaries will be principally engaged in the provision of technical services (involving provision of equipment, machinery, technical advice and supporting services for excavating mines and the operation and management of mines) and export service (involving marketing, sale and export of the mined products such as iron ore, iron sand, coal and other natural mineral products from Indonesia) for an Indonesian company with local mining license, other Indonesian mining companies and/or mine owners. During the year, the installation of the necessary equipment for the first iron ore sand mine has been completed and the Group will be able to start shipment, as supplied by the JV Company's subsidiary, before end of 2007. In the coming years, we will also be looking for business opportunities in the mining industry in Asia including China.

Prospect

In the coming financial year, the Group shall focus on three basic priorities (i) to increase investment in properties to achieve recurring earnings and improve asset base; (ii) to expand by acquisition of market-orientated projects whether through joint ventures or otherwise; and (iii) to forge and strengthen relationship with strategic venture partners, customers and suppliers.

With the satisfactory results in the performance of our technology services, the Group is confident that it will be able to continue to perform and deliver the services required by the customers. The management is optimistic of establishing its market position in this field of energy saving system. In the production of its proprietary products such as V80s and V60s, the Group will concentrate its products that serve particularly the environmental and energy industries at large.

To strengthen its assets base, the Group will place more emphasis in the coming year on seeking joint-ventures and projects in the property investment area. The China property market has been rapidly growing since the adoption of the open door policy in the late 1980s. With its admission to the WTO in 2001, China has made tremendous progress in reforming its economy and is now experiencing exponential economic growth. However, investments in real estates in China are typically governed by governmental policies. Since 2003, the Chinese government has introduced various measures to prevent the overheating of certain sector of the property market, which, according to National Bureau of Statistics of China, the average selling prices for residential properties have risen from RMB1,948 per sq.m. in 2000 to RMB2,937 per sq.m. in 2005, representing a compound annual growth rate of 8.6%, and the average price of commercial properties have risen from RMB3,260 per sq.m. in 2000 to RMB5,022 per sq.m. in 2005, a compound annual growth rate of about 9%.

Subject to the applicable rules and regulations, the Group will endeavor to expand its investments in the lands and properties by seeking suitable projects. Barring any unforeseeable circumstances, we believe that property ownership and real-estates investments in China will continue to enjoy a sustainable growth in view of its prevalent economic growth, improved urbanisation and the availability of mortgage financing.

After the balance sheet date, in end August 2007, the Group has entered into a Letter of Intent with an independent party regarding the Group's intended investment in the development of a landed property in Zhuhai, China. The parties are in the final stage of negotiation on the detailed terms and conditions and the Company will make the necessary disclosures as soon as the formal contract is entered into. Besides, the Group is also looking at some other landed property projects in Zhuhai. Zhuhai, being one of the five Special Economic Zones in the PRC, is benefiting from growing commerce as well as from direct investment from the adjoining Special Administration Regions of Hong Kong and Macau, and also has one of the highest per capita GDPs in China. With the strong support of the Zhuhai municipal government to improve the environment and infrastructure in Zhuhai, it is expected that demand for residential/commercial property in Zhuhai will continue to grow in the coming years.

Material Acquisition of Subsidiaries

At the Company's extraordinary general meeting held on 28 December 2006, the Sale and Purchase Agreement entered into between the Company and Weina Holdings Limited was approved. Pursuant to the agreement, the Company agreed to acquire 100% equity interest in Weina Land Limited at HK$44 million by the issuance of 110,000,000 convertible redeemable preference A shares at HK$0.4 each to Weina Holdings Limited or its nominees. Upon completion of the acquisition which was taken place on 29 December 2006, Weina Land Limited became the wholly-owned subsidiary of the Company.

Material Acquisition of Associates

During the year, the Group entered into an agreement with an independent third party for the establishment of Orient Metro Limited at a maximum commitment of US$1.5 million (equivalent to approximately RMB11.2 million). Since 17 July 2006, Orient Metro Limited which is owned as to 25% by the Group became an associate of the Company.

Liquidity and Financial Resources

As at 30 June 2007, the total assets of the Group were approximately RMB329,402,000, an increase by approximately 79.1% as compared to 30 June 2006. As at 30 June 2007, the Group had total borrowings of approximately RMB139,520,000 (2006: RMB107,390,000), approximately RMB88.2 million of which is owed to Bank of China, Shenzhen branch. Although a judgment was made in favour of the bank by the Shenzhen Arbitration Commission, the bank has principally agreed not to demand immediate full repayment from the Group pending for the restructuring of the outstanding debt into a loan secured against the R&D Centre. Currently, the Group is making periodic principal repayments to the bank and will continue to make repayment in accordance with the finalized debt restructure proposal. At 30 June 2007, the gearing ratio, expressed as a percentage of total borrowings over net assets, was approximately 1.19 (2006: 3.16).

As at 30 June 2007, the total cash and bank balances of the Group amounted to approximately RMB57,551,000 (2006: RMB96,765,000). The Group's net current liabilities was approximately RMB81,441,000 (2006: RMB43,104,000) and the current ratio was about 0.61 (2006: 0.71). The decrease of the cash and bank balances was materially due to the injection of capital to a PRC subsidiary for the construction of the R&D Centre and for its general working capital, the repayment of the Group's indebtedness and the Company's investment in two joint-venture companies.

Taking into account of the broadening of the revenue base, the finalization of the debt restructuring proposal, the ability of the Company to raise additional funds, and the Company's right to defend the questionable claim, the Directors are confident that the Group has sufficient resources to meet in full its financial obligations as they fall due in the foreseeable future.

Capital Structure, bank borrowings and exposure to fluctuations in exchange rates

In December 2006, the Company issued 110,000,000 convertible redeemable preference A shares at HK$0.4 each being payment of consideration for the acquisition of Weina Land Limited. In June 2007, the Company further issued 100,000,000 convertible redeemable preference shares at HK$0.4 each upon the Company's exercise of the option under the Subscription and Option Agreement dated 26 May 2006. As at 30 June 2007, the total convertible redeemable preference shares of the Company in issue were 460,000,000, all of which can be converted into ordinary shares at HK$0.4 per share, subject to adjustment.

During the year, there was no change in the issued ordinary share capital of the Company.

As at 30 June 2007, the Group's bank borrowings of approximately RMB139.5 million was on a short-term basis and was mainly in Renminbi. Out of such borrowings, the loan of around RMB88.2 million bears fixed interest rate whilst the loan of HK$40.9 million (approximately RMB39.3 million) and of RMB12 million bears prevailing market rates. There are no known seasonal factors in our borrowing profiles.

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, treasury and funding policies.

Contingent liabilities

As at 30 June 2007, the Company and one of its subsidiaries had given corporate guarantee to two PRC banks for securing the short-term bank loans granted to a PRC subsidiary and the outstanding loan balance as at 30 June 2007 was approximately RMB100.2 million, together with interest. As at 30 June 2007, the Company had also given corporate guarantee to two banks for securing the bank loans and general banking facilities granted to its Hong Kong subsidiaries and the outstanding loan balance at 30 June 2007 was approximately HK$40.9 million (RMB39.3 million), together with interest.

Moreover, guarantee for the outstanding loan balance of approximately RMB60.7 million, together with interest, was allegedly provided by the PRC subsidiary for securing the loan borrowed by a third party, Shenzhen Ji Hai Industrial Company. The PRC subsidiary has made an appeal against the judgment and will defend the case.

Charge on Assets

As at 30 June 2007, the Group's certain landed properties in Hong Kong with an aggregate net carrying value of approximately HK$46.3 million (equivalent to RMB44.49 million) were pledged to two local banks for securing revolving loans and general banking facilities granted to certain subsidiaries of the Company.

Employee and Remuneration policies

For the year ended 30 June 2007, the Group has recorded staff costs of approximately RMB11.1 million (2006: RMB7 million), represented about 59% increase when compared with the previous year. The number of staff has increased from 66 employees (as at 30 June 2006) to 74 employees (as at 30 June 2007). 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 China.

Litigation

During the year, a PRC subsidiary of the Company received a writ of summon in respect of a claim of approximately RMB9.5 million raised by the main contractor of the Shenzhen R&D Centre in relation to the settlement price on the construction of the R&D Centre, which is in discrepancy with the contracted work. Hearing had been originally scheduled on 18 September 2007 but was postponed to a date to be determined by the PRC court. As advised by its PRC lawyer that there existed many irregularities in the relevant construction settlement documents submitted by the main contractor, the PRC subsidiary should have no difficulty in defending the case successfully. However, it is envisaged that in view of the delay in settlement on the construction fee, the obtaining of the title deed of the R&D Centre for the debt restructuring with the bank will be deferred. The bank is aware of the litigation issue and is still negotiating with the Group on finalizing the debt-restructuring proposal.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the year ended 30 June 2007, the Company has applied the principles of, and complied with, the applicable code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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.

AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed the Group's audited financial statements for the year ended 30 June 2007 including the accounting principles and practices adopted by the Group.

By Order of the Board
Chan Siu Chu, Debby
Executive Director & Chief Executive Officer

Hong Kong, 12th day of October, 2007

As at the date of this announcement, the Board of Directors of the Company comprises:

Executive Directors	–	*Ms. Chan Siu Chu, Debby, Mr. Chen Xian, Mr. Siek Fui and Ms. Xia Dan*
Non-executive Director	–	*Mr. Gerard McMahon*
Independent Non-executive Directors	–	*Mr. Lau Sai Chung, Mr. Ng Kwok Chu, Winfield and Mr. Poon Lai Yin, Michael*

* *For identification purpose only*