The Quaypoint Corporation Limited
紀 翰 集 團 有 限 公 司*

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

ANNUAL RESULTS
FOR THE YEAR ENDED 30 JUNE 2008

BUSINESS REVIEW

This year was a pivotal and transitional year for the Group, a year in which we have prudently critically assessed our existing businesses, commenced the rationalization of some of our Group's activities based on market changes, and establishing the core foundation deemed necessary in transforming the Group into a more focused and economically vibrant investment holding company. This year's initiatives were marked by a number of divestment in existing businesses as well as exploring the new business opportunities in the PRC.

In July 2007, the Company issued 70,000,000 new ordinary shares by private placing at an issue price of HK$0.30 each and the raised funds were used for general working capital of the Group.

In August 2007, the Company entered into a non-binding letter of intent with an independent third party relating to the development of a property located in the PRC. But unfortunately, this letter of intent was mutually agreed to be terminated in December 2007 as both parties were unable to reach a mutual agreement on the detailed terms and conditions.

In December 2007, the Company purchased an office premises in Hong Kong which is now being used as corporate office of the Group.

In late 2007, a joint venture company ("JV company") was formed in which the Company held 51%. The JV company is principally engaged in the provision/trading of electronic products components, including mobile phone modules. During the year, the JV company contributed significantly to our turnover and it is envisaged that the business will continue to grow in future.

In view of the fact that the JV company has experiences in the industry of mobile phone business and through the market surveys, we aligned with the China policy to relax the licence of domestically-made handsets and the increasing demand of the low cost handsets in the Asian country in 2008, we are anticipating to develop and sell our self-brand mobile handsets in PRC, India and the Middle East countries. In the second quarter of 2008, our wholly-owned subsidiary started the research and development of a new series of handsets, in addition, we succeeded in the registration of our self-brand in PRC and the business commenced in July 2008. We targeted to increase our market share by developing and producing numbers of brand series in the market, furthermore, we aimed to set up a mature and stabilized distribution and retail networks.

For the debt-restructuring proposal on approximately RMB140 million, we are continuing our negotiation with the Bank of China, Shenzhen branch on the terms.

** For identification purposes only*

OPERATIONS REVIEW

(a) Technology (formerly classified under Project and Technical Services segment)

The segment of automation products has experienced a slow down. As a result, turnover during this period came almost to a standstill. However, this segment is now recovering with the support from the committed workforce. The management believes that automation business will revive and offer a better return for the coming financial year.

With the China's policy in relaxing the handset license since 2008, the Group's business has aligned with this policy by having the experienced management in the trading of mobile handset business; reallocating its resources; increasing its service of self-branding; applying for the registration of its patent of self-developed technology. The management planned to expand and become one of the enterprises in the mobile handset industry by its technological innovation ability, the integration of research and development, production and trading of mobile phones accessories. In addition, the Group aimed at increasing technical innovations in the handsets and will continue to enhance its overall cost benefit and its competitive power in the market.

(b) Trading

The Group's trading business comprises of distribution of imported automation products, trading of mineral resources such as iron ore, electronic related components and mobile phone modules. The Group noted there was a change of demand in the markets of infrastructural and natural resources, also with reference to the research reports of international markets, the Group will concentrate its resources to the more profitable mobile phone modules business in the short run.

The global mobile handsets market enjoyed a double-digit growth in the past year., especially there was a strong demand for low-priced entry-level handsets from developing countries and emerging markets. In addition, the leading brand handset suppliers continued to introduce new models of handsets with enhanced features which aligned with the increasing demand in mature markets driven by replacement needs, that will bring more opportunity for the Group.

(c) Property investment

The investment properties comprise seven units of office premises in Hong Kong with total saleable areas of approximately 4,582 sq. ft. and the R & D Centre in Shenzhen with total floor area of approximately 17,500 sq. meters.

FINANCIAL REVIEW

(a) Liquidity and Financial Resources

As at 30 June 2008, the total assets of the Group were approximately RMB279,400,000, an decrease by approximately 15.18% as compared to 30 June 2007. As at 30 June 2008, the Group had total borrowings of approximately RMB124,957,000 (2007: RMB139,520,000), approximately RMB80,734,000 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 and we have numbers of discussions for the restructuring of the outstanding debts 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 until the debt restructuring proposal is finalized. At 30 June 2008, the gearing ratio, expressed as a percentage of total borrowings over net assets, was approximately 2.88 (2007: 1.19).

Taking into account of the broadening of 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.

(b) Capital Structure, Bank Borrowings and Exposure to Fluctuations in Exchange Rates

During the year, the Company issued 70,000,000 new ordinary shares by private placement at an issued price of HK$0.30 each and the raised funds were used for general working capital of the Group.

As at 30 June 2008, the Group's bank borrowings of approximately RMB112,397,000 on a short-term basis and was mainly in Renminbi. Out of such borrowings, the loan of approximately RMB80,734,000 bears fixed interest rate whilst the loan of approximately RMB31,663,000 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. Although the exchange rates of United States dollars and Renminbi against Hong Kong dollars were relatively unstable during the year under review, since the Group has no financial instrument has been used for hedging purposes, treasury and funding policies, therefore the Group's exposure to fluctuations in exchange rates is considered minimal.

(c) Contingent Liabilities

Moreover, a guarantee made by the PRC subsidiary for a claim is approximately HK$24.5 million was alleged by a third party. The PRC subsidiary is now defending the case.

(d) Charge on Assets

As at 30 June 2008, the Group's certain investment properties, property, plant and equipment, prepaid lease payments and time deposits with an aggregate net carrying value of approximately RMB77,654,000 were pledged to banks for securing revolving loans and general banking facilities granted to certain subsidiaries of the Company.

LITIGATION

During the year under review, regarding the litigation as to the claims of approximately RMB9,500,000 raised by the main contractor of the Shenzhen R & D Centre, the relevant PRC court has made a judgement in favour of the plaintiff in December 2007. In January 2008, the Company submitted the appeal application to the relevant PRC court. In May 2008, the Company and the main contractor entered into a mutual agreement to withdraw from the litigation by settling a reasonable amount. But in early September 2008, the main contractor applied through the relevant China court to demand the Company settle the retainer fee due being RMB550,000 together with penalty. On 10 September 2008, the Company submitted a counterclaim to the relevant court counterclaiming the contractor breach of the subject agreement and is pending decision from the court.

In addition, Techwayson Industrial Limited ("TIL"), a major subsidiary (as defined under the Listing Rules) of the Company is in the best efforts to negotiate with the Bank of China, Shenzhen branch to finalize the terms of the debt-restructuring proposal on the RMB83,000,000 loan of the Shenzhen subsidiary and the RMB60,700,000 guaranteed loan.

On 17 July 2008, TIL received a writ of summons issued by the Intermediate People's Court, Shenzhen, the People's Republic of China ("PRC"), in respect of a claim of approximately RMB22 million made by an independent third party ("Party") against TIL, for a guarantee alleged to have been given by TIL in favour of the Party in November 2005 (the "Claim"). TIL has appointed a firm of PRC legal counsel to assist in the gathering of information and the investigation into the circumstances giving rise to the Claim. The said firm of PRC legal counsel was examining the relevant documents and gathering information regarding the Claim and TIL will actively defend the questionable Claim.

PROSPECTS

There have been some changes in the composition of the Board after annual general meeting held in November 2007. The new Board will do their best to settle the litigation issues and look forward to improve the performance of the Group.

The Company will continue to focus on the target business areas with an objective to enhance operation performance and profitability of the Group. The Board is confident with the diversified business experience and resources from the new management team; we will strive to contribute ourselves to capture good business opportunities from the fluctuated and complicated market. The Company will look for more new projects for expansion in Asia, especially in the PRC.

INTERIM DIVIDEND

The Board does not recommend any payment of final dividend for the year ended 30 June 2008 (2007: nil).

RETIREMENT OF DIRECTORS

Mr. Gerard McMahon, a non-executive Director, and Mr. Ng Kwok Chu, Winfield, an independent non-executive Director will retire by rotation at 2008 AGM according to the Articles of Association and corporate governance practices of the Company. Both Mr. McMahon and Mr. Ng have elected not to offer themselves for re-election at the 2008 AGM so that they can devote more time for their personal affairs. Both Mr. McMahon and Mr. Ng will retire at the conclusion at the 2008 AGM. Both of them have confirmed that they have no disagreement with the Board and are not aware of any matters in respect of their retirement that need to be brought to the attention of the shareholders of the Company. The Board would like to express sincere appreciation to Mr. McMahon and Mr. Ng for their support, devotion and invaluable contribution to the Company during their tenure of service.

CORPORATE GOVERNANCE PRACTICES

Throughout the year under review, save for Code Provision A.3.2, the Company has complied with all the provisions in the Code on Corporate Governance Practices in Appendix 14 of the Rules Governing the Listing of Securities on the The Stock Exchange of Hong Kong Limited. According to Code Provision A.3.2, it stipulates that the total number of the independent non-executive directors should be at least one-third of the Board. During the period from 1 December 2007 to 29 February 2008, the Board has only 2 independent non-executive directors (which is less than one-third of the rule). But on 1 March 2008, the Company has appointed a new independent non-executive director, therefore with effect from 1 March 2008, the Company has complied with the Code Provision A.3.2.

MODEL CODE ON SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted Model Code on Securities Transactions by Directors set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Confirmations have been received from all Directors that they have complied with the required standards set out in the Model Code during the year.

AUDIT COMMITTEE

The Audit Committee of the Company has met on 21 October 2008 and reviewed the Company's annual results for the year ended 30 June 2008.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares during the year ended 30 June 2008.

PUBLICATION ON ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is available for viewing on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and on the website of the Company at www.quaypoint.com.hk. The annual report will be despatched to the shareholders of the Company and will also be available for viewing at the aforesaid websites in due course.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank the shareholders for their continuous support to the Company and extend my appreciation to all management and staff members for their contribution and dedication throughout the year.

By Order of the Board
The Quaypoint Corporation Limited
Chen Xian
Chairman

Hong Kong, 21 October 2008

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

Executive Directors:
Mr. Chen Xian *(Chairman)*
Mr. Lau Sai Chung *(Chief Executive Officer)*
Mr. Tsim Sze Hon
Ms. Xia Dan

Non-executive Director:
Mr. Gerard McMahon

Independent Non-executive Directors
Mr. Ng Kwok Chu, Winfield
Mr. Poon Lai Yin, Michael
Mr. Chong Yiu Chik

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CONSOLIDATED INCOME STATEMENT
For the year ended 30 June 2008

	Notes	**2008** **RMB'000**	2007 RMB'000
Turnover	*4*	**152,826**	145,059
Cost of sales		**(129,115)**	(132,344)
Gross profit		**23,711**	12,715
Other revenue		**11,444**	47,308
Distribution costs		**(4,096)**	(12,236)
Administrative expenses		**(32,563)**	(29,656)
Provision for claims	*13*	**(60,700)**	-
Impairment loss on trade receivables		**(21,588)**	-
Loss on disposal of a subsidiary and associates		**(9,349)**	-
Bad debts written off		**(4,871)**	-
Allowance for inventories		**(2,124)**	-
Finance costs	*6*	**(12,219)**	(10,161)
Share of losses of associates		**-**	(104)
(Loss) profit before tax	*7*	**(112,355)**	7,866
Income tax	*8*	**(267)**	(2)
(Loss) profit for the year attributable to the equity holders of the Company		**(112,622)**	7,864
(Loss) earnings per share			
- basic	*9*	**RMB(26.41) cents**	RMB2.25 cents
- diluted	*9*	**N/A**	RMB2.22 cents

CONSOLIDATED BALANCE SHEET
At 30 June 2008

	Notes	2008 RMB'000	2007 RMB'000
Non-current assets			
Property, plant and equipment		19,270	16,868
Investment properties		175,768	166,693
Prepaid lease payments		17,986	267
Interests in associates		-	10,726
Available-for-sale securities		-	4,000
		213,024	198,554
Current assets			
Inventories		-	2,923
Trade receivables	*10*	24,139	58,168
Prepayments, deposits and other receivables	*11*	15,106	10,996
Held-to-maturity securities		-	-
Financial assets at fair value through profit or loss		420	1,210
Pledged bank deposits		12,289	12,099
Cash and bank balances		14,422	45,452
		66,376	130,848
Current liabilities			
Trade payables	*12*	5,763	11,829
Secured bills payables	*12*	12,253	21,622
Provision for claims	*13*	65,941	10,441
Other accruals		5,035	12,828
Accrued interest		25,692	15,561
Receipts in advance		8,149	482
Bank overdraft		155	-
Bank borrowings – repayable within one year		112,397	139,520
Taxation payable		620	-
		236,005	212,283
Net current liabilities		(169,629)	(81,435)
		43,395	117,119
Capital and reserves			
Ordinary share capital		43,987	37,100
Convertible redeemable preference shares		184,653	184,653
Reserves		(197,805)	(104,634)
Total equity		30,835	117,119
Non-current liabilities			
Bank borrowings – due after one year		12,560	-
		43,395	117,119

Notes:

1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, these consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared on the historical cost basis, except for the investment properties and certain financial instruments, which are measured at fair values, as explained in the accounting policies.

At the balance sheet date, the Group's current liabilities exceeded its current assets by approximately RMB169,629,000. 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. Accordingly, the consolidated financial statements have been prepared on a going concern basis. Details of which are set out below:

(a) To meet the Group's funding requirements, the directors will consider to raise funds by issuing additional debt and/or equity securities, if necessary; and

(b) The Group is in the process of negotiation for the restructuring of the guarantee provisions of RMB5,241,000 and RMB60,700,000 respectively and a short-term bank loan of approximately RMB80,734,000 with the respective bank creditors. The directors are of the opinion that the negotiation can be concluded successfully and no immediate full repayment is required in short to medium-term.

However, if the above measures were not to be successful or insufficient, or if the going concern basis were not be appropriate, adjustments would have to be made to the consolidated financial statements to reduce the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

2. INDEPENDENT AUDITOR'S REPORT

An extract of the independent auditors' report is as follows:

Basis for disclaimer of opinion

As explained in note to the consolidated financial statements, which indicates that the Group incurred a consolidated net loss attributable to equity holders of the Company of approximately RMB112,622,000 for the year ended 30 June 2008 and had a consolidated net current liabilities of approximately RMB169,629,000 as at 30 June 2008, the consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent on the successful outcome of the Group's current negotiations with its bank creditors and obtain new working capital in order for the Group to meet its financial obligation as they fall due and to finance its future working capital and financial requirements.

The consolidated financial statements do not include any adjustments that would result from a failure to obtain such support and working capital. We consider that appropriate disclosures have been made. However, the uncertainty surrounding the outcome of these negotiations raises significant doubt about the Group's ability to continue as a going concern.

Should the Group be not able to continue its business as a going concern, adjustments would be necessary to reclassify all non-current assets and liabilities as current assets and liabilities, write down the value of assets to their recoverable amounts and to provide for further liabilities which may arise. The consolidated financial statements have not incorporated any of these adjustments.

Disclaimer of opinion: Disclaimer on view given by the consolidated financial statements

Because of the significance of the matters described in the basis for disclaimer of opinion paragraph, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Group as at 30 June 2008 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

In the current year, the HKICPA issued a number of new or revised Hong Kong Accounting Standards (''HKASs''), HKFRSs, amendments and Interpretations (''INTs'') (herein collectively referred to as ''New HKFRSs''), which are effective for the accounting periods beginning on or after 1 July 2007. The Group has adopted all of these New HKFRSs throughout the year ended 30 June 2008. The adoption of the New HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following HKASs, HKFRSs and interpretations ("HK(IFIC)-INTs") that have been issued but are not yet effective for accounting period beginning on 1 July 2007:

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 1 and HKAS 32 (Amendments)	Puttable financial instruments and obligations arising on liquidation[1]
HKAS 23 (Revised)	Borrowing Cost[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKFRS 2 (Amendment)	Share-based Payment - Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations – Comprehensive revision on applying the acquisition method[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC)-INT 12	Service Concession Arrangements [3]
HK(IFRIC)-INT 13	Customer Loyalty Programmes[4]
HK(IFRIC)-INT 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3]
HK(IFRIC)-INT 15	Agreements for the Construction of Real Estate[1]
HK(IFRIC)-INT 16	Hedges of a Net Investment in a Foreign Operation[5]

[1] Effective for annual periods beginning on or after 1 January 2009.
[2] Effective for annual periods beginning on or after 1 July 2009.
[3] Effective for annual periods beginning on or after 1 January 2008.
[4] Effective for annual periods beginning on or after 1 July 2008.
[5] Effective for annual periods beginning on or after 1 October 2008.

4. TURNOVER

Turnover represents the net amounts received and receivable for goods sold and services provided by the Group to outside customers, less returns and discounts and sales related taxes.

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

	2008	2007
	RMB'000	RMB'000
Turnover		
- Sales of automation products and electronic components	**102,289**	94,404
- Fees for project and technical services	**-**	32,647
- Sales of natural resources	**39,588**	16,722
- Gross rental income from investment properties	**10,949**	1,286
	152,826	145,059

5. SEGMENT INFORMATION

The Group classified its businesses into three segments based on their nature of operations and economic characteristics: technology, trading and property investment. Technology segment comprises provision of technical and consultancy services including the provision of automation products on project base. Trading segment comprises the trading of natural resources, automation products as well as electronic components. Property investment segment comprises rental income arising from the Research and Development Centre in Shenzhen (the "R&D Centre") and the investment properties in Hong Kong.

Primary reporting format – Business Segments

	For the year ended 30 June 2008				
	Technology RMB'000	Trading RMB'000	Property investment RMB'000	Unallocated RMB'000	Consolidated RMB'000
Turnover	-	141,877	10,949	-	152,826
Segment results	(14,847)	(81,275)	19,006	(23,020)	(100,136)
Finance costs					(12,219)
Loss before tax					(112,355)
Income tax					(267)
Loss for the year					(112,622)
Other information:					
Increase in fair value of investment properties	-	-	10,467	-	10,467
Gain on disposal of property, plant and equipment	-	56	-	-	56
Loss on disposal of a subsidiary and associates	-	-	-	9,349	9,349
Bad debts written off	4,847	24	-	-	4,871
Impairment loss on trade receivables	10,000	11,588	-	-	21,588
Impairment loss on prepayments, deposits and other receivables	-	1,103	-	5	1,108
Allowance for inventories	-	2,124	-	-	2,124
Depreciation of property, plant and equipment	-	1,110	131	114	1,355
Amortisation of prepaid lease payments	-	-	109	-	109
Provision for claims	-	60,700	-	-	60,700
Share-based payment expenses	-	-	-	2,913	2,913
Capital expenditure	-	739	24,152	-	24,891

5. SEGMENT INFORMATION *(continued)*

Primary reporting format – Business Segments (continued)

	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	(4,329)	18,131
Finance costs					(10,161)
Share of losses of associates					(104)
Profit before tax					7,866
Income tax					(2)
Profit for the year					7,864
Other information:					
Increase in fair value of investment properties	-	-	37,964	-	37,964
Gain (loss) on disposal of property, plant and equipment	18	54	-	(13)	59
Gain on disposal of subsidiaries	-	-	-	3,801	3,801
Depreciation of property, plant and equipment	510	769	-	110	1,389
Amortisation of prepaid lease payments	-	-	41	-	41
Capital expenditure	15,027	184	11,605	376	27,192

Secondary reporting format - Geographical Segments

No geographical segments information of the Group is shown as the Group's operations, sales by geographical market and assets are substantially located in the PRC including Hong Kong.

6. FINANCE COSTS

	2008 RMB'000	2007 RMB'000
Interests on:		
Bank overdrafts	**9**	-
Bank borrowings wholly repayable within 5 years	**12,023**	10,161
Bank borrowings not wholly repayable over 5 years	**187**	-
	12,219	10,161

7. (LOSS) PROFIT BEFORE TAX

(Loss) profit before tax is stated after charging:

	2008 **RMB'000**	2007 RMB'000
Staff cost (including directors' emoluments):		
Salaries, wages and other benefits	**13,864**	10,706
Contributions to defined contribution plans	**261**	409
Share-based payment expenses	**2,913**	-
	17,038	11,115
Included in research and development expenditures	**-**	(820)
	17,038	10,295
Auditors' remuneration	**702**	660
Amortisation of prepaid lease payments	**109**	41
Cost of inventories	**129,115**	132,344
Depreciation of property, plant and equipment	**1,355**	1,389
Impairment loss on amount due from an associate	**-**	530
Written off of property, plant and equipment	**130**	-
Operating lease rentals of premises	**1,053**	1,915
Impairment loss on prepayments, deposits and other receivables	**1,108**	-
Net foreign exchange losses	**369**	153
Research and development expenditures	**-**	1,792
Unrealised loss on listed securities (financial assets at fair value through profit or loss)	**765**	831

8. INCOME TAX

Income tax charge in the consolidated income statement

	2008 **RMB'000**	2007 RMB'000
Current taxation		
- Hong Kong Profits Tax	**-**	2
- PRC enterprise income tax	**267**	-
	267	2

(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*

No Hong Kong Profits Tax had been provided for the year ended 30 June 2008 as assessable profits of the Company and its subsidiaries operating in Hong Kong were wholly absorbed by the tax losses brought forward. Hong Kong Profits Tax has been provided for at the rate of 17.5% on the estimated assessable profits for the year ended 30 June 2007.

(iii) *PRC enterprise income tax*

On 16 March 2007, the PRC promulgated the Law of the People's Republic of China of Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the tax rate from 33% to 25% for certain subsidiaries from 1 January 2008. Accordingly, the deferred tax balance had been calculated using the applicable rate of 25% to reflect the change in tax rate.

Pursuant to the laws and regulations of 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.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC (the ''New Tax Law'') which has taken effect since 1 January 2008. In December 2007, the Implementation Rules of the Corporate Income Tax Law of the PRC and Guo Fa [2007] No. 39 were promulgated to specify certain implementation details and grandfathering arrangements of the New Tax Law. As a result of the New Tax Law, the Company's subsidiaries in the PRC which are previously enjoying the tax benefits as mentioned above are subject to a unified tax rate of 25% starting from 1 January 2008.

9. (LOSS) EARNINGS PER SHARE

The calculation of basic (loss) earnings per share for the year ended 30 June 2008 is based on the consolidated loss attributable to equity holders of the Company of approximately RMB112,622,000 (2007: consolidated profit attributable to equity holders of the Company of approximately RMB7,864,000) and the weighted average number of 426,494,590 shares (2007: 350,000,000 shares) in issue during the year.

No diluted loss per share is presented for the year ended 30 June 2008 as the effect of the exercise of the Company's outstanding share options and convertible redeemable preference shares was anti-dilutive.

The calculation of diluted earnings per share for the year ended 30 June 2007 is based on the consolidated profit attributable to equity holders of the Company of approximately RMB7,864,000 and the weighted average number of ordinary shares of 354,235,347 shares, which is calculated 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 ended 30 June 2007.

10. TRADE RECEIVABLES

Trade receivables consisted of:

	2008 RMB'000	2007 RMB'000
Trade receivables	**45,727**	58,168
Less : Allowance for doubtful debts	**(21,588)**	-
	24,139	58,168

Customers are normally required to settle the debts within one to two months 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 directors 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.

Ageing analysis of trade receivables, net of allowance for doubtful debts, at the year end date is as follows:

	2008 RMB'000	2007 RMB'000
Trade receivables		
0 – 60 days	**7,939**	36,922
61 – 90 days	**-**	10,178
91 – 365 days	**7,200**	10,026
Over 365 days	**9,000**	1,042
	24,139	58,168

As at 30 June 2008, included in the balance with age over 365 days was an amount overdue from a debtor of RMB18,000,000. On 20 June 2008, a PRC subsidiary of the Group entered into a settlement agreement with the debtor. Pursuant to the settlement agreement, the overdue amount would be fully settled on or before 20 October 2008. Up to the date of approval of these consolidated financial statements, a total of RMB8,000,000 was received. The unpaid balance of RMB10,000,000 was fully provided for the year ended 30 June 2008 due to the expiry of the respective terms stated in the settlement agreement.

As at 30 June 2008, included in the balance with age over 365 days was also an amount due from a debtor of RMB1,000,000. The amount was fully settled subsequent to the year ended 30 June 2008.

Ageing analysis of trade receivables based on payment due date at the year end date which are not impaired based on payment due date:

	2008 RMB'000	2007 RMB'000
Trade receivables		
Neither past due nor impaired	**7,939**	6,195
Less than 60 days past due	**-**	37,426
61 – 90 days	**-**	3,553
91 – 365 days	**7,200**	9,952
Over 365 days	**9,000**	1,042
	24,139	58,168

Trade receivables that were past due but not impaired related to customers that have a good repayment record with the Group. Based on past experience, the directors believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly. The movement in the allowance for bad and doubtful debts is as follows:

	2008 RMB'000	2007 RMB'000
Balance at beginning of the year	**-**	-
Impairment loss recognised in profit or loss for the year	**21,588**	-
Balance at end of the year	**21,588**	-

At each of the balance sheet dates, the Group's trade debtors were individually determined to be impaired. The individually impaired receivables are recognised based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. The Group does not hold any collateral over these balances.

Trade receivables that were neither past due nor impaired related to customers for whom there was no recent history of default.

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2008 RMB'000	2007 RMB'000
Prepayments, deposits and other receivables	**16,214**	10,996
Less : Allowance for doubtful debts	**(1,108)**	-
	15,106	10,996
Consisted of:		
Purchase deposits	**7,657**	4,313
Prepayments	**4**	185
Utilities and rental deposits	**189**	655
Prepaid lease payments	**391**	6
Other receivables	**6,865**	5,837
	15,106	10,996

Included in other receivables is consideration receivable of approximately RMB5,463,000 in relation to disposal of a subsidiary.

Impairment losses in respect of prepayments, deposits and other receivables are recorded using an allowance account unless the Group is recognised that recovery of the amount is remote, in which case the impairment loss is written off against prepayments, deposits and other receivables directly. The movement in the allowance for bad and doubtful debts is as follows:

	2008	2007
	RMB'000	RMB'000
Balance at beginning of the year	**-**	-
Impairment loss recognised in profit or loss for the year	**1,108**	-
Balance at end of the year	**1,108**	-

12. TRADE PAYABLES AND SECURED BILLS PAYABLES

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

	2008	2007
	RMB'000	RMB'000
Trade payables		
0 – 60 days	**-**	5,983
61 – 90 days	**312**	3,883
91 – 365 days	**-**	1,012
Over 365 days	**5,451**	951
	5,763	11,829
Secured bills payable		
0 – 60 days	**12,253**	21,622

13. PROVISION FOR CLAIMS

	2008	2007
	RMB'000	RMB'000
Balance at beginning of the year	**10,441**	15,000
Additional provision during the year	**60,700**	-
Settlement during the year	**(5,200)**	(4,559)
Balance at end of year	**65,941**	10,441

As at 30 June 2008, provision for claims included an amount of approximately RMB5,241,000 (2007: RMB10,441,000) set aside in respect of alleged guarantees which are said to be issued by a PRC subsidiary of the Company. Under the preliminary settlement agreement with the bank creditor (the "Bank"), the Group has agreed to settle the amount and to pledge its leasehold buildings and investment properties in the PRC as a security. The Group has settled approximately RMB5,200,000 during the year. However, up to the date of approval of these consolidated financial statements, the formal execution of the security has not yet been completed.

In addition, the Group has set aside a provision of approximately RMB60.7 million (2007: Nil) included in provision and accruals during the year in respect of a claim by another branch office of the Bank against a PRC subsidiary of the Company under a corporate guarantee allegedly provided by the subsidiary to the Bank in respect of a third party. A judgement was made by the relevant court on the litigation regarding the alleged corporate in favour of the Bank and the Group has made an appeal against the judgement. The Group has reached a preliminary settlement agreement with the Bank regarding the alleged guarantee of approximately RMB60.7 million and restructuring of bank loan of approximately RMB80.7 million with the Bank. On 23 October 2007, the PRC subsidiary and the Bank entered into a non-binding memorandum of understanding ("MOU") under which both parties agreed that, among other things, subject to the withdrawal of appeal by the PRC subsidiary, the aggregate principal and interests of the amount of approximately RMB60.7 million would be restructured into a term of not less than 1 year and not more than 3 years against the pledge of the Group's leasehold buildings and investment properties in the PRC (to be secured under the above guarantee provisions of approximately RMB5,241,000 and approximately RMB60.7 million and the bank loan of approximately RMB80.7 million) and certain amount of accrued interest would be waived. Accordingly, the PRC subsidiary has applied to the relevant court to withdraw the appeal and a provision of approximately RMB60.7 million was made during the year ended 30 June 2008. As the formal execution of the security has not yet been completed, formal settlement and restructuring agreement has not yet been finalised with the Bank.

Although the formal execution of the security and final settlement agreements for both guarantee provisions of approximately RMB5,241,000 and approximately RMB60.7 million respectively have not been finalised, the Bank has not demanded immediate repayment up to the date of approval of this consolidated financial statements. The Group is continuing to negotiate with the Bank to finalise the terms of the settlements and considers there is no immediate liquidity difficulty.