
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in The Quaypoint Corporation Limited (the “**Company**”), you should at once hand this circular to the purchaser or the transferee or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sales or transfer was effected for transmission to the purchaser or the transferee.

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This circular appears for information purpose only and does not constitute an invitation or offer to acquire, purchase, or subscribe for securities.

**THE QUAYPOINT CORPORATION LIMITED****紀 翰 集 團 有 限 公 司 ****(Incorporated in the Caymans Islands with limited liability)***(Stock code: 2330)****MAJOR TRANSACTION****ACQUISITION OF A DEVELOPMENT PROJECT IN ZHUHAI, THE PRC****Financial Adviser to The Quaypoint Corporation Limited**

A letter from the board of directors of the Company is set out from pages 5 to 21 of this circular.

A notice convening the extraordinary general meeting of the Company to be held at Fountain Room 1, LG/F, Hotel Nikko Hongkong, 72 Mody Road, Tsimshatsui, Kowloon, Hong Kong on Friday, 17 July 2009 at 11:00 a.m. is set out from pages 190 to 191 of this circular. A form of proxy is enclosed with this circular. Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy to the Company’s head office and principal place of business at Suite 1501, 15th Floor, Tower 1, Silvercord, 30 Canton Road, Tsimshatsui, Kowloon, Hong Kong as soon as possible and in any event not less than 48 hours before the time for holding the extraordinary general meeting or adjourned meeting (as the case may be). Completion and return of the form of proxy shall not preclude you from attending and voting in person at the extraordinary general meeting should you so wish.

This circular will remain on the “Latest Listed Company Information” page of the website of the Stock Exchange at <http://www.hkexnews.hk> and the website of the Company for at least 7 days from the date of its posting.

30 June 2009

* For identification purposes only

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DEFINITIONS

In this circular, the following terms shall have the meanings set out below unless the context requires otherwise:

“Acquisition”	the acquisition of the Sale Shares by the Purchaser from the Vendor pursuant to the terms and conditions set out in the Sale and Purchase Agreement
“Announcement”	the announcement of the Company dated 21 May 2009 in relation to the Acquisition
“associate(s)”	shall have the meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (excluding Saturday and Sunday) on which banks are generally open for business in Hong Kong
“Company”	The Quaypoint Corporation Limited, a company incorporated in the Caymans Islands with limited liability and the shares of which are listed on the main board of the Stock Exchange
“Completion”	the completion of the Acquisition
“Completion Date”	the 5th Business Day after all the conditions having been satisfied or waived (as the case may be) (or such other time and/or date as the parties to the Sale and Purchase Agreement may agree)
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules and the word “connected” shall be construed accordingly
“Consideration”	the consideration of RMB69.3 million payable by the Purchaser to the Vendor for the Acquisition pursuant to the Sale and Purchase Agreement
“Consideration Share(s)”	175,000,000 new Shares to be issued and allotted to the Vendor (or her nominee(s)) on the Completion Date, credited as fully paid at the Issue Price and representing approximately 28.96% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares (assuming the 460,000,000 convertible redeemable preference shares of the Company are not converted) in accordance with the terms of the Sale and Purchase Agreement

DEFINITIONS

“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened on 17 July 2009 to consider and, if thought fit, to pass the ordinary resolutions to approve the Sale and Purchase Agreement and the transactions contemplated thereunder, and the grant of the Specific Mandate
“Enlarged Group”	the Company and its subsidiaries immediately after the Completion
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third parties and their ultimate beneficial owner(s) which are independent of the Company and its connected persons
“Issue Price”	the issue price of HK\$0.45 per Consideration Share
“Last Trading Day”	19 May 2009, being the last day on which the Shares were traded on the Stock Exchange prior to the suspension of trading in the Shares pending the publication of the Announcement
“Latest Practicable Date”	26 June, being the latest practicable date prior to the printing of this circular for ascertaining certain information herein
“Listing Committee”	the listing sub-committee of the board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 August 2009
“PRC”	the People’s Republic of China
“PRC Company”	珠海廣海信息科技有限公司(Zhuhai Guanghai Information Technology Company Limited*), a wholly-owned subsidiary of the Target Company and was established in the PRC with limited liability

DEFINITIONS

“Project Company”	珠海經濟特區合強實業有限公司 (Zhuhai Special Economic Zone Heqiang Industrial Company Limited*), a company established in the PRC with limited liability and is owned as to 60% by the PRC Company and 40% by Zheng Mao Yuan
“Project Land”	a parcel of land situated at South of Yuehai West Road, Gongbei, Zhuhai City, Guangdong Province, the PRC and occupies approximately 11,878.40 square meters with a planned gross floor area of 36,375.96 square meters
“Purchaser”	Hill Light Investments Limited, being the purchaser of the Acquisition under the Sale and Purchase Agreement and a wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the conditional sale and purchase agreement in relation to the Acquisition entered into between the Purchaser and the Vendor on 19 May 2009
“Sale Shares”	1,000 shares of HK\$1.00 each in the issued share capital of the Target Company, representing the entire issued share capital of the Target Company as at the date of the Sale and Purchase Agreement
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Specific Mandate”	the specific mandate to be granted to the Directors by the Shareholders at the EGM to issue new Shares at any time during the period specified in the relevant ordinary resolution set out in the notice of EGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Repurchases of the Securities and Futures Commission of Hong Kong
“Target Company”	Ocean Vast Corporation Limited (廣海有限公司), a company incorporated in Hong Kong and is wholly-owned by the Vendor

DEFINITIONS

“Target Group”	the Target Company and its subsidiaries (including the PRC Company and the Project Company)
“Valuation”	the valuation on the Project Land of approximately RMB115.5 million (equivalent to approximately HK\$131.25 million) as at 31 March 2009
“Valuer”	Vigers Appraisal & Consulting Limited, an independent valuer
“Vendor”	Ms. Wong Sio Leng, being the vendor of the Acquisition under the Sale and Purchase Agreement
“Zheng Mao Yuan”	珠海正懋源投資顧問有限公司 (Zhuhai Zheng Mao Yuan Investment Consultants Company Limited*), a company established in the PRC with limited liability and is an Independent Third Party
“%”	per cent.

For the purpose of this circular, all amounts denominated in RMB have been translated (for information only) into HK\$ using the exchange rate of RMB0.88: HK\$1.00. No representation is made that any amounts in RMB or HK\$ can be or could have been converted at the relevant dates at the above rates or any other rates at all.

If there is any inconsistency between the Chinese names of the PRC entities mentioned in this announcement and their English translations, the Chinese names shall prevail.

* For identification purpose only

LETTER FROM THE BOARD



THE QUAYPOINT CORPORATION LIMITED

紀 翰 集 團 有 限 公 司 *

(Incorporated in the Caymans Islands with limited liability)

(Stock code: 2330)

Executive Directors:

Mr. Chen Xian (*Chairman*)
Mr. Lau Sai Chung (*Chief executive officer*)
Mr. Tsim Sze Hon
Mr. Xiong Jianrui

Non-executive Director:

Ms. Xia Dan

Independent non-executive Directors:

Mr. Poon Lai Yin, Michael
Mr. Chong Yiu Chik
Mr. Choi Kai Ming, Raymond

Registered office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

*Head office and principal place of
business in Hong Kong:*

Suite 1501, 15/F.
Tower 1, Silvercord
30 Canton Road
Tsimshatsui
Kowloon

30 June 2009

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION

ACQUISITION OF A DEVELOPMENT PROJECT IN ZHUHAI, THE PRC

INTRODUCTION

The purpose of this circular is to, among other things, (i) provide you with further details of the Acquisition; and (ii) set out a notice of the EGM.

On 19 May 2009 (after trading hours), the Purchaser (a wholly-owned subsidiary of the Company) entered into the Sale and Purchase Agreement with the Vendor pursuant to which the Purchaser has conditionally agreed to acquire for and the Vendor has conditionally agreed to dispose of the Sale Shares, being the entire issued capital of the Target Company, at a total consideration of RMB69.3 million (equivalent to approximately HK\$78.75 million).

* For identification purposes only

LETTER FROM THE BOARD

THE SALE AND PURCHASE AGREEMENT

Set out below are the principal terms of the Sale and Purchase Agreement:

Date:

19 May 2009 (after trading hours)

Parties involved:

Purchaser

Hill Light Investments Limited, being a wholly-owned subsidiary of the Company, is an investment holding company incorporated in the British Virgin Islands with limited liability.

Vendor

Ms. Wong Sio Leng, being the sole shareholder and director of the Target Company.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Vendor and her associates are (i) Independent Third Parties; and (ii) not a party acting in concert (as defined under the Takeovers Code) with any substantial shareholders of the Company.

In addition, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, (i) each of the Vendor and her associates did not hold any Shares or other convertible securities of the Company as at the Latest Practicable Date; (ii) the Vendor and her concert parties will not hold 30% or more of the issued share capital of the Company upon completion of the issue of the Consideration Shares; and (iii) there were no previous transactions or business relationship between the Company and the Vendor and her associates which would result in aggregation under Rule 14.22 of the Listing Rules.

Neither the Vendor nor her associates are interested in any Shares. Accordingly, none of the Shareholder has an any interest in the Sale and Purchase Agreement which is different from other Shareholders and thus none of the Shareholder is required to abstain from voting at the EGM.

Assets to be acquired:

Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire for and the Vendor has conditionally agreed to dispose of the Sale Shares at the Consideration.

The Target Group

The Target Company is an investment holding company incorporated in Hong Kong with limited liability and is wholly-owned by the Vendor.

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The PRC Company is a company established in the PRC with limited liability and is a wholly-owned subsidiary of the Target Company. As at the Latest Practicable Date, the PRC Company held 60% equity interest in the Project Company, which is established in the PRC with limited liability. The remaining equity interest in the Project Company is held by Zheng Mao Yuan. The only major asset of the Project Company is the Project Land. In addition, save as and except for the Project Land, the Target Group had no other major asset as at the Latest Practicable Date.

Upon Completion, the Purchaser will become the sole shareholder of the Target Company and therefore be effectively interested in 60% equity interest in the Project Company. Accordingly, the financial results of the Target Group will be consolidated into the financial statements of the Group.

The Consideration:

The Consideration of RMB69.3 million (equivalent to approximately HK\$78.75 million) is payable by the issuance and allotment of 175,000,000 Consideration Shares at the Issue Price of HK\$0.45 per Consideration Share on the Completion Date.

Basis of the Consideration:

The Consideration was determined between the Vendor and the Purchaser after arm's length negotiations and on normal commercial terms, taking into account the followings:

- (i) the Valuation on the Project Land of approximately RMB115.5 million (equivalent to approximately HK\$131.25 million) as at 31 March 2009 by an independent Valuer, 60% of which is approximately RMB69.3 million (equivalent to approximately HK\$78.75 million). According to the Valuer, the Valuation was arrived at by applying the market approach;
- (ii) the net assets of the Target Group as at 31 December 2008; and
- (iii) the future prospects of the Project Land.

Conditions precedent:

Completion of the Acquisition is subject to the satisfactory fulfillment and/or waiver by the Purchaser of the following conditions:

- (a) the Vendor's warranties under the Sale and Purchase Agreement shall be true, accurate and complete in all respects on and as of the Completion Date by reference to the facts and circumstances subsisting as at the Completion Date;
- (b) since the date of the Sale and Purchase Agreement, there shall have been no material adverse change in and there shall not have occurred any events which materially and adversely affect the business, prospects, operations or position, financial or otherwise, of the Target Group;

LETTER FROM THE BOARD

- (c) any and all authorizations, approvals, consents or permits of any competent authority or of any third party that are required to be obtained by the Target Group before the Completion Date in connection with the transactions contemplated under the Sale and Purchase Agreement, including without limitation any waivers of rights of first refusal, preemptive rights, put or call rights, or other rights triggered by the Sale and Purchase Agreement (if any) shall have been duly obtained and effective as of the Completion Date. Each company in the Target Group has obtained and maintains in full force and effect any and all consents, permits, orders, licenses, approvals, authorizations, registrations, amendment, registrations, notifications, waivers, releases, certificates, filings and any other governmental authorizations under the laws of the PRC, or any other applicable laws, necessary for the conduct of its business as now being conducted;
- (d) the listing of and permission to deal in all of the Consideration Shares being granted by the Listing Committee of the Stock Exchange have been obtained;
- (e) the approval by the Shareholders with respect to the entering into of the Sale and Purchase Agreement and the transactions contemplated therein shall have been obtained;
- (f) the Project Company shall have good and marketable title to the Project Land on and as of the Completion Date, not being subject to any encumbrances;
- (g) the Vendor has delivered to the Purchaser copies certified true by the Vendor of (i) all the title documents in respect of the Project Land, including without limitation, a state-owned land use rights certificate and a real estate ownership certificate (房地產權證), both issued in the name of the Project Company; and (ii) the commencement of work permit (施工證);
- (h) the sole shareholder and the director of the Target Company shall have approved the entering into of the Sale and Purchase Agreement and the transactions contemplated therein;
- (i) the Purchaser shall have completed all business, legal and financial due diligence on the Target Group to its reasonable satisfaction;
- (j) the Purchaser shall have received from the Valuer a valuation report in respect of the Project Land; and
- (k) the Purchaser shall have received from the Purchaser's PRC counsel a PRC legal opinion.

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The Purchaser shall have the right to waive in writing the conditions as mentioned above. If the aforementioned conditions precedent have not been fulfilled (or, where applicable, waived by the Purchaser in writing) on or before the Long Stop Date (or such other dates as agreed by parties to the Sale and Purchase Agreement in writing), the Sale and Purchase Agreement shall become void and of no further effect from the Long Stop Date and, save in respect of any antecedent breaches, all liabilities and obligations of the Vendor and the Purchaser shall cease and terminate provided that such termination shall be without prejudice to any rights or remedies of the Vendor and the Purchaser which shall have accrued prior to such termination.

As at the Latest Practicable Date, conditions precedent (h), (j) and (k) as set out above were fulfilled.

Completion:

Completion shall take place at 6.00 p.m. on the Completion Date (or such other dates agreed by parties to the Sale and Purchase Agreement in writing).

The Company has no present intention to change the composition of the Board upon Completion and the Directors confirm that the Company does not intend to appoint the Vendor and/or any of her associate(s) as Director(s) as a result of the Acquisition. The Directors further confirmed that the Acquisition will not result in a change of control of the Company.

The Consideration Shares:

The Consideration Shares at the Issue Price of HK\$0.45 per Consideration Share will be issued and allotted by the Company to the Vendor (or her nominee(s)) on the Completion Date.

The Issue Price was arrived at after arm's length negotiations between the Purchaser and the Vendor, after taking into account of the prevailing market price of the Shares and the recent market condition of the financial market in Hong Kong.

The Issue Price represents:

- (i) a discount of approximately 40.79% to the closing price of HK\$0.76 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 16.67% to the closing price of HK\$0.54 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 22.41% to the average of the closing price of HK\$0.58 per Share for the last five consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 18.63% to the average of the closing price of HK\$0.55 per Share for the last ten consecutive trading days up to and including the Last Trading Day;
and

LETTER FROM THE BOARD

- (v) a premium of approximately 1,156.81% to the unaudited consolidated net asset value of the Company per Share of approximately HK\$0.036 as at 31 December 2008 (based on the audited consolidated net asset value of the Company of approximately RMB13,507,000 (equivalent to approximately HK\$15.35 million) as at 31 December 2008 and 428,680,000 issued Shares as at the date of the Sale and Purchase Agreement).

The Consideration Shares represent (i) approximately 40.78% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 28.96% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares.

The Consideration Shares shall rank *pari passu* in all respects with the Shares in issue on the date of issuance and allotment including the rights to all dividends, distributions and other payments made or to be made for which the record date falls or after the date of such issuance and allotment.

Application has been made by the Company to the Stock Exchange for the listing of, and the permission to deal in, the Consideration Shares. The Consideration Shares shall be issued and allotted under the Specific Mandate. There is no restriction on subsequent sale of the Consideration Shares.

INFORMATION ON THE TARGET GROUP

Financial information on the Target Group

Set out below is a summary of the audited financial information on the Target Company (of which the accounts of the PRC Company and the Project Company have been consolidated) for the period from 28 September 2007 (date of its corporation) to 31 December 2007, the year ended 31 December 2008 and for the three months ended 31 March 2009 prepared in accordance with the Hong Kong Financial Reporting Standards, as extracted from Appendix III to this circular:

	For the period from 28 September 2007 to 31 December 2007 <i>RMB'000</i>	For the year ended 31 December 2008 <i>RMB'000</i>	For the three months ended 31 March 2009 <i>RMB'000</i>
Consolidated Income Statement			
Revenue	–	–	–
Net loss before taxation	(579)	(3,116)	(798)
Net loss after taxation	(579)	(6,324)	(798)

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	As at 31 December 2007 <i>RMB'000</i>	As at 31 December 2008 <i>RMB'000</i>	As at 31 March 2009 <i>RMB'000</i>
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Consolidated Balance Sheet

Total assets	139,729	130,896	130,900
Total liabilities	(126,786)	(117,148)	(117,950)
Net assets	12,943	13,748	12,950

Set out below is a summary of the audited financial information on the Project Company for the three years ended 31 December 2008 and the three months ended 31 March 2009 prepared in accordance with the Hong Kong Financial Reporting Standards, as extracted from Appendix III to this circular:

	For the year ended 31 December 2006 <i>RMB'000</i>	For the year ended 31 December 2007 <i>RMB'000</i>	For the year ended 31 December 2008 <i>RMB'000</i>	For the three months ended 31 March 2009 <i>RMB'000</i>
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Consolidated Income Statement

Revenue	–	–	–	–
Net loss before taxation	–	(314)	(486)	(140)
Net loss after taxation	–	(19,593)	(3,694)	(140)

	As at 31 December 2006 <i>RMB'000</i>	As at 31 December 2007 <i>RMB'000</i>	As at 31 December 2008 <i>RMB'000</i>	As at 31 March 2009 <i>RMB'000</i>
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Consolidated Balance Sheet

Total assets	27,376	52,174	45,205	45,209
Total liabilities	(159,429)	(72,294)	(51,196)	(51,340)
Net liabilities	(132,053)	(20,120)	(5,991)	(6,131)

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The Directors would also like to draw your attention to Appendix III to this circular which contains the financial information on the Target Group. As set out in the accountants' report of the Target Group as contained in Appendix III to this circular (the "**Target Group's Accountants' Report**"), the reporting accountants of the Company (the "**Reporting Accountants**") have issued qualified opinions (the "**Qualified Opinion(s)**") on the followings:

- (i) the books and records of the Project Company prior to its reorganisation were kept and maintained by the former management of the Project Company (the "**Former Management**") and the Former Management had left the Project Company on 24 May 2007. The Reporting Accountants were thus unable to carry out procedures which they considered necessary on the books and records of the Project Company to satisfy themselves as to whether the Project Company's assets (including cash and bank balances) of RMB27,376,000 and liabilities of RMB159,429,000 as at 31 December 2006 and its loss and cash flows and related disclosures in the notes to its financial information for the year ended 31 December 2006 were fairly stated. The incomplete books and records of the Target Group remained unresolved for the years ended 31 December 2007, 2008 and three months ended 31 March 2009;
- (ii) the current management of the Project Company is unable to satisfy as to the completeness of recording of transactions entered into by the Project Company and the completeness of disclosures of contingent liabilities, capital commitment and pledged of assets for the period from 1 January 2006 to 24 May 2007. Furthermore, the current management is unable to determine the completeness of related party transactions, employee benefits and emoluments incurred for the period from 1 January 2006 to 24 May 2007;
- (iii) the current management of the Project Company is unable to obtain sufficient documentary evidence to satisfy whether the nil paid-in capital in the statement of financial position of the Project Company as at 31 December 2006 was fairly stated; and
- (iv) in the absence of sufficient documentary evidence, the Reporting Accountants were unable to ascertain whether the assumptions made by the directors of the Project Company in preparing the financial information on the Project Company on a going concern basis are proper and appropriate as the Project Company had net current liabilities and net liabilities of approximately RMB51,188,000 and RMB6,131,000 respectively as at 31 March 2009.

The Board is aware of the Qualified Opinions. The Board has therefore, to the best of its efforts, carried out various steps to safeguard the Group and the Shareholders' interests to mitigate the possible risks arising from the Acquisition.

Regarding Qualified Opinion (i), the Board noted from the PRC legal opinion that there was no statutory requirement for the Project Company to prepare statutory financial statements for the year ended 31 December 2006. In addition, as advised by the Vendor, the relevant supporting information and documents of the Project Company prior to its reorganisation could not be located by the Vendor and be provided to the Reporting Accountants for verification of completeness. For this reason, the Company has taken plausible measures to ensure the fairness and reasonableness of the accounts of the Project Company, including but not limited to: (i) making enquiries and inspecting the books and

LETTER FROM THE BOARD

records of the Project Company for the two years ended 31 December 2008 and the three months ended 31 March 2009; and (ii) performing due diligence in relation to the business operations and latest financials of the Target Group with the assistance from the Company's legal advisers. The Directors confirmed that they are satisfied with the findings of the due diligence reviews.

In relation to Qualified Opinions (i) & (ii), the Company will also have the benefit of certain warranties and indemnities (subject to limitations) that are customary in a transaction of this nature, including (i) a warranty that accounts provided to the Company reflect truly and fairly the financial position, business operations and results of the Target Group; and (ii) a full indemnity to hold the Purchaser harmless from and against all reductions in value, costs (including reasonable legal costs), expenses, claims, damages and liabilities which the Purchaser may incur or suffer as a result of any breach of any of the Vendor warranties, all litigations against the PRC Company and/or the Project Company and all liabilities (whether actual or contingent) of the Target Group which exist on and before the Completion Date as set out in the Sale and Purchase Agreement. The Directors believe that the Enlarged Group's possible losses attributable to the Project Company's contingent liabilities, capital commitment and pledge of assets may be reduced to a certain extent consequently. The Company's legal advisers consider that there is no obstacle in enforcing such indemnity clause and that it is enforceable.

Moreover, the Consideration is not based on the balance sheet of the Target Group as at 31 December 2006, 2007, 2008, 31 March 2009 or any other dates or the results for the years ended 31 December 2006, 2007 and 2008. Instead, the Consideration was assessed based on the Valuation estimated by an independent qualified valuer, which is not affected by the Qualified Opinions.

The Directors emphasised that the reasons for the Acquisition because they believe the Acquisition would allow the Group to enlarge its investment portfolio. Besides that, in view of the economic prospect of Zhuhai City, the Directors are optimistic about the development of the Project Land, and in this regard, the PRC legal advisers of the Company confirmed that the Project Company has obtained a valid state-owned land use rights certificate and a real estate ownership certificate (房地產權證) with respect to the development of the Project Land.

To further mitigate the possible risks to the Group, two debt transfer agreements were entered into between Zheng Mao Yuan and the PRC Company on 18 June 2009. Details of the said debt transfer agreements are included under the section headed "Debt Transfer Agreements" of this letter. Pursuant to such debt transfer agreements, certain amounts indebted to Zheng Mao Yuan by the PRC Company and the Project Company, together with the relevant interests accrued thereon, have been transferred to the Vendor.

Based on the capital verification report dated 24 May 2007 issued by 珠海國睿會計事務所, a PRC registered accountant, and approved by the relevant PRC government authority, the paid-in capital of the Project Company was RMB3 million. The Directors hence consider Qualified Opinion (iii) to be relatively insignificant given that there is sufficient supporting document to substantiate the paid-in capital of RMB3 million.

For Qualified Opinion (iv), the Directors are currently considering several potential solutions to address the going concern problem of the Project Company, including but not limited to: (i) seeking financial assistance from banks or financial institutions for development of the Project Land (in this respect, the Project Company has already obtained the letters of intent from one leading PRC

LETTER FROM THE BOARD

bank and one financial institution which are willing to offer a loan amount of RMB75,000,000 to the Project Company); (ii) conducting other fund raising activities, such as equity financing, in the future; and (iii) the pre-sale of the residential properties at the Project Land. The Directors believe that the development of the Project Land would have a positive impact on the future prospect of the Enlarged Group and the completion of the Acquisition would allow the Enlarged Group to enjoy more flexibility and opportunities to prosper in the future.

Upon Completion, the Company will try its best endeavor to improve the internal control system for book keeping and recording of the Target Group, such as to retain sufficient qualified accounting staff, to ensure that interests of the Enlarged Group would be safeguarded.

The Directors anticipate that the Acquisition will not have material immediate adverse impact on the financial position of the Group since the Consideration will be fully settled by the issue of the Consideration Shares. According to the unaudited pro-forma financial information on the Enlarged Group as contained in Appendix IV to this circular, the Enlarged Group's net assets and gearing position would be improved upon Completion. Given also the potential solutions to address the going concern problem of the Project Company as mentioned above as well as the positive future prospect of the Project Land, the Directors consider that the Acquisition is in the interests of the Company and the Shareholders as a whole although the financial statements of the Company is more likely than not to be qualified due to the going concern problem after the Completion.

The Directors are of the view that the information contained in this circular provides sufficient information to enable the Shareholders to make an informed assessment of the Acquisition and the aforesaid Qualified Opinions on the Target Group would not have material adverse implications on the transactions being contemplated under the Sale and Purchase Agreement. Your attention is also drawn to the potential risk factors as detailed in the latter section of this letter when considering the Acquisition.

Information on the Project Land

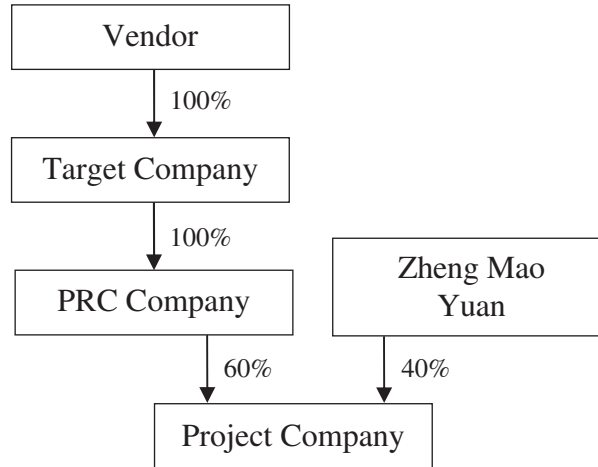
The only major asset of the Project Company is the Project Land. The Project Land is situated at South of Yuehai West Road, Gongbei, Zhuhai City, Guangdong Province, the PRC and occupies approximately 11,878.40 square meters with a planned gross floor area of 36,375.96 square meters. The Project Land will be developed into a residential and commercial complex with car parking spaces and the construction is scheduled to be completed in the second half of 2010. Based on the development plan of the Project Land, the capital cost for development of the Project Land will amount to approximately RMB52,000,000 (equivalent to approximately HK\$59,091,000). According to the Real Estate Ownership Certificate (房地產權證) (Document No.: Yue Fang Di Zheng Zi. No. C6561410) registered on 31 October 2008, the Project Company has the right to use the Project Land for terms expiring on 10 July 2077 and 10 July 2047 for residential and commercial purposes respectively.

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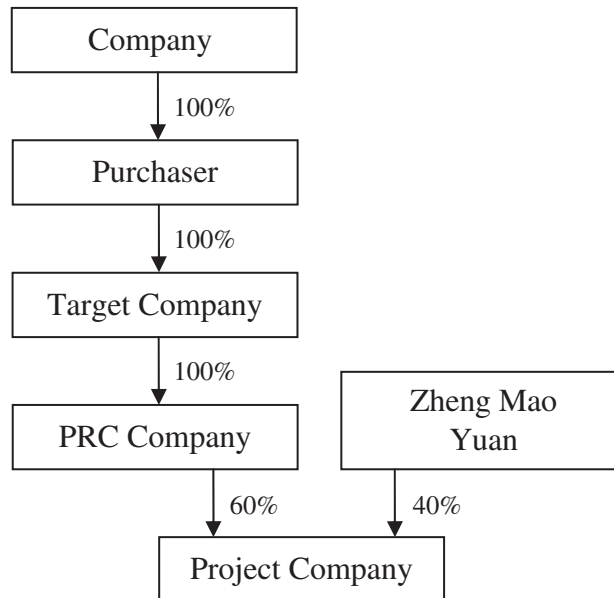
SHAREHOLDING CHART

The following charts show the group structure of the Target Group (i) as at the Latest Practicable Date; and (ii) immediately after the Completion:

Simplified shareholding structure as at the Latest Practicable Date



Simplified shareholding structure immediately after the Completion



LETTER FROM THE BOARD

REASONS FOR THE ACQUISITION

The Group is principally engaged in (i) the design, supply and integration of automation and control system; (ii) trading of automation products and electronic components; (iii) property investment; (iv) investment in listed securities; and (v) trading of mobile phones. As the core business of the Group includes property investment, the Acquisition would allow the Group to enlarge its investment property portfolio. In view of (i) the economic prospect of Zhuhai City, the PRC and the recent improving sentiment of the property market in the PRC (details are set forth under the section headed “Financial and trading prospect of the Enlarged Group” of this letter), both of which may further substantiate the positive future prospect of the Project Land; and (ii) that the Consideration is equivalent to 60% of the Valuation, the Directors (including all the independent non-executive Directors) consider that the terms of the Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable so far as the Shareholders are concerned, and the Acquisition is conducted in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

For illustrative purpose only, set out below is a summary of the shareholdings in the Company as a result of the issue of the Consideration Shares:

Name of Shareholder	As at the Latest Practicable Date		Immediately after the issue of the Consideration Shares		Immediately after the issue of the Consideration Shares and upon full conversion of the convertible redeemable preference shares of the Company <i>(Notes 2 & 3)</i>	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
Mega Edge International Limited <i>(Note 1)</i>	79,500,000	18.52	79,500,000	13.16	79,500,000	7.47
Chak Joaquim Emilio Kin Man <i>(Note 4)</i>	96,824,000	22.56	96,824,000	16.03	96,824,000	9.10
The Vendor	–	–	175,000,000	28.96	175,000,000	16.44
Convertible redeemable preference shareholders	–	–	–	–	460,000,000	43.23
Public Shareholders	<u>252,856,000</u>	<u>58.92</u>	<u>252,856,000</u>	<u>41.85</u>	<u>252,856,000</u>	<u>23.76</u>
Total	<u>429,180,000</u>	<u>100</u>	<u>604,180,000</u>	<u>100</u>	<u>1,064,180,000</u>	<u>100</u>

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Notes:

1. Mega Edge International Limited is legally and beneficially owned as to 100% by Ms. Xia Dan, a non-executive Director.
2. The Company entered into a subscription and option agreement on 26 May 2006 with Weina (BVI) Limited (“**Weina (BVI)**”) and through such agreement and the exercise of the option by the Company, Weina (BVI) is interested in 350,000,000 convertible redeemable preference shares of the Company and has the right to convert the aforesaid shares into 350,000,000 Shares (based on its initial conversion price). On 2 June 2009, the Company and Weina (BVI) entered into a supplemental agreement to extend the conversion period for the aforesaid shares for a further 12 months from the expiry date of the conversion period agreed under the subscription and option agreement. Moreover, the Company entered into a sale and purchase agreement on 17 November 2006 with Weina Holdings Limited and through such agreement, Weina (BVI) (as designated by Weina Holdings Limited) is interested in 110,000,000 convertible redeemable preference A shares of the Company and has the right to convert the aforesaid shares into 110,000,000 Shares. Weina Group Limited owns the entire issued share capital of Weina (BVI) and is therefore deemed to have interests in the underlying Shares in which Weina (BVI) is interested. Mr. Tsim Wing Kong is deemed to be interested in the underlying Shares by virtue of his controlling interest in Weina Group Limited. Mr. Tsim Wing Kong is the father of Mr. Tsim Sze Hon, an executive Director. Details of the above were set out in the circulars of the Company dated 10 June 2006, 11 December 2006 and 11 May 2007 and the announcement of the Company dated 2 June 2009 respectively.
3. Such scenario is for illustrative purpose only. The full conversion of the convertible redeemable preference shares by Weina (BVI) and its concert parties may result in Weina (BVI) and its concert parties owning more than 30% of the then issued share capital of the Company. Weina (BVI) and its concert parties would have an obligation to make a mandatory general offer under the Takeovers Code for all of the Shares not held by it or parties acting in concert with any of them. In this regard, Weina Group Limited, being the ultimate beneficial owner of the 460,000,000 convertible redeemable preference shares of the Company (the “**Convertible Shares**”) undertakes that it and its concert parties shall comply with all the relevant requirements under the Takeovers Code in relation to the holding, conversion and exercise of any rights attaching to the Convertible Shares at all times as and when necessary.
4. Chak Joaquim Emilio Kin Man was a substantial shareholder of the Company as at the Latest Practicable Date. Save for the aforementioned (as defined under the Listing Rules), to the best of the Directors’ knowledge, Chak Joaquim Emilio Kin Man does not have any other relationship with the Company. Under the scenario “immediately after the issue of the Consideration Shares and upon full conversion of the convertible redeemable preference shares of the Company” in the above shareholding table, Chak Joaquim Emilio Kin Man will be classified as a public Shareholder and thus the Company will be able to comply with the public float requirements under Rule 8.08 of the Listing Rules.

DEBT TRANSFER AGREEMENTS

In consideration of the Purchaser entering into the Sale and Purchase Agreement, the Vendor entered into a debt transfer agreement with Zheng Mao Yuan and the PRC Company on 18 June 2009, pursuant to which the amounts of RMB35,411,833.41 and RMB10,693,909.58 indebted to Zheng Mao Yuan by the PRC Company, together with the relevant interests accrued thereon, have been transferred to the Vendor.

In consideration of the Purchaser entering into the Sale and Purchase Agreement, the Vendor entered into a debt transfer agreement with Zheng Mao Yuan and the Project Company on 18 June 2009, pursuant to which the amount of RMB3,050,000 indebted to Zheng Mao Yuan by the Project Company, together with the relevant interests accrued thereon, has been transferred to the Vendor.

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With reference to the unaudited pro-forma financial information on the Enlarged Group as contained in Appendix IV to this circular, upon Completion and completion of the aforesaid two debt transfer agreements, the debt amounts owed by the Target Group to Zheng Mao Yuan will be reduced to approximately RMB25,492,000, and they are interest-free.

FINANCIAL AND TRADING PROSPECT OF THE ENLARGED GROUP

According to the interim report of the Company for the six months ended 31 December 2008 (“**2008 Interim Report**”), the more profitable business of the Group on the trading of natural resources, mobile phones and machines of vertical impregnating line has become difficult due to volatile market situations. Bearing in mind the possible adverse effect of the financial tsunami, the Group will continue to sustain the growth in the trading of electronic component in a cautious manner.

In view of the recent worldwide financial tsunami, the Board is taking a very cautious approach in broadening the revenue base. Bearing this risk factor in mind, the Board is taking advantage of this downturn and will continue to look for good projects for expansion in Asia, especially in the PRC.

With the anticipated finalization of the debt restructuring proposal, broadening of revenue base and the fund raising activities (if necessary), 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.

In respect of the Acquisition, as mentioned under the section headed “Reasons for the Acquisition” of this letter, the Directors consider that the economic prospect of Zhuhai City is promising. Recently, the PRC government has decisively promulgated a series of economic stimulus measures and reinstated real estate industry as an important core business supporting the national economy. Various measures have been put in place to stimulate domestic demand and stabilize market conditions, including but not limited to, cutting the central bank interest rate, lowering the deed tax rates, and waiving stamp duty on property transactions. All these measures would likely to have a positive impact on the property market in the PRC.

Based on the above, the Directors consider that the Acquisition will enable the Enlarged Group to diversify its current business to participate in the property investment industry, which will broaden the Enlarged Group’s income base and improve its financial performance.

POSSIBLE FINANCIAL EFFECTS OF THE ACQUISITION

Upon Completion, the financial results of the Target Group will be consolidated into the financial statements of the Group.

Effect on assets/liabilities

As extracted from the 2008 Interim Report, the unaudited consolidated total assets and total liabilities of the Group were approximately RMB268,228,000 and RMB254,721,000 respectively (equivalent to approximately HK\$304,805,000 and HK\$289,456,000 respectively) as at 31 December 2008. With reference to the unaudited pro-forma financial information on the Enlarged Group as

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contained in Appendix IV to this circular, the Enlarged Group's total assets and total liabilities would both be increased to approximately RMB409,599,000 and RMB297,587,000 respectively (equivalent to approximately HK\$465,453,000 and HK\$338,167,000 respectively) upon Completion and the completion of the two debt transfer agreements as outlined under the section headed "Debt transfer agreements" of this letter.

Effect on earnings

In light of the future prospects of the development project, the Directors are of the view that the Acquisition would likely to have a positive impact on the future earnings of the Group.

Effect on gearing and working capital

According to the unaudited pro-forma financial information on the Enlarged Group as contained in Appendix IV to this circular, the Group's gearing level (being calculated as total borrowings divided by the Group's net assets) was approximately 9.24 times as at 31 December 2008. Upon Completion and the completion of the two debt transfer agreements as outlined under the section headed "Debt transfer agreements" of this letter, the total borrowings of the Enlarged Group would increase to approximately RMB152,056,000 (equivalent to approximately HK\$172,791,000) while the Group's net assets would be increased to approximately RMB112,012,000 (equivalent to approximately HK\$127,286,000). The Enlarged Group's gearing level would thus be reduced to 1.36 times.

As the Company intends to satisfy the Consideration by the issue of the Consideration Shares, there would not be any immediate impact on the working capital of the Group upon Completion.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any other fund raising activities in the past twelve months prior to the date of the Announcement.

RISK FACTORS

Set out below are the risk factors which may be associated with the Acquisition:

The Group may not have adequate financing to fund the development of the Project Land

Adequate cash flow is critical for property development project. There can be no assurance that the Group will have sufficient cash flow to finance the development of the Project Land, and that the Group will be able to arrange adequate financing for the development of the Project Land as some of the factors are out of its control. However, the Group will consider any forms of possible fund raising exercises from time to time to ensure that the cash flow of the Group would be adequate.

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The Group is exposed to risks associated with project delays

Development of the Project Land is subject to many factors that are beyond the Group's control, including shortages and poor quality of building materials and equipment, lack of skilled and well-trained labour, adverse weather conditions, natural disasters, labour disputes, disputes with contractors, accidents, changes in government policies, and other unforeseeable problems. The occurrence of any of these factors may cause delay in the completion of the development of the Project Land and the delivery of properties to the buyers, and a material increase in the cost of construction, which may adversely affect the Group's business and financial conditions.

The Group may not be able to ensure the development of the Project Land will be successful

The Group may not be able to ensure that the development of the Project Land would be successful as (i) there may be substantial increase in the project costs due to many reasons, including unforeseeable project delays, which would make completion of the project uneconomical; and (ii) the impact of market and economic conditions and government policies on the property markets may result in the said development being less profitable than the Group has expected or even not profitable at all.

In addition, given that both the Group and the Target Group may not have sufficient working capital to finance the development of the Project Land, there is uncertainty on the completion of development of the Project Land. Should the development of the Project Land be terminated in the course of development, the Group's business and financial conditions will be adversely affected.

However, based on the existing development plan of the Project Land and the contingent plan of the Enlarged Group to invite other property developers to participate in the development of the Project Land in the event that the Enlarged Group lacks sufficient working capital, no concrete plan in this respect has been finalised. As at the Latest Practicable Date, the Directors expected that the likelihood of the termination of development of the Project Land as a result of insufficient funding is relatively low given that the Project Company has obtained letters of intent from one leading PRC bank and one financial institution regarding a loan amount of RMB75,000,000, which is expected to be sufficient to cover the capital cost of development of the Project Land of approximately RMB52,000,000.

IMPLICATION UNDER THE LISTING RULES

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition are more than 25% but lower than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under the Listing Rules.

EGM

A notice convening the EGM to be held at Fountain Room 1, LG/F, Hotel Nikko Hongkong, 72 Mody Road, Tsimshatsui, Kowloon, Hong Kong on Friday, 17 July 2009 at 11:00 a.m. or any adjournment is set out from pages 190 to 191 of this circular.

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A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy to the Company's head office and principal place of business at Suite 1501, 15th Floor, Tower 1, Silvercord, 30 Canton Road, Tsimshatsui, Kowloon, Hong Kong as soon as possible and in any event not less than 48 hours before the time for holding the EGM or adjourned meeting (as the case may be). Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM should you so wish.

RECOMMENDATION

The Board considers that the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the ordinary resolution(s) regarding the Acquisition to be proposed at the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices of this circular.

By order of the Board
The Quaypoint Corporation Limited
Law Kim Fai
Company Secretary

A. SUMMARY OF FINANCIAL STATEMENTS FOR LAST THREE FINANCIAL YEARS

Set out below is a summary of the results and assets and liabilities of the Group as extracted from the interim report of the Company for the six months ended 31 December 2008 and the annual reports of the Company for the three years ended 30 June 2008:

Consolidated Income Statement

For the six months ended 31 December 2008 and the three years ended 30 June 2008

	For the six months ended 31 December 2008	2008	For the three years ended 30 June 2007	2006
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	188,429	152,826	145,059	115,581
Cost of sales	(181,258)	(129,115)	(132,344)	(107,172)
Gross profit	7,171	23,711	12,715	8,409
Other revenue	1,547	977	1,202	104
Other income	–	–	8,142	1,885
Distribution costs	–	(4,096)	(12,236)	(316)
Administrative expenses	(4,148)	(14,061)	(16,277)	(42,398)
Changes in fair value of investment properties	(11,965)	10,467	37,964	–
Depreciation and amortisation	(1,018)	(1,464)	(1,430)	(1,167)
Staff costs	(2,587)	(17,038)	(11,115)	(6,998)
Provision for claims	–	(60,700)	–	–
Impairment loss on trade receivables	–	(21,588)	–	–
Loss on disposal of a subsidiary and associates	–	(9,349)	–	–
Bas written off	–	(4,871)	–	–
Allowance for inventories	–	(2,124)	–	–
Impairment loss on available-for-sales securities	–	–	–	(31,314)
Impairment loss on available-for-maturity securities	–	–	–	(150,704)
Other operating expenses	–	–	(834)	(15,325)
Finance costs	(6,279)	(12,219)	(10,161)	(9,690)
Share of losses of associates	–	–	(104)	–
(Loss) Profit before tax	(17,279)	(112,355)	7,866	(247,514)
Income tax	–	(267)	–	(6)
(Loss) Profit for the period/year	<u>(17,279)</u>	<u>(112,622)</u>	<u>7,866</u>	<u>(247,520)</u>
Attributable to:				
Equity holders of the Company	(17,888)	(112,622)	7,866	(247,520)
Minority interests	609	–	–	–
	<u>(17,279)</u>	<u>(112,622)</u>	<u>7,866</u>	<u>(247,520)</u>
(Loss) profit per share				
Basic	<u>(RMB0.0420)</u>	<u>(RMB0.2641)</u>	<u>RMB0.0225</u>	<u>(RMB0.7072)</u>
Diluted	<u>N/A</u>	<u>N/A</u>	<u>RMB0.0225</u>	<u>N/A</u>

Consolidated Balance Sheet*As at 31 December 2008, 30 June 2008, 2007 and 2006*

	As at 31 December 2008 RMB'000	As at 30 June 2008 RMB'000	As at 30 June 2007 RMB'000	As at 30 June 2006 RMB'000
Non-current assets				
Property, plant and equipment	18,640	19,270	16,868	2,796
Property under development	–	–	–	72,285
Investment properties	164,025	175,768	166,693	–
Prepaid lease payments	17,755	17,986	267	1,987
Interest in associates	–	–	10,726	–
Available-for-sale securities	–	–	4,000	–
	<u>200,420</u>	<u>213,024</u>	<u>198,554</u>	<u>77,068</u>
Current assets				
Inventories	–	–	2,923	2,459
Trade receivables	17,778	24,139	58,168	1,679
Bills receivable	–	–	–	–
Prepayments, deposits and other receivables	14,615	15,106	10,996	5,939
Held-to-maturity securities	–	–	–	–
Financial assets at fair value through profit or loss	96	420	1,210	–
Pledged bank deposits	12,406	12,289	12,099	–
Cash and bank balances	22,913	14,422	45,452	96,765
	<u>67,808</u>	<u>66,376</u>	<u>130,848</u>	<u>106,842</u>
Current liabilities				
Trade payables	4,333	5,763	11,829	2,642
Secured bills payables	2,720	12,253	21,622	–
Provision for claims	60,700	65,941	10,441	–
Other accruals	17,950	5,035	12,828	34,423
Accrued interest	30,863	25,692	15,561	4,798
Receipts in advance	12,793	8,149	482	612
Due to a director	–	–	–	1,025
Bank overdraft	–	155	–	–
Bank borrowings				
– repayable within one year	112,895	112,397	139,520	97,912
Taxation payable	593	620	–	8,534
	<u>242,847</u>	<u>236,005</u>	<u>212,283</u>	<u>149,946</u>
Net current liabilities	<u>(175,039)</u>	<u>(169,629)</u>	<u>(81,435)</u>	<u>(43,104)</u>
Total assets less current liabilities	<u>25,381</u>	<u>43,395</u>	<u>117,119</u>	<u>33,964</u>
Capital and reserves				
Ordinary share capital	43,987	43,987	37,100	37,100
Convertible redeemable preference shares	184,653	184,653	184,653	104,000
Reserves	(215,133)	(197,805)	(104,634)	(111,816)
Total equity	<u>13,507</u>	<u>30,835</u>	<u>117,119</u>	<u>29,284</u>
Non-current liabilities				
Bank borrowings				
– due after one year	11,874	12,560	–	–
Interest-bearing borrowings	–	–	–	4,680
	<u>25,381</u>	<u>43,395</u>	<u>117,119</u>	<u>33,964</u>

Note: A qualified opinion has been issued by the Company's auditors in respect of the financial statements of the Group for the year ended 30 June 2008.

B. ANNUAL RESULTS FOR THE YEAR ENDED 30 JUNE 2008

Set out below are the audited financial statements of the Group together with the accompanying notes as extracted from the annual report of the Company for the year ended 30 June 2008:

Consolidated Income Statement

For the year ended 30 June 2008

	<i>Notes</i>	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
Turnover	7	152,826	145,059
Cost of sales		<u>(129,115)</u>	<u>(132,344)</u>
Gross profit		23,711	12,715
Other revenue	9	11,444	47,308
Distribution costs		(4,096)	(12,236)
Administrative expenses		(32,563)	(29,656)
Provision for claims	28	(60,700)	–
Impairment loss on trade receivables	22	(21,588)	–
Loss on disposal of a subsidiary and associates	34	(9,349)	–
Bad debts written off		(4,871)	–
Allowance for inventories		(2,124)	–
Finance costs	10	(12,219)	(10,161)
Share of losses of associates		<u>–</u>	<u>(104)</u>
(Loss) profit before tax	11	(112,355)	7,866
Income tax	14	<u>(267)</u>	<u>(2)</u>
(Loss) profit for the year, attributable to the equity holders of the Company		<u><u>(112,622)</u></u>	<u><u>7,864</u></u>
(Loss) earnings per share			
– basic	15	<u><u>RMB(26.41) cents</u></u>	<u><u>RMB2.25 cents</u></u>
– diluted	15	<u><u>N/A</u></u>	<u><u>RMB2.22 cents</u></u>

Consolidated Balance Sheet

At 30 June 2008

	<i>Notes</i>	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment	16	19,270	16,868
Investment properties	17	175,768	166,693
Prepaid lease payments	18	17,986	267
Interests in associates	19	–	10,726
Available-for-sale securities	20	–	4,000
		<u>213,024</u>	<u>198,554</u>
Current assets			
Inventories	21	–	2,923
Trade receivables	22	24,139	58,168
Prepayments, deposits and other receivables	23	15,106	10,996
Held-to-maturity securities	24	–	–
Financial assets at fair value through profit or loss	25	420	1,210
Pledged bank deposits	26	12,289	12,099
Cash and bank balances	26	14,422	45,452
		<u>66,376</u>	<u>130,848</u>
Current liabilities			
Trade payables	27	5,763	11,829
Secured bills payables	27	12,253	21,622
Provision for claims	28	65,941	10,441
Other accruals		5,035	12,828
Accrued interest	29	25,692	15,561
Receipts in advance		8,149	482
Bank overdraft	29	155	–
Bank borrowings – repayable within one year	29	112,397	139,520
Taxation payable		620	–
		<u>236,005</u>	<u>212,283</u>
Net current liabilities		<u>(169,629)</u>	<u>(81,435)</u>
Total assets less current liabilities		<u>43,395</u>	<u>117,119</u>
Capital and reserves			
Ordinary share capital	30	43,987	37,100
Convertible redeemable preference shares	31	184,653	184,653
Reserves		<u>(197,805)</u>	<u>(104,634)</u>
Total equity		<u>30,835</u>	<u>117,119</u>
Non-current liabilities			
Bank borrowings – due after one year	29	12,560	–
		<u>43,395</u>	<u>117,119</u>

Consolidated Statement of Changes in Equity*For the year ended 30 June 2008*

	Attributable to equity holders of the Company										
	Ordinary share capital RMB'000	Share premium RMB'000	Convertible redeemable preference shares RMB'000	Capital reserve RMB'000 <i>(note (a))</i>	Share option reserve RMB'000	Translation reserve RMB'000	General reserve RMB'000 <i>(note (b))</i>	Accumulated losses RMB'000	Total RMB'000	Minority interests RMB'000	Total RMB'000
At 1 July 2006	37,100	7,160	104,000	13,841	-	(864)	5,309	(137,262)	29,284	-	29,284
Reserves realised upon disposal of subsidiaries	-	-	-	-	-	1,838	-	-	1,838	-	1,838
Profit for the year	-	-	-	-	-	-	-	7,864	7,864	-	7,864
Total recognised income and expenses for the year	-	-	-	-	-	1,838	-	7,864	9,702	-	9,702
Issue of convertible redeemable preference shares	-	-	80,653	-	-	-	-	-	80,653	-	80,653
Exchange difference arising from translation of financial statements of foreign operations	-	-	-	-	-	(2,520)	-	-	(2,520)	-	(2,520)
At 30 June 2007 and 1 July 2007	37,100	7,160	184,653	13,841	-	(1,546)	5,309	(129,398)	117,119	-	117,119
Reserves realised upon disposal of a subsidiary and associates	-	-	-	-	-	(67)	-	-	(67)	-	(67)
Loss for the year	-	-	-	-	-	-	-	(112,622)	(112,622)	-	(112,622)
Total recognised expenses for the year	-	-	-	-	-	(67)	-	(112,622)	(112,689)	-	(112,689)
Recognition of equity-settled share based payments <i>(note 35)</i>	-	-	-	-	2,913	-	-	-	2,913	-	2,913
Issue of shares	6,127	12,254	-	-	-	-	-	-	18,381	-	18,381
Share issued expenses	-	(183)	-	-	-	-	-	-	(183)	-	(183)
Exercise of share options	760	9,721	-	-	(1,819)	-	-	-	8,662	-	8,662
Exchange difference arising from translation of financial statements of foreign operations	-	-	-	-	-	(3,368)	-	-	(3,368)	-	(3,368)
At 30 June 2008	<u>43,987</u>	<u>28,952</u>	<u>184,653</u>	<u>13,841</u>	<u>1,094</u>	<u>(4,981)</u>	<u>5,309</u>	<u>(242,020)</u>	<u>30,835</u>	<u>-</u>	<u>30,835</u>

Notes:

- (a) Capital reserve represents effect of the reorganisation of the Group through which the Company become the holding company of all group companies comprising the Group and capitalisation of shareholders' loans by a subsidiary.
- (b) As stipulated by regulations in the People's Republic of China (the "PRC"), two PRC subsidiaries are required to appropriate 10% of after-tax profit (after offsetting prior year losses) to a general reserve fund until the balance of the fund reaches 50% of its registered capital and thereafter any further appropriation is optional. The general reserve fund can be utilised to offset prior year losses, or for conversion into registered capital on the condition that the general reserve fund shall be maintained at a minimum of 25% of the registered capital after such utilisation.

Consolidated Cash Flow Statement*For the year ended 30 June 2008*

	<i>Note</i>	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
OPERATING ACTIVITIES			
(Loss) profit before tax		(112,355)	7,866
Adjustments for:			
Amortisation of prepaid lease payments		109	41
Depreciation of property, plant and equipment		1,355	1,389
Bad debts written off		4,871	–
Written off of property, plant and equipment		130	–
Dividend income		–	(8)
Bank interest income		(671)	(1,202)
Excess of fair value of identified net assets acquired over cost		–	(1,338)
Loss (gain) on disposal of subsidiaries and associates	34	9,349	(3,801)
Share-based payment expenses		2,913	–
Impairment loss on amount due from an associate		–	530
Impairment loss on trade receivables		21,588	–
Impairment loss on prepayments, deposits and other receivables		1,108	–
Allowance for inventories		2,124	–
Net realised gain on disposal of listed securities (financial assets at fair value through profit and loss)		–	(1,881)
Unrealised loss on listed securities (financial assets at fair value through profit or loss)		765	831
Interest expenses		12,219	10,161
Gain on disposal of property, plant and equipment		(56)	(59)
Provision for claims		60,700	–
Increase in fair value of investment properties		(10,467)	(37,964)
Share of losses of associates		–	104
Waiver of loan		–	(905)
Operating cash flows before movements in working capital		(6,318)	(26,236)
Decrease (increase) in inventories		799	(468)
Decrease (increase) in trade receivables		7,570	(58,110)
Increase in prepayments, deposits and other receivables		(13,883)	(7,145)
(Decrease) increase in trade payables		(6,066)	9,258
(Decrease) increase in secured bills payables		(9,369)	21,622
(Decrease) increase in provision for claims and other accruals		(2,633)	11,752
Decrease in amount due to a director		–	(1,025)
Increase in receipts in advance		7,667	684
Cash used in operations		(22,233)	(49,668)
Tax paid		(2)	(5,692)
Tax refunded		355	–
NET CASH USED IN OPERATING ACTIVITIES		(21,880)	(55,360)

	<i>Note</i>	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
INVESTING ACTIVITIES			
Payment for acquisition of investment properties		(23,756)	(1,510)
Proceeds from disposal of available-for-sale securities		4,000	–
Payments for acquisition of property, plant and equipment		(1,135)	(2,176)
Bank interest received		671	1,202
Increase in pledged bank deposits		(190)	(12,099)
Proceeds from disposal of property, plant and equipment		80	137
Net cash acquired from purchase of a subsidiary	33	–	525
Additional cost to properties under development		–	(23,506)
Advances to associates		–	(11,256)
Net cash outflow from disposal of subsidiaries	34	–	(219)
Dividend received		–	8
Payments for acquisition of associates		–	(94)
Purchase of listed securities (financial assets at fair value through profit or loss)		–	(22,660)
Proceeds from disposal of listed securities (financial assets at fair value through profit or loss)		–	22,526
Purchase of available-for-sale securities		–	(4,000)
NET CASH USED IN INVESTING ACTIVITIES		<u>(20,330)</u>	<u>(53,122)</u>
FINANCING ACTIVITIES			
Repayment of bank borrowings		(44,843)	(17,550)
New bank borrowings raised		33,751	41,684
Proceeds from issue of ordinary shares		18,381	–
Proceeds from exercise of share options		8,662	–
Interest paid		(2,088)	(537)
Payment of share issue expenses		(183)	–
Proceeds from issue of convertible redeemable preference shares		–	38,406
NET CASH FROM FINANCING ACTIVITIES		<u>13,680</u>	<u>62,003</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		<u>(28,530)</u>	<u>(46,479)</u>
EFFECT ON FOREIGN EXCHANGE RATE CHANGES		<u>(2,655)</u>	<u>(4,834)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>45,452</u>	<u>96,765</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u><u>14,267</u></u>	<u><u>45,452</u></u>
ANALYSIS OF CASH AND CASH EQUIVALENTS, represented by			
Cash at bank and on hand	26	14,422	7,024
Bank overdraft		(155)	–
Time deposits, unpledged	26	–	38,428
		<u><u>14,267</u></u>	<u><u>45,452</u></u>

Notes to the Consolidated Financial Statements

For the year ended 30 June 2008

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (The "Stock Exchange"). The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of its principal place of business as at 30 June 2008 is situated at Unit 1501, 15th Floor, Tower 1, Silvercord, 30 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong.

The principal activity of the Company is investment holding. The activities of the subsidiaries (together with the Company, referred to as the "Group") are set out in note 43.

The functional currency of the Company and its subsidiaries established in Hong Kong is Hong Kong dollars ("HK\$"). The functional currency of the subsidiaries established in the People's Republic of China (the "PRC") is Renminbi ("RMB"). For the presentation of the consolidated financial statements, the Group adopted RMB as its presentation currency.

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

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 debts and/or equity securities, if necessary; and
- (b) As set out in note 28, 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.

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

In the current year, the Hong Kong Institute of Certified Public Accountants (“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 years have been prepared and presented. Accordingly, no prior year 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.

Except for the following HKASs, HKFRSs and HK(IFIC)-INTs, these HKASs, HKFRSs and HK(IFIC)-INTs are not relevant to the Group.

HKAS 1 (Revised), “Presentation of Financial Statements”

HKAS 1 (Revised) requires all owner changes in equity to be presented in a statement of changes in equity. All comprehensive income is presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). It requires presenting a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements when there are retrospective adjustments or reclassification adjustments. However, it does not change the recognition, measurement or disclosure of specific transactions and other events required by other HKFRSs.

HKFRS 3 (Revised), Business Combinations – Comprehensive revision on applying the acquisition method

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

HKAS 27 (Revised), “Consolidated and Separate Financial Statements”

The amendment requires non-controlling interests (i.e. minority interests) to be presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. Total comprehensive income must be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Changes in a parent’s ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity. When control of a subsidiary is lost, the assets and liabilities and related equity components of the former subsidiary are derecognised. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost.

4. PRINCIPAL ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with the HKFRSs issued by the HKICPA. In addition, these consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange (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 set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Subsidiaries are entities controlled by the Group. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intragroup transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group’s equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority’s share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority’s interest in the subsidiary’s equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business Combinations" are recognised at their fair values at the acquisition date, except for noncurrent assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss. The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Goodwill

Goodwill arising on an acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the consolidated balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of subsidiaries, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Investments in subsidiaries

A subsidiary is an entity that is controlled by the Company, where the Company has the power to govern the financial and operating policies of such entity so as to obtain benefits from its activities.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Investments in associates

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets, unless it is classified as held for sale. The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associates for the year, including any impairment loss on goodwill relating to the investment in associates recognised for the year.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in consolidated income statement.

Property, plant and equipment

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

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated income statement during the year in which they are incurred.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives from the date on which they are available for use as follows:

Leasehold buildings	2%
Leasehold improvements	20% or over the lease term, if shorter
Equipment	18% to 20%
Furniture	18%
Motor vehicles	18%

Gains or losses arising from the retirement or disposal of an item or property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in the consolidated income statement on the date of retirement or disposal.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the year in which they arise.

Impairment losses

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs to sell and value in use.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately. A reversal of an impairment loss is limited to the carrying amount of the asset that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment losses is recognised as income immediately.

Operating lease charges*The Group as lessor*

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to consolidated income statement in equal installments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Contingent rentals are charged to consolidated income statement in the accounting period in which they are incurred.

The cost of acquiring prepaid lease payments held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property.

Financial instruments

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

Financial assets

The Group's financial assets are classified into one of the four categories, including held-to-maturity investments, available-for-sale financial assets, financial assets at fair value through profit or loss and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Held-to-maturity securities

Held-to-maturity securities are non-derivative financial assets with fixed or determinable payments and fixed maturities. They are measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on acquisition. Any gains and losses are recognised in consolidated income statement when the investments are derecognised or impaired, as well as through the amortisation process.

Available-for-sale securities

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial assets is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss (see accounting policy on impairment loss on financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured as cost less any identified impairment losses at each balance sheet date subsequent to initial recognition (see accounting policy on impairment loss on financial assets below).

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss have two subcategories, including financial assets held for trading and those designated at fair value through profit or loss on initial recognition. Subsequent to initial recognition, financial assets at fair value through profit or loss are re-measured at fair value at each balance sheet date, with changes in fair value recognised directly in the consolidated income statement in the year in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade receivables, deposits and other receivables, pledged bank deposits and bank balances) are measured at amortised cost using the effective interest method, less any impairment loss. Where loans and receivables are interest-free and without any fixed repayment term or the effect of discounting would be immaterial, they are stated at cost less impairment loss. Amortised cost is calculated by taking into account any discount or premium on acquisition. Any gains and losses are recognised in the consolidated income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments.

Impairment loss on financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade and other receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments as well as observable changes in national or local economic conditions that correlate with default on trade and other receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable or deposit and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified as other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities, including trade payables, secured bills payables and bank overdraft and bank borrowings, are subsequently measured at amortised cost, using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS18 Revenue.

Convertible redeemable preference shares

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends on preference share capital classified as equity are recognised as distributions within equity.

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the share holders, or if dividend payments are not discretionary. The liability is recognised in accordance with the Group's policy for interest-bearing borrowings and accordingly dividends thereon are recognised on an accruals basis in the consolidated income statement as part of finance costs.

For convertible preference shares which have a cumulative, non-discretionary fixed dividend payable to the holders, the fair value of the obligation to distribute the dividend is recognised as liability.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

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

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in consolidated income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Defined contribution retirement plan

Contributions to Mandatory Provident Fund Scheme as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance and a state-sponsored retirement plan organised by municipal government as stipulated by the regulations of the PRC are charged as an expense in the consolidated income statement when employees have rendered services entitling to the contribution.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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

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

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

Provisions and contingent liabilities

Provisions for liabilities of uncertain timing or amount are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or nonoccurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Revenue recognition

Revenue is measured at fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of return and discounts and sales related taxes. Revenue is recognised when it is probable that the economic benefits associated with the transactions will flow into the Group. Revenue is recognised on the following bases:

Sales of goods

Revenue is recognised when goods are delivered to the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership.

Provision of project and technical services

Revenue from the provision of project and technical services is recognised by reference to the stage of completion of the system integration work at the balance sheet date. Stage of completion is generally determined by reference to the services performed to date as a proportion of total services to be performed. In instances where the stage of completion is not identifiable, revenue from the provision of system integration services is recognised on a straight-line basis over the period in which the system integration work is performed.

Rental income from investment properties

Rental income from investment properties received and receivable under operating leases is recognised in consolidated income statement in equal instalments over the periods covered by the relevant lease terms, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset.

Interest income

Interest income is recognised as the interest accrues (using the effective interest method by applying the rate that exactly discounts estimated future cash receipts through the expected useful life of the financial assets) to the net carrying amount of the financial asset.

Dividend income

Dividend income from investments including financial assets at fair value through profit or loss is recognised when the shareholders' rights to receive payment have been established.

Borrowing costs

All borrowing costs are recognised as expenses in the year in which they are incurred.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the year in which it is incurred.

Equity-settled share-based payment transactions*Share options granted to directors and employees*

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period with a corresponding increase in equity ("Share Option Reserve").

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to Share Option Reserve.

At the time when the share options are exercised, the amount previously recognised in Share Option Reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in Share Option Reserve will be transferred to accumulated losses.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the year in which they arise, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financial statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the exchange rates

prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the year in which the foreign operation is disposed of.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies which are described in note 4, management has made the following judgements that have significant effect on the amounts recognised in the consolidated financial statements. The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also discussed below.

Allowances for inventories

The Group reviews an aging analysis of inventories at each balance sheet date, and make allowance for obsolete and slow-moving inventory items identified that are no longer recoverable. The Group estimates the net realisable value for merchandises based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at each balance sheet date and makes allowances for obsolete items.

Impairment of trade and other receivables

The Group makes impairment of trade and other receivables based on an assessment of the recoverability of receivables. Impairment loss is applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible or when the net present value of the receivable is less than the carrying amount of the receivable. The identification of impairment loss requires the use of judgement and estimates. Where the expectation on the recoverability of trade and other receivables is different from the original estimate, such difference will impact the carrying value of trade and other receivables and the impairment in the years in which such estimate has been changed.

Income tax

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Where the final tax outcome of these transactions is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

As at 30 June 2008, the Group has unused tax losses of approximately RMB57,591,000 (2007: RMB52,878,000) available for offset against future profits. No deferred tax asset in relation to unused tax losses has been recognised in the Group's consolidated balance sheet due to unpredictability of future profit streams. In cases where there are future profits generated to utilise the tax losses, a material deferred tax assets may arise, which would be recognised in the consolidated income statement for the year in which such future profits are recorded.

Share-based payment expenses

The share-based payment expenses are subject to the limitations of the Binomial model and the uncertainty in estimates used by the directors in the assumptions. The estimates include limited early exercise behaviour, expected interval and frequency of open exercise periods in the share option life, and other relevant parameters of the share option models.

Provision for claims and alleged guarantees

During the current and prior years, the Group had been involved in certain litigations and claims in respect of overdue bank borrowings and certain alleged corporate guarantees given by the Group (see notes 28 and 39). The directors determine the provision for claims and guarantees based on their best estimates according to their understanding of legal advice. Where the final outcome of the claim and negotiation with the respective bank creditors is different from the estimation made by the directors, such difference will impact the provision for claims in the year in which such determination is finalised.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**(a) Capital management**

The primary objective of the Group's capital management is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group monitors capital by maintaining an adequate capital structure. The Group will balance its overall capital structure through new share issues as well as raise of new borrowings and repayment of existing borrowings. Capital of the Group comprises all components of equity, including share capital and reserves, cash and bank balances and bank borrowings. The Group's approach to capital management remains unchanged throughout both the current and prior years.

(b) Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale securities, trade receivables, deposits and other receivables, held-to-maturity securities, financial assets at fair value through profit or loss, bank overdraft, bank borrowings, trade payables, secured bills payables, pledged bank deposits and bank balances. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include currency risk, interest rate risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

The Group's exposure to currency risk is attributable to the trade receivables, cash and bank balances and secured bills payables of the Group which are denominated in foreign currencies of United State dollars ("US\$") (see notes 22, 26 and 27 respectively for details). The functional currencies of the relevant group entities are RMB and HK\$. The Group currently does not have a foreign currency hedging policy in respect of foreign currency exposure since HK\$ is pegged to the US\$ and majority transactions are conducted in functional currency of relevant group entities, the directors consider the Group's exposure to currency risk is minimal. However, the directors monitor the related foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Sensitivity analysis

If RMB had strengthened/weakened 5% against US\$, with all other variables held constant, (loss) profit for the year would have been lower/higher as following table, mainly as a result of foreign exchange losses (gains) on translation of US\$ denominated monetary assets and liabilities based on their carrying amounts at the balance sheet date.

	2008 Decrease (increase) in loss RMB'000	2007 Decrease (increase) in profit RMB'000
United States dollars	646	443

Interest rate risk

The Group's cash flow interest rate risk relates primarily to variable-rate bank deposits and variable-rate borrowings (see note 29 for details of these borrowings). It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

Sensitivity analysis

As of 30 June 2008, it is estimated that a general 50 basis point increase or decrease in interest rates, with all other variables held constant, would increase or decrease the Group's loss/profit for the year and accumulated losses by approximately RMB563,000 (2007: RMB431,000).

The above sensitivity analysis has been determined assuming that a change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 50 basis point increase or decrease represents directors' assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis was performed on the same basis for year ended 30 June 2007.

Credit risk

The Group's maximum exposure to credit risk in the event of the counter parties failure to perform their obligations as at 30 June 2008 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet.

The Group's trade receivables balances are monitored on an ongoing basis.

As at 30 June 2008, the Group has certain concentration of credit risk as 20% (2007: 11.71%) of the total trade receivables were due from the Group's largest customer.

It is the Group's policy that all guarantees given by the Group be approved by the directors of the Company and all borrowers of the relevant guarantees are subject to credit verification procedures.

With respect to credit risk arising from other financial assets of the Group which comprise cash and cash equivalents, the Group's exposure to credit risk arising from default of the counter parties is limited as the counter parties have good credit standing and the Group does not expect to incur significant loss for uncollected advances/deposits from these entities.

Liquidity risk

To manage the liquidity risk, the Group reviews the level of cash and cash equivalents to ensure their adequacy to finance the Group's operations and mitigate the effects of fluctuation in cash flows. The Group also reviews the utilisation of borrowings. The Group relies on bank borrowings as a significant source of liquidity.

The Group is exposed to liquidity risk as its financial assets due within one year is less than its financial liabilities due within one year. The Group had net current liabilities of approximately RMB169,629,000 as at 30 June 2008. The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflow from operations to meet its debt obligations and to obtain continuing financial supports from its bankers and the successful restructuring of the guarantee provisions and the shortterm bank loans with the banks.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Within one year	Within the second year	Within the third year	Within the fourth year	Within or after the fifth year	Total undiscounted cash flow	Carrying amounts
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 30 June 2008							
Financial liabilities							
Trade payables	5,763	-	-	-	-	5,763	5,763
Secured bills payables	12,253	-	-	-	-	12,253	12,253
Provision for claims	65,941	-	-	-	-	65,941	65,941
Bank overdraft	155	-	-	-	-	155	155
Bank borrowings	112,397	1,358	1,442	1,530	9,662	126,389	124,957
	<u>196,509</u>	<u>1,358</u>	<u>1,442</u>	<u>1,530</u>	<u>9,662</u>	<u>210,501</u>	<u>209,069</u>
At 30 June 2007							
Financial liabilities							
Trade payables	11,829	-	-	-	-	11,829	11,829
Secured bills payables	21,622	-	-	-	-	21,622	21,622
Provision for claims	10,441	-	-	-	-	10,441	10,441
Bank borrowings	139,520	-	-	-	-	139,520	139,520
	<u>183,412</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>183,412</u>	<u>183,412</u>

Categories of financial instruments

The carrying amounts of each of the following categories of financial assets and financial liabilities at the balance sheet date are set out as follows:

	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
Financial assets		
Available-for-sale securities	–	4,000
Financial assets at fair value through profit or loss	420	1,210
Loans and receivables (including cash and cash equivalents)	<u>57,715</u>	<u>121,556</u>
	<u>58,135</u>	<u>126,766</u>
Financial liabilities		
Financial liabilities stated at amortised cost	<u>209,069</u>	<u>183,412</u>

Fair value

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

- The fair value of financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions; and
- The fair value of non-optional derivative instrument is calculated using quoted prices or where quoted prices are not available, the fair value is estimated using discounted cash flow analysis and the applicable curve for the duration of the instruments. For option based derivative, the fair value is estimated using option pricing model (for example, the Binomial model).

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated balance sheet approximate their fair values due to short-term maturities.

7. 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
	<i>RMB'000</i>	<i>RMB'000</i>
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 (<i>note</i>)	10,949	1,286
	<u>152,826</u>	<u>145,059</u>

Note:

An analysis of the Group's net rental income is as follows:

	2008	2007
	<i>RMB'000</i>	<i>RMB'000</i>
Gross rental income from investment properties	10,949	1,286
Less: Outgoings	<u>(1,821)</u>	<u>(137)</u>
Net rental income from investment properties	<u>9,128</u>	<u>1,149</u>

8. 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				Consolidated RMB'000
	Technology	Trading	Property investment	Unallocated	
	RMB'000	RMB'000	RMB'000	RMB'000	
Turnover	<u>-</u>	<u>141,877</u>	<u>10,949</u>	<u>-</u>	<u>152,826</u>
Segment results	<u>(14,847)</u>	<u>(81,275)</u>	<u>19,006</u>	<u>(23,020)</u>	<u>(100,136)</u>
Finance costs					<u>(12,219)</u>
Loss before tax					<u>(112,355)</u>
Income tax					<u>(267)</u>
Loss for the year					<u><u>(112,622)</u></u>
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	<u>-</u>	<u>739</u>	<u>24,152</u>	<u>-</u>	<u>24,891</u>

APPENDIX I
FINANCIAL INFORMATION ON THE GROUP

	For the year ended 30 June 2007				Consolidated RMB'000
	Technology	Trading	Property investment	Unallocated	
	RMB'000	RMB'000	RMB'000	RMB'000	
Turnover	<u>32,647</u>	<u>111,126</u>	<u>1,286</u>	<u>–</u>	<u>145,059</u>
Segment results	<u>699</u>	<u>(17,274)</u>	<u>39,035</u>	<u>(4,329)</u>	18,131
Finance costs					(10,161)
Share of losses of associates					<u>(104)</u>
Profit before tax					7,866
Income tax					<u>(2)</u>
Profit for the year					<u>7,864</u>
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	<u>15,027</u>	<u>184</u>	<u>11,605</u>	<u>376</u>	<u>27,192</u>

As at 30 June	Total assets		Total liabilities	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Technology	8,000	44,195	–	40,356
Trading	68,400	64,508	122,061	30,798
Property investment	<u>197,321</u>	<u>166,988</u>	<u>517</u>	<u>519</u>
	273,721	275,691	122,578	71,673
Interests in associates	–	10,726	–	–
Unallocated	<u>5,679</u>	<u>42,985</u>	<u>125,987</u>	<u>140,610</u>
Total	<u>279,400</u>	<u>329,402</u>	<u>248,565</u>	<u>212,283</u>

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.

9. OTHER REVENUE

	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
Bank interest income	671	1,202
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 (<i>note 33</i>)	–	1,338
Gain on disposal of property, plant and equipment	56	59
Increase in fair value of investment properties	10,467	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 (<i>note 34</i>)	–	3,801
Waiver of loan	–	905
Others	250	150
	<u>11,444</u>	<u>47,308</u>

10. FINANCE COSTS

	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
Interests on:		
Bank overdraft	9	–
Bank borrowings wholly repayable within 5 years	12,023	10,161
Bank borrowings not wholly repayable within 5 years	187	–
	<u>12,219</u>	<u>10,161</u>

11. (LOSS) PROFIT BEFORE TAX

	2008 RMB'000	2007 RMB'000
(Loss) profit before tax is stated after charging:		
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 (<i>note 35</i>)	2,913	–
	<u>17,038</u>	<u>11,115</u>
Included in research and development expenditures	–	(820)
	<u>17,038</u>	<u>10,295</u>
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)	<u>765</u>	<u>831</u>

12. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance and the Listing Rules is as follows:

For the year ended 30 June 2008

	Directors' fees	Salaries, allowances and in kind	Contributions to defined benefits payment	Share-based plan	contribution Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Ms. Chan Siu Chu, Debby (note (a))	–	952	368	5	1,325
Mr. Siek Fui (note (a))	–	549	36	–	585
Dr. Sze Kwan (note (b))	–	46	36	–	82
Mr. Tsim Sze Hon (note (c))	–	126	368	5	499
Mr. Lau Sai Chung (note (d))	–	319	36	5	360
Mr. Chen Xian (note (e))	–	320	–	–	320
Ms. Xia Dan (note (f))	–	191	–	–	191
Non-executive directors					
Mr. Gerard J. McMahon	316	87	945	–	1,348
Ms. Xia Dan (note (f))	–	–	–	–	–
Independent non-executive directors					
Mr. Lau Sai Chung (note (a))	60	–	–	–	60
Mr. Ng Kwok Chu, Winfield	158	–	36	–	194
Mr. Poon Lai Yin, Michael	158	–	36	–	194
Mr. Chong Yiu Chik (note (g))	56	–	–	–	56
	<u>748</u>	<u>2,590</u>	<u>1,861</u>	<u>15</u>	<u>5,214</u>

Notes:

- (a) Retired on 30 November 2007
- (b) Resigned on 1 September 2007
- (c) Appointed on 1 December 2007
- (d) Retired as independent non-executive director and re-designated as executive director on 30 November 2007
- (e) Appointed on 12 October 2007
- (f) Appointed on 21 August 2007 as non-executive director and re-designated as executive director on 12 October 2007
- (g) Appointed on 1 March 2008

For the year ended 30 June 2007

	Directors' fees	Salaries, allowances and in kind	Contributions to defined benefits payment	Share-based plan	contribution Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Ms. Chan Siu Chu, Debby	12	626	–	12	650
Mr. Siek Fui	12	621	–	12	645
Dr. Sze Kwan (note (a))	297	236	–	11	544
Mr. Liu Ping (note (b))	9	150	–	6	165
Non-executive directors					
Mr. Gerard J. McMahon	238	93	–	–	331
Mr. Lin Gongshi (note (c))	–	–	–	–	–
Independent non-executive directors					
Mr. Wee Soon Chiang, Henny (note (d))	48	–	–	–	48
Mr. Wong Kam Kau, Eddie (note (d))	48	–	–	–	48
Mr. Hui Hung, Stephen (note (d))	48	–	–	–	48
Mr. Lau Sai Chung (note (e))	94	–	–	–	94
Mr. Ng Kwok Chu, Winfield (note (e))	94	–	–	–	94
Mr. Poon Lai Yin, Michael (note (f))	70	–	–	–	70
	<u>970</u>	<u>1,726</u>	<u>–</u>	<u>41</u>	<u>2,737</u>

Notes:

- (a) Resigned on 1 September 2007
- (b) Resigned on 1 April 2007
- (c) Resigned on 7 July 2006
- (d) Retired on 24 November 2006
- (e) Appointed on 15 September 2006
- (f) Appointed on 29 November 2006

During the year ended 30 June 2008, no emolument or incentive payments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2007: nil). There was no arrangement under which directors waived or agreed to waive any emoluments in each of the years ended 30 June 2007 and 2008.

13. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with highest emoluments, three (2007: three) are directors whose emoluments are disclosed in note 12. The aggregate of the emoluments in respect of the other two (2007: two) individuals are as follows:

	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
Salaries and other emoluments	1,269	1,562
Contributions to defined contribution plan	<u>7</u>	<u>11</u>
	<u><u>1,276</u></u>	<u><u>1,573</u></u>

Their emoluments were within the following bands:

	No. of employees	
	2008	2007
Nil to HK\$1,000,000	2	1
HK\$1,000,001 to HK\$1,500,000	<u>-</u>	<u>1</u>

During the two years ended 30 June 2007 and 2008, no emolument was paid to the five highest paid individuals (including both directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

14. INCOME TAX

(a) Income tax charge in the consolidated income statement

	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
Current taxation		
– Hong Kong Profits Tax	–	2
– PRC enterprise income tax	<u>267</u>	<u>–</u>
	<u><u>267</u></u>	<u><u>2</u></u>

(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 the 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 16.5% (2007:17.5%) on the estimated assessable profits for the year ended 30 June 2008.

(iii) PRC enterprise income tax

Pursuant to the laws and regulations 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 entitled to exemption from PRC enterprise income tax for two years commencing from their first year of profit-making year of operation after offsetting prior year losses and thereafter, they will be entitled to a 50% relief from PRC enterprise income tax for the following 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 previously enjoying the tax benefit as mentioned above are subject to a unified tax rate of 25% starting from 1 January 2008.

The deferred tax balance had been calculated using the applicable rates to reflect the change in tax rate.

(b) Reconciliation between income tax charge and (loss) profit before tax at applicable tax rates:

	2008	2007
	<i>RMB'000</i>	<i>RMB'000</i>
(Loss) profit before tax	<u>(112,355)</u>	<u>7,866</u>
Notional tax on (loss) profit before tax, calculated at the rates applicable to (loss) profit in the countries concerned	(23,809)	721
Tax effect of non-deductible expenses	25,100	5,581
Tax effect of non-taxable income	(2,410)	(5,652)
Tax effect of unused tax losses not recognised	2,062	5,109
Utilisation of previously unrecognised tax losses	<u>(676)</u>	<u>(5,757)</u>
Income tax charge	<u>267</u>	<u>2</u>

15. (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.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings in Hong Kong under medium-term leases RMB'000	Buildings in the PRC under medium-term leases RMB'000	Leasehold improvements RMB'000	Equipment RMB'000	Furniture RMB'000	Motor vehicles RMB'000	Total RMB'000
COST							
At 1 July 2006	-	-	228	4,501	565	1,473	6,767
Additions	-	-	1,363	22	310	481	2,176
Transfer from property under development	-	13,411	-	-	-	-	13,411
Disposals	-	-	-	(922)	-	(408)	(1,330)
Exchange difference	-	-	(17)	(19)	(19)	(18)	(73)
At 30 June 2007 and 1 July 2007	-	13,411	1,574	3,582	856	1,528	20,951
Additions	-	379	398	46	-	312	1,135
Transfer from investment properties* (note 17)	2,866	-	-	-	-	-	2,866
Disposals	-	-	(193)	-	(44)	(38)	(275)
Exchange difference	(65)	-	(7)	(20)	(19)	(33)	(144)
At 30 June 2008	2,801	13,790	1,772	3,608	793	1,769	24,533
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES							
At 1 July 2006	-	-	13	2,576	217	1,165	3,971
Provision for the year	-	447	97	547	120	178	1,389
Disposals	-	-	-	(922)	-	(330)	(1,252)
Exchange difference	-	-	(2)	(4)	(1)	(18)	(25)
At 30 June 2007 and 1 July 2007	-	447	108	2,197	336	995	4,083
Provision for the year	15	306	84	551	209	190	1,355
Disposals	-	-	(88)	-	(19)	(14)	(121)
Exchange difference	(1)	-	(2)	(10)	(27)	(14)	(54)
At 30 June 2008	14	753	102	2,738	499	1,157	5,263
CARRYING VALUES							
At 30 June 2008	2,787	13,037	1,670	870	294	612	19,270
At 30 June 2007	-	12,964	1,466	1,385	520	533	16,868

* During the year ended 30 June 2008, the Group changed certain of its investment properties as office premises for the Group. The relevant portion relating to these investment properties have been transferred and included in prepaid leases payments and property, plant and equipment from the date of change in use.

As of the date of approval of these consolidated financial statements, the Group has not obtained the building ownership certificates of certain buildings in the PRC as these buildings were seized as a result of certain litigations against a subsidiary of the Group in relation to certain alleged guarantees and overdue bank borrowings. Such litigations were concluded and the Group is in the process of negotiation for the restructuring of the guarantee provisions and a short-term bank loan with the respective bank creditors. Details of which are set out in note 28.

Accordingly, the application of obtaining the building ownership certificates of these buildings was deferred. A legal opinion provided by the Company's PRC legal advisors on 21 October 2008 confirmed that although the subsidiary has not yet obtained the building ownership certificates of the relevant buildings, the ownership of the relevant buildings vested with the subsidiary.

17. INVESTMENT PROPERTIES

	2008 RMB'000	2007 RMB'000
At valuation		
At the beginning of the year	166,693	–
Additions	23,756	1,510
Acquisition of a subsidiary (note 33)	–	43,207
Transfer from property under development	–	82,380
Transfer to property, plant and equipment* (note 16)	(2,866)	–
Transfer (to) from prepaid lease payment* (note 18)	(18,207)	1,673
Increase in fair value	10,467	37,964
Exchange difference	(4,075)	(41)
	<u>175,768</u>	<u>166,693</u>
At end of the year	<u>175,768</u>	<u>166,693</u>

* During the year ended 30 June 2008, the Group changed certain of its investment properties as office premises for the Group. The relevant portion relating to these investment properties have been transferred and included in prepaid leases payments and property, plant and equipment from the date of change in use.

The Group's interests in investment properties at their carrying values are analysed as follows:

	2008 RMB'000	2007 RMB'000
In Hong Kong:		
Medium-term leases	44,468	44,493
In the PRC:		
Medium-term leases	131,300	122,200
	<u>175,768</u>	<u>166,693</u>

All the Group's investment properties were held for the purpose of earning rental income or for capital appreciation and are measured using the fair value model. The fair values of the Group's investment properties in Hong Kong as at 30 June 2008 were valued on a market value basis by Norton Appraisals Limited, independent qualified professional valuers. The fair values of the Group's investment properties in the PRC as at 30 June 2008 were valued on a market value basis by DTZ Debenham Tie Leung Limited, independent qualified professional valuers.

As of the date of approval of these consolidated financial statements, the Group has not obtained the building ownership certificates of certain investment properties in the PRC as these investment properties were seized as a result of certain litigations against a subsidiary of the Group in relation to certain alleged guarantees and overdue bank borrowings. Such litigations were concluded and the Group is in the process of negotiation for the restructuring of the guarantee provisions and a short-term bank loan with the respective bank creditors. Details of which are set out in note 28.

Accordingly, the application of obtaining the building ownership certificates of these investment properties was deferred. A legal opinion provided by the Company's PRC legal advisors on 21 October 2008 confirmed that although the subsidiary has not yet obtained the building ownership certificates of the relevant investment properties, the ownership of the relevant investment properties vested with the subsidiary.

18. PREPAID LEASE PAYMENTS

	Prepaid lease payments in Hong Kong RMB'000	Land use right in the PRC RMB'000	Total RMB'000
COST			
At 1 July 2006	–	2,028	2,028
Transfer to investment properties (note 17)	–	(1,743)	(1,743)
	<u>–</u>	<u>(1,743)</u>	<u>(1,743)</u>
At 30 June 2007 and 1 July 2007	–	285	285
Transfer from investment properties (note 17)	18,207	–	18,207
	<u>18,207</u>	<u>–</u>	<u>18,207</u>
At 30 June 2008	<u>18,207</u>	<u>285</u>	<u>18,492</u>
ACCUMULATED AMORTISATION			
At 1 July 2006	–	41	41
Amortisation for the year	–	41	41
Transfer to investment properties (note 17)	–	(70)	(70)
	<u>–</u>	<u>(70)</u>	<u>(70)</u>
At 30 June 2007 and 1 July 2007	–	12	12
Amortisation for the year	103	6	109
Exchange difference	(6)	–	(6)
	<u>97</u>	<u>18</u>	<u>115</u>
At 30 June 2008	<u>97</u>	<u>18</u>	<u>115</u>
NET CARRYING VALUES			
At 30 June 2008	<u>18,110</u>	<u>267</u>	<u>18,377</u>
At 30 June 2007	<u>–</u>	<u>273</u>	<u>273</u>

Land use rights in the PRC were acquired for the development of properties in respect of investment properties and property, plant and equipment.

During the year ended 30 June 2008, the Group changed certain of its investment properties as office premises for the Group. The relevant portion relating to these investment properties have been transferred and included in prepaid leases payments and property, plant and equipment from the date of change in use.

During the year ended 30 June 2007, the development of the properties have been completed and the relevant portion relating to the investment properties have been transferred and included in the carrying amount of investment properties.

The Group's prepaid lease payments are under medium-term leases in Hong Kong and the PRC, and analysed for reporting purposes as:

	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
Current assets	391	6
Non-current assets	17,986	267
	<u>18,377</u>	<u>273</u>

19. INTERESTS IN ASSOCIATES

	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
Share of net assets	–	–
Amount due from an associate	–	10,726
	<u>–</u>	<u>10,726</u>

The amount due from an associate was unsecured, non-interest bearing and had no fixed repayment term.

As set out in note 34, the Company disposed of its entire interests in associates through disposal of a subsidiary on 30 June 2008.

As at 30 June 2007 and up to the date of disposal, the particulars of associates, all of which are unlisted corporate entities held indirectly by the Company, are as follows:

Name	Particulars of issued shares	Country of incorporation and operations	Percentage of equity interests attributable to the Company	Principal activities
Orient Metro Limited	50,000 ordinary shares of US\$1 each	British Virgin Islands	25%	Investment holding
PT Orient Metro Utama	2,521,800 ordinary shares of US\$1 each	Indonesia	25%	Provision of mining technical services
Now Gain Limited	1 ordinary share of US\$1	British Virgin Islands	25%	Provision of export services

Summary of financial information on associates up to the date of disposal on 30 June 2008:

	Assets <i>RMB'000</i>	Liabilities <i>RMB'000</i>	Deficit on equity <i>RMB'000</i>	Revenues <i>RMB'000</i>	Loss <i>RMB'000</i>
Year ended 30 June 2008					
100 per cent	<u>36,213</u>	<u>(49,927)</u>	<u>(13,714)</u>	<u>–</u>	<u>(12,138)</u>
Group's attributable share	<u>9,053</u>	<u>(12,482)</u>	<u>–</u>	<u>–</u>	<u>–</u>

Summary of financial information on associates as at 30 June 2007:

	Assets <i>RMB'000</i>	Liabilities <i>RMB'000</i>	Deficit on equity <i>RMB'000</i>	Revenues <i>RMB'000</i>	Loss <i>RMB'000</i>
Year ended 30 June 2007					
100 per cent	<u>44,877</u>	<u>(46,998)</u>	<u>(2,121)</u>	<u>–</u>	<u>(2,537)</u>
Group's attributable share	<u>11,219</u>	<u>(11,749)</u>	<u>–</u>	<u>–</u>	<u>(104)</u>

The Group has discontinued recognition of its share of losses of certain associates. The amounts of unrecognised share of those associates, extracted from the relevant management accounts of associates, both for the year and cumulatively, are as follows:

	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
Unrecognised share of losses of associates for the year	<u>3,035</u>	<u>530</u>
Accumulated unrecognised share of losses of associates up to the date of disposal on 30 June 2008/30 June 2007	<u>3,565</u>	<u>530</u>

20. AVAILABLE-FOR-SALE SECURITIES

	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
Unlisted equity securities, at cost		
At beginning of year	55,338	51,338
Additions	–	4,000
Disposal	<u>(4,000)</u>	<u>–</u>
At end of the year	<u>51,338</u>	<u>55,338</u>
Impairment losses		
At beginning and at end of the year	<u>(51,338)</u>	<u>(51,338)</u>
Carrying value at end of the year	<u>–</u>	<u>4,000</u>

The available-for-sale securities are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so wide that the directors are of the opinion that their fair values cannot be measured reliably.

Available-for-sale securities amounting to approximately RMB51,338,000 (2007: RMB51,338,000) represents the Group's 18.52% unlisted equity interest in the registered capital of Goldwiz Huarui (Tongling) Electronic Material Company Limited* (科維華瑞(銅陵)電子材料有限公司), a company incorporated in the PRC, the operation of which has been suspended since December 2005 due to critical liquidity problem. Accordingly, the investment cost had been fully impaired in prior years.

Available-for-sale securities amounting to approximately RMB4,000,000 (2007: RMB4,000,000) represents the Group's 10% equity investment in an unlisted company incorporated in the PRC, Shanghai Pro EnerTech Limited* (上海普羅新能源有限公司) ("EnerTech"). On 28 January 2008, the Company disposed of its entire interests in EnerTech at a consideration of RMB4,000,000 and no gain or loss on disposal was resulted.

* The English names are for identification purpose only.

21. INVENTORIES

	2008 RMB'000	2007 RMB'000
Merchandises	—	2,923

22. 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)	—
	<u>24,139</u>	<u>58,168</u>

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	2007
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables		
0 – 60 days	7,939	36,922
61 – 90 days	–	10,178
91 – 365 days	7,200	10,026
Over 365 days (<i>note</i>)	9,000	1,042
	<u>24,139</u>	<u>58,168</u>

Note:

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	2007
	<i>RMB'000</i>	<i>RMB'000</i>
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
	<u>24,139</u>	<u>58,168</u>

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 <i>RMB'000</i>	2007 <i>RMB'000</i>
Balance at beginning of the year	–	–
Impairment loss recognised in profit or loss for the year	<u>21,588</u>	<u>–</u>
Balance at end of the year	<u><u>21,588</u></u>	<u><u>–</u></u>

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.

Included in trade receivables in the consolidated balance sheet are mainly the following amounts denominated in a currency other than the functional currency of the Group to which they relate:

	2008 <i>'000</i>	2007 <i>'000</i>
United States dollars	<u><u>2,215</u></u>	<u><u>3,767</u></u>

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

Note:

Included in other receivables is consideration receivable of approximately RMB5,463,000 in relation to disposal of a subsidiary, details of which has been set out in note 34.

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 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	<u>1,108</u>	<u>–</u>
Balance at end of the year	<u><u>1,108</u></u>	<u><u>–</u></u>

24. HELD-TO-MATURITY SECURITIES

At 30 June 2008, the Group had the following held-to-maturity securities:

	2008 RMB'000	2007 RMB'000
Trust fund investments		
At cost	150,704	150,704
Less: Accumulated impairment loss recognised	<u>(150,704)</u>	<u>(150,704)</u>
At end of the year	<u><u>–</u></u>	<u><u>–</u></u>

Trust fund investments represent funds placed by two PRC subsidiaries with Kinghing Trust & Investment Co., Ltd.* (金信信託及投資有限公司) (the “Trust Company”), an independent trust investment company in the PRC. Pursuant to the relevant contracts, the funds were for a fixed term up to May 2006 and the Group’s return on the trust funds is limited to an annual rate of return of 4%.

In early 2006, the Company was informed that the Trust Company has been ordered by the relevant authority to suspend its operation. The assets of the Trust Company are now being managed by the China Construction Bank. The two PRC subsidiaries have registered with the China Construction Bank its entitlement to the fund. Despite the Group’s repeated attempts for confirmation of the repayment schedule, neither the China Construction Bank nor the local government has provided any information. In view of the absence of information to substantiate the recoverability of the trust fund, as at 30 June 2006, the directors consider to recognise an impairment loss of RMB150,704,000 on trust fund investment.

* *The English name is for identification purpose only.*

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

At 30 June 2008, the Group had the following financial assets at fair value through profit or loss:

	2008 RMB'000	2007 RMB'000
Equity securities listed in Hong Kong at fair value	<u>420</u>	<u>1,210</u>

The fair value of listed investments is determined based on the latest quoted market bid prices on The Stock Exchange. The trading of the investee's shares were suspended on 21 May 2008 pending for the release of announcement relating to a placing of new shares and were resumed trading on 22 September 2008.

26. PLEDGED BANK DEPOSITS AND CASH AND BANK BALANCES

	2008 RMB'000	2007 RMB'000
Pledged bank deposits		
Bank deposits, pledged (<i>note (a)</i>)	1,017	–
Time deposits, pledged (<i>note (a)</i>)	<u>11,272</u>	<u>12,099</u>
	<u>12,289</u>	<u>12,099</u>
Cash and bank balances		
Time deposits, unpledged (<i>note (b)</i>)	–	38,428
Cash at bank and on hand (<i>note (c)</i>)	<u>14,422</u>	<u>7,024</u>
	<u>14,422</u>	<u>45,452</u>

Notes:

- (a) The amounts represent short-term deposits with maturity of three months or less and were pledged to banks for bank facilities granted to the Group. The pledged deposits carried interest rate ranging from 0.31% to 4.1% per annum (2007: 0.01% to 4.1% per annum).
- (b) The amounts as at 30 June 2007 represented time deposits placed at bank with maturity of three months or less which carried fixed interest rate of 4.1% per annum.
- (c) Cash at bank and on hand comprises bank balances and cash held by the Group and short-term bank deposits with maturity of three months or less which are interest-bearing at prevailing market rates. At the balance sheet date, the effective interest rate of bank balances is approximately 0.01% – 0.72% per annum (2007: 0.01% – 0.72% per annum).

Included in pledged bank deposits and cash and bank balances in the consolidated balance sheet are mainly the following amounts denominated in a currency other than the functional currency of the Group to which they relate:

	2008	2007
	<i>'000</i>	<i>'000</i>
United States dollars	US\$1,566	US\$934
Hong Kong dollars	HK\$12	HK\$3
Rupiah Indonesian Rupiah	IDR20,320	Nil
	<u> </u>	<u> </u>

27. 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
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables		
0 – 60 days	–	5,983
61 – 90 days	312	3,883
91 – 365 days	–	1,012
Over 365 days	5,451	951
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>
Secured bills payables		
0 – 60 days	12,253	21,622
	<u> </u>	<u> </u>

The bills payables were secured by the Group's investment properties.

Included in secured bills payables in the consolidated balance sheet are mainly the following amounts denominated in a currency other than the functional currency of the Group to which they relate:

	2008	2007
	<i>'000</i>	<i>'000</i>
United States dollars	US\$1,795	US\$2,887
	<u> </u>	<u> </u>

28. PROVISION FOR CLAIMS

	2008	2007
	<i>RMB'000</i>	<i>RMB'000</i>
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)
	<u> </u>	<u> </u>
Balance at end of year	<u> </u>	<u> </u>

As at 30 June 2008, provision for claims included an amount of approximately RMB5,241,000 (2007: 10,441,000) 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 for claims 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 guarantee 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 (note 29). 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 (note 29) 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 these 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.

29. BANK OVERDRAFT AND BANK BORROWINGS

	2008	2007
	<i>RMB'000</i>	<i>RMB'000</i>
Bank loans, secured	44,223	51,286
Overdue bank loan, unsecured	80,734	88,234
	<u>124,957</u>	<u>139,520</u>

The unsecured bank loan is borrowed from the Bank by a PRC subsidiary of the Company which was overdue as at 30 June 2007 and 30 June 2008. The interest rate of this unsecured bank loan has been increased to 9.558% as an overdue penalty imposed by the Bank. In December 2006, the Shenzhen Arbitration Committee made a decision in favour of the Bank which has however subsequently agreed not to enforce its right to demand immediate repayment from the Group in order to allow the bank to restructure the outstanding debt into a loan secured against the Group’s leasehold buildings and investment properties in the PRC with carrying value as at 30 June 2008 of approximately RMB13,037,000 and RMB131,300,000 respectively (2007: RMB12,964,000 and RMB122,200,000 respectively). Up to the date of approval of these consolidated financial statements, the restructure of debt and the formal execution of the security have not yet been finalised. The accrued interest as at 30 June 2008 of approximately RMB25,692,000 (2007: RMB15,561,000) was recorded under current liabilities.

The secured bank loans represent short-term loans borrowed from other banks by other subsidiaries of the Company which bear interest at the prevailing market interest rate and will become due within one year. The effective interest rates of the secured bank loans as at 30 June 2008 were ranging from 2.75% to 5.91% (2007: 5.26% to 6.18%) per annum.

The above bank loans are repayable as follows:

	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
On demand or within one year	112,397	139,520
More than one year but not exceeding two years	1,316	–
More than two years but not more than five years	4,170	–
More than five years	7,074	–
	<u>124,957</u>	<u>139,520</u>
Less: Amount due within one year shown under current liabilities	(112,397)	(139,520)
Amount due after one year	<u><u>12,560</u></u>	<u><u>–</u></u>

At 30 June 2008, the Group's bank overdraft carries interest rates ranging from 5.25% to 7% (2007: Nil) per annum.

Included in bank borrowings in the consolidated balance sheet are mainly the following amounts denominated in a currency other than the functional currency of the Group to which they relate:

	2008 <i>'000</i>	2007 <i>'000</i>
Hong Kong dollars	<u><u>36,812</u></u>	<u><u>40,926</u></u>

30. ORDINARY SHARE CAPITAL

	No. of shares <i>'000</i>	HK\$'000	Equivalent to <i>RMB'000</i>
<i>Authorised:</i>			
Ordinary shares of HK\$0.1 each at 1 July 2006, 30 June 2007 and 1 July 2007	1,000,000	100,000	106,000
Increase of share capital (<i>note (a)</i>)	<u>2,000,000</u>	<u>200,000</u>	<u>175,070</u>
At 30 June 2008	<u><u>3,000,000</u></u>	<u><u>300,000</u></u>	<u><u>281,070</u></u>
<i>Issued and fully paid:</i>			
Ordinary shares of HK\$0.1 each at 1 July 2006, 30 June 2007 and 1 July 2007	350,000	35,000	37,100
Issue of shares upon private placing (<i>note (b)</i>)	70,000	7,000	6,127
Issue of shares upon exercise of share options (<i>note (c)</i>)	<u>8,680</u>	<u>868</u>	<u>760</u>
At 30 June 2008	<u><u>428,680</u></u>	<u><u>42,868</u></u>	<u><u>43,987</u></u>

Notes:

- (a) Pursuant to an ordinary resolution passed in the annual general meeting on 30 November 2007, the authorised share capital of the Company is increased from HK\$100,000,000 to HK\$300,000,000 (equivalent to RMB281,070,000) by the creation of 2,000,000,000 additional shares of HK\$0.1 each ranking pari passu in all respects with the then existing shares of the Company.
- (b) On 9 July 2007, the Company issued 70,000,000 new ordinary shares by private placing at an issue price of HK\$0.3 each. The shares issued rank pari passu in all respects with the then existing shares of the Company.
- (c) During the year ended 30 June 2008, 8,680,000 share options were exercised. Details of which have been set out in note 35. The shares issued rank pari passu in all respects with the then existing shares of the Company.

31. CONVERTIBLE REDEEMABLE PREFERENCE SHARES

Convertible redeemable preference shares, issued and fully paid:

	2008		2007	
	Number of shares '000	Amount RMB'000	Number of shares '000	Amount RMB'000
At beginning of the year	460,000	184,653	250,000	104,000
Shares issued	—	—	210,000	80,653
At end of the year	<u>460,000</u>	<u>184,653</u>	<u>460,000</u>	<u>184,653</u>
Represented by:				
Convertible redeemable preference shares (<i>note (a)</i>)	350,000	142,406	350,000	142,406
Convertible redeemable preference A shares (<i>note (b)</i>)	<u>110,000</u>	<u>42,247</u>	<u>110,000</u>	<u>42,247</u>
	<u>460,000</u>	<u>184,653</u>	<u>460,000</u>	<u>184,653</u>

- (a) On 29 June 2006, the Company issued 250,000,000 convertible redeemable preference shares of par value of HK\$0.10 at a subscription price of HK\$0.40 each for cash. In April 2007, the Company exercised the option to require the subscriber to further subscribe for an additional 100,000,000 convertible redeemable preference shares at HK\$0.40 each pursuant to the relevant agreement. On 22 June 2007, the Company issued these 100,000,000 convertible redeemable preference shares of par value of HK\$0.10 at a subscription price of HK\$0.40 each for cash.
- (b) On 29 December 2006, the Company issued 110,000,000 convertible redeemable preference A shares of par value of HK\$0.10 at a subscription price of HK\$0.40 each in respect of the acquisition of a subsidiary (note 33).

All the above convertible redeemable preference shares can be converted into ordinary shares at HK\$0.40 per share. The major terms of the above-mentioned preference shares are set out below:

- (i) For the convertible redeemable preference shares issued on 29 June 2006 and 22 June 2007, the preference share holders has the right, exercisable at any time from the date of issue to 15 June 2009 and 7 June 2010 respectively (the dates being the 10 business days before the third anniversary of the respective dates of initial issue of the convertible redeemable preference shares) (“conversion period”), to convert the preference shares into fully paid ordinary shares. The Company has the right, exercisable following the end of the conversion period and up to the third anniversary of the date of the initial issue of the preference shares, to redeem all or part of the preference shares or to request the subscriber to convert all or part of preference shares into fully paid ordinary shares.
- (ii) For the convertible redeemable preference A shares issued on 29 December 2006, the preference share holder has the right, exercisable at any time from the date of issue to 19 December 2008 (the date being the 10 business days before the second anniversary of the date of initial issue of the convertible redeemable preference shares) (“preference A shares conversion period”), to convert the preference shares into fully paid ordinary shares. The Company has the right, exercisable during the preference A shares conversion period, to redeem all or part of the preference A shares. The Company also has the right, exercisable following the end of the preference A shares conversion period and up to the second anniversary of the date of the initial issue of the preference shares, to request the subscriber to convert all or part of preference A shares into fully paid ordinary shares.
- (iii) The convertible redeemable preference shares and convertible redeemable preference A shares are not transferable and do not carry the right to vote. Each share is entitled to be paid a fixed cumulative preferential dividend in priority to any payment to the holders of any other class of shares at the rate of 3.5% per annum on the amount paid up or credited as paid up. No payment of dividends on the convertible redeemable preference shares and convertible redeemable preference A shares unless at the relevant dividend payment due date, the Company has sufficient distributable reserves to cover the payment of such dividends.

32. DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using the taxation rate applicable to profits in the countries concerned.

Deferred income tax assets are recognised for tax loss carried forwards and other deductible temporary differences to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax loss of approximately RMB57,591,000 (2007: RMB52,878,000) to carry forward against future taxable income. Of the total amount of unrecognised tax losses, approximately RMB23,906,000 (2007: RMB16,914,000) can be carried forward for 5 years from the year of loss making and the remaining unrecognised tax losses have no expiry date.

The movement in net deferred tax assets (liabilities) during the year is as follows:

	Revaluation of properties <i>RMB'000</i>	Allowance for trade receivables <i>RMB'000</i>	Allowance for inventories <i>RMB'000</i>	Bad debts written off <i>RMB'000</i>	Tax losses <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 July 2006	-	-	-	-	-	-
Acquisition of a subsidiary (Charged) credited to consolidated income statement	(1,207)	-	-	-	1,207	-
	<u>(5,611)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,611</u>	<u>-</u>
At 30 June 2007 and 1 July 2007 (Charged) credited to consolidated income statement	(6,818)	-	-	-	6,818	-
Effect of change in tax rate	(2,323)	4,661	598	1,211	(4,147)	-
Exchange difference	(3,482)	-	-	-	3,482	-
	<u>39</u>	<u>(50)</u>	<u>-</u>	<u>-</u>	<u>11</u>	<u>-</u>
At 30 June 2008	<u>(12,584)</u>	<u>4,611</u>	<u>598</u>	<u>1,211</u>	<u>6,164</u>	<u>-</u>

33. ACQUISITION OF A SUBSIDIARY

On 29 December 2006, the Company acquired 100% equity interest of Weina Land Limited together with its shareholder's loan of HK\$42,823,000 (equivalent to approximately RMB41,117,000) at a consideration of HK\$44,000,000 (equivalent to approximately RMB42,247,000) which was satisfied by the issue of 110,000,000 convertible redeemable preference A shares of par value of HK\$0.10 at a subscription price of HK\$0.40 each by the Company to the vendor.

The fair value of the aggregate assets and liabilities acquired are as follows:

	<i>RMB'000</i>
Investment properties	43,207
Trade receivables, prepayments, deposits and other receivables	9,886
Cash and cash equivalents	525
Trade payables and other accruals	(431)
Shareholder's loan	(41,117)
Bank borrowings – repayable within one year	<u>(9,602)</u>
Net assets acquired	2,468
Total purchase consideration, net of shareholder's loan acquired	<u>1,130</u>
Excess of fair value of identified net assets acquired over purchase consideration recognised in consolidated income statement (<i>note 9</i>)	<u>1,338</u>
Cash and cash equivalents of the subsidiary acquired	<u>525</u>
Net cash inflow from acquisition of the subsidiary	<u>525</u>

The revenue and profit of the acquired subsidiary are as follows:

	For the year ended 30 June 2007 <i>RMB'000</i>	Post acquisition <i>RMB'000</i>
Total revenue	<u>1,473</u>	<u>796</u>
Profit	<u>3,239</u>	<u>1,731</u>

34. DISPOSAL OF SUBSIDIARIES AND ASSOCIATES

Year ended 30 June 2008

During the year ended 30 June 2008, the Group disposed of a wholly-owned subsidiary, Magic Gain Investments Limited, and three indirectly held associates, Orient Metro Limited, PT Orient Metro Utama and Now Gain Limited ("Magic Gain Group") to an independent third party. The net liabilities of Magic Gain Group disposed of are as follows:

	<i>RMB'000</i>
Interests in associates	–
Other receivables	9,779
Other payables	<u>(10,360)</u>
	(581)
Release of translation reserve	(67)
Amounts due from Magic Gain Group (<i>note</i>)	15,460
Loss on disposal	<u>(9,349)</u>
Total consideration	<u>5,463</u>
To be satisfied by:	
Other receivables (<i>note 40</i>)	<u>5,463</u>
Net cash inflow from disposal (<i>note</i>)	<u>Nil</u>

Note:

Pursuant to a purchase and sales agreement entered into on 30 June 2008, the Group agreed to transfer its entire equity interests in Magic Gain Investments Limited together with the amounts due from Magic Gain Group of approximately RMB15,460,000 at the date of disposal at a consideration of HK\$6,240,000 (equivalent to approximately RMB5,463,000), which has not yet been settled as at 30 June 2008. Such consideration has been included in prepayments, deposits and other receivables as at 30 June 2008 and was fully settled subsequent to 30 June 2008.

The subsidiary and associates disposed of did not contribute any significant results or cash flows in the current and prior years.

Year ended 30 June 2007

During the year ended 30 June 2007, the Group disposed of two wholly-owned subsidiaries, Citex China Limited and Techwayson Enterprises Limited. The net assets disposed of are as follows:

	<i>RMB'000</i>
Trade receivables, prepayments, deposits and other receivables	4,232
Cash and cash equivalents	229
Trade payables and other accruals	<u>(10,090)</u>
	(5,629)
Release of translation reserve	<u>1,838</u>
	(3,791)
Gain on disposal (<i>note 9</i>)	<u>3,801</u>
Total consideration	<u><u>10</u></u>
Satisfied by:	
Cash	<u><u>10</u></u>
Net cash outflow from disposal:	
Cash consideration	10
Cash and cash equivalents disposed of	<u>(229)</u>
	<u><u>(219)</u></u>

The subsidiaries disposed of did not contribute any significant results or cash flows in the current and prior years.

35. SHARE OPTIONS

Pursuant to the Company's share option scheme, the Company may grant options to employees of the Group (including executive directors of the Company) to subscribe for shares in the Company, subject to a maximum of 10% of the issued share capital of the Company as at the adoption date and as at the approval date of refreshment from time to time, excluding for this purpose shares issued on the exercise of options. The subscription price will be determined by the Company's board of directors and will not be less than the highest of (i) the nominal value of the Company's shares, (ii) the average of the closing price of the shares quoted on the Main Board of The Stock Exchange of Hong Kong Limited on the five trading days immediately preceding the grant date and (iii) the closing price of the shares on the grant date. During the year, 12,728,000 options (2007: nil) were granted to the eligible participant of the Group.

Category of participant	Date of grant of share options	Number of share options				Exercise period	Exercise price of share option HK\$
		At 1 July 2006 and 30 June 2007 '000	Granted during the year '000	Exercise during the year '000	At 30 June 2008 '000		
Directors	6 July 2007	–	5,240	(3,740)	1,500	6 July 2007 to 5 July 2008	1.14
	31 January 2008	–	1,500	–	1,500	31 January 2008 to 30 January 2011	0.74
Employees	6 July 2007	–	5,988	(4,940)	1,048	6 July 2007 to 5 July 2008	1.14
		–	12,728	(8,680)	4,048		

Note:

All of the above share options are exercisable on the granted date.

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

The fair values of the share options granted during the year were calculated using the Binomial model. The inputs into the model were as follows:

	31 January 2008	6 July 2007	
	Director	Director	Employee
Weighted average share price	HK\$0.74	HK\$1.14	HK\$1.14
Weighted average exercise price	HK\$0.74	HK\$1.14	HK\$1.14
Expected volatility	87.21%	62%	62%
Expected life	3	1	1
Risk free rate	1.774%	4.13%	4.13%
Expected dividend yield	0%	0%	0%
Valuation model used	Binomial	Binomial	Binomial

Expected volatility was determined by using the historical volatility of the Company's share price over one year and reference to the companies in the similar industry. The expected life used in the model as been adjusted, based on directors' best estimate, for the effect of non transfer ability, exercise restrictions and behavioral considerations.

At 30 June 2008, the number of shares in respect of which options had been granted and remained outstanding under the share option scheme was 4,048,000 (2007: Nil), representing 1% (2007: Nil) of the ordinary shares in issue at that date.

The estimated fair value of options granted on 6 July 2007 and 31 January 2008 are approximately RMB2,369,000 and RMB544,000 respectively and the Group recognised the total expenses of approximately RMB2,913,000 for the year ended 30 June 2008.

36. EMPLOYEE RETIREMENT BENEFITS

The Group operates a mandatory provident fund scheme (the “MPF Scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for its Hong Kong employees. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, each of the Group companies (the “employer”) in Hong Kong and its employees makes monthly contributions to the scheme at 5% of the employee’s earnings as defined under the Mandatory Provident Fund Legislation. The contributions from each of the employer and employees are subject to a cap of HK\$1,000 per month.

As stipulated by rules and regulations in the PRC, the two PRC subsidiaries are required to contribute to a state-sponsored retirement plan for all its employees at a certain percentage of the basic salaries of its employees. The state-sponsored retirement plan is responsible for the entire pension obligations payable to all retired employees. Under the state-sponsored retirement plan, the Group has no further obligations for the actual pension payments or post-retirement benefits beyond the annual contributions.

During the year ended 30 June 2008, the aggregate employer’s contributions made by the Group amounted to RMB261,000 (2007: RMB409,000).

37. OPERATING LEASE COMMITMENTS

The Group as lessee

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

	For premises		For equipment	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	–	1,120	15	17
Between two and five years	–	–	29	49
	–	1,120	44	66

The Group leases office premises and equipment under operating leases, which are negotiated for terms ranging from 2 to 5 years (2007: 2 to 5 years) respectively. None of the leases includes contingent rentals and terms of renewal were established in the leases.

The Group as lessor

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

	For premises	
	2008	2007
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	7,475	8,389
Between two and five years	3,339	6,442
	10,814	14,831
	10,814	14,831

The Group leases out its investment properties under operating leases for terms of 2 to 5 years (2007: 2 to 5 years). None of the leases includes contingent rentals. The properties are expected to generate rental yields of 5% (2007: 0.7%) on an ongoing basis.

38. PLEDGE OF ASSETS

Assets with the following carrying amounts have been pledged to secure bank borrowings and secured bills payables of the Group (notes 27 and 29):

	2008	2007
	<i>RMB'000</i>	<i>RMB'000</i>
Property, plant and equipment – buildings:		
In Hong Kong under medium-term leases	2,787	–
Investment properties:		
In Hong Kong under medium-term leases	44,468	44,493
Prepaid lease payments:		
In Hong Kong under medium-term leases	18,110	–
Cash and bank balances:		
Bank deposits	1,017	–
Time deposits	11,272	12,099
	77,654	56,592
	77,654	56,592

39. CONTINGENT LIABILITIES

On 25 April 2008, a PRC subsidiary of the Company had been served with a writ of summons in the PRC and was being claimed for a total amount of approximately RMB22 million under a guarantee being allegedly issued by the PRC subsidiary. The PRC subsidiary has appointed a firm of legal counsel to represent the PRC subsidiary to defend the claim and legal proceedings. First court hearing was held on 20 October 2008 and the legal proceedings is still in progress and no conclusion has been drawn on the legal proceedings up to the date of approval of these consolidated financial statements. Based on the legal advice and the facts of evidences presented to the court during the first court hearing, the directors are of the opinion that the Group would have strong grounds to defend and accordingly, no provision is required to be made in the consolidated financial statements.

40. MAJOR NON-CASH TRANSACTIONS

During the year ended 30 June 2008, the Group disposed of its entire equity interests in a subsidiary, Magic Gain Investments Limited, at a consideration of approximately RMB5,463,000. Such disposal is not reflected in the consolidated cash flow statement for the year ended 30 June 2008 as the Group has not received the consideration as of 30 June 2008, such consideration receivable of approximately RMB5,463,000 was included in other receivables as at 30 June 2008. Details of the disposal of Magic Gain Investments Limited are set out in note 34.

During the year ended 30 June 2007, the Group acquired 100% equity interest in a subsidiary, Weina Land Limited, together with its shareholder's loan at a consideration of approximately RMB42,247,000 from the vendor. The consideration of approximately RMB42,247,000 was satisfied by the issue of 110,000,000 convertible redeemable preference A shares of par value of HK\$0.10 at a subscription price of HK\$0.40 each by the Company to the vendor. Details of acquisition of Weina Land Limited together with its shareholder's loan are set out in note 33.

41. RELATED PARTY TRANSACTIONS

The directors consider that they are the only key management personnel of the Group. The directors' remuneration paid during the two years ended 30 June 2008 is disclosed in note 12.

42. SUBSEQUENT EVENT

During the year ended 30 June 2008, a main contractor of the R&D Centre, (the "Contractor"), raised a claim of approximately RMB9,500,000 against a PRC subsidiary of the Company. A judgement was made by the relevant court in the PRC on the litigation in favour of the Contractor and the Group has made an appeal against the judgement.

On 28 February 2008, the PRC subsidiary and the Contractor reached a mutual agreement to withdraw from the litigation, pursuant to which the Contractor was obligated to complete the construction works on or before 30 March 2008 and pay a penalty of RMB2,000 per day to the PRC subsidiary for any late completion of works whereas the Group was obligated to settle the aggregate construction cost together with the interest of RMB6,880,000 on or before 30 June 2008 and pay a penalty of RMB1,000,000 to the Contractor for any late payment. As of 30 June 2008, the Group has settled an aggregate amount of approximately RMB6,330,000 to the Contractor, however, the Contractor has not yet completed the works as agreed. As a result, the Group refused to pay the outstanding balance of RMB550,000 before 30 June 2008 and such amount has been included in other accruals as at 30 June 2008.

Subsequent to the balance sheet date, in early September 2008, the Contractor applied through the relevant PRC court to demand the PRC subsidiary to settle the outstanding amount of RMB550,000 together with the penalty. On 10 September 2008, the PRC subsidiary submitted a counterclaim to the relevant PRC court against the Contractor for breach of the said agreement. The PRC subsidiary has appointed a legal counsel to address the claims and the case is at its early stage of the proceedings and pending decision from the relevant PRC court as of the date of approval of these consolidated financial statements. Accordingly, no provision for penalty is made in the consolidated financial statements as at 30 June 2008.

43. SUBSIDIARIES

Details of the subsidiaries as at 30 June 2008 are as follows:

Name of company	Place of incorporation/ operation	Particulars of issued and paid up capital	Percentage of equity interest attributable to the Company		Principal activities
			Directly	Indirectly	
Usualink Development Limited	British Virgin Islands	1,250 ordinary shares of US\$1 each	100%	–	Investment holding
德維森實業(深圳)有限公司 (Techwayson Industrial Limited)*#	PRC	HK\$60,000,000	–	100%	Design, supply and integration of automation and control systems
Techwayson Management Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	100%	–	Provision of management services
Techwire Enterprises Limited	British Virgin Islands	100 ordinary shares of US\$1 each	100%	–	Investment holding
Techwayson Trading Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	100%	–	Trading of automation products and electronic components
Realtop Limited	British Virgin Islands	100 ordinary shares of US\$1 each	100%	–	Investment holding
德維森科技(深圳)有限公司 (Techwayson Technology (Shenzhen) Limited)*#	PRC	RMB100,000,000	–	100%	Design, supply and integration of automation and control systems
Smart Gain Asia Limited	Hong Kong	1 share of HK\$1	100%	–	Trading of natural resources and other mineral products
Famous State Investments Limited	Hong Kong	1 share of HK\$1	100%	–	Investment in listed securities
Weina Land Limited	Hong Kong	2 shares of HK\$1 each	100%	–	Property investment
Fame Electronics Limited	Hong Kong	100 shares of HK\$1 each	51%	–	Trading of mobile handsets

* *Techwayson Industrial Limited and Techwayson Technology (Shenzhen) Limited are wholly foreign owned enterprises established in a special economic zone of the PRC to be operated for 15 years up to September 2012 and 20 years up to June 2023 respectively.*

The English names are for identification purpose only.

44. SUMMARISED BALANCE SHEET OF THE COMPANY

	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
Non-current asset		
Investments in subsidiaries	1,130	68,769
Current assets		
Amounts due from subsidiaries	5,024	132,848
Prepayments, deposits and other receivables	5,463	2
Cash and bank balances	42	38,515
	<u>10,529</u>	<u>171,365</u>
Current liabilities		
Accruals	273	636
Amounts due to subsidiaries	7,267	17,400
	<u>7,540</u>	<u>18,036</u>
Net current assets	<u>2,989</u>	<u>153,329</u>
Net assets	<u><u>4,119</u></u>	<u><u>222,098</u></u>
Capital and reserves		
Ordinary share capital	43,987	37,100
Share premium	28,952	7,160
Convertible redeemable preference shares	184,653	184,653
Share option reserve	1,094	-
Contributed surplus	67,614	67,614
Translation reserve	(17,927)	(6,011)
Accumulated losses	(304,254)	(68,418)
Total equity	<u><u>4,119</u></u>	<u><u>222,098</u></u>

45. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year presentation.

A. INDEBTEDNESS STATEMENT**Indebtedness**

As at the close of business on 30 April 2009, being the latest practicable date for the purpose of the statement of this indebtedness statement prior to the printing of this circular, the Enlarged Group had aggregate bank facilities of approximately RMB155,740,000 comprising bank loans and revolving loan, among which approximately RMB150,340,000 had been utilised by the Enlarged Group at that date.

As at the close of business on 30 April 2009, the Enlarged Group had secured bank loans of approximately RMB24,837,000, secured revolving loans of RMB15,400,000 and unsecured bank loans of approximately RMB110,103,000 (the “**Unsecured Loan**”). In addition, the Enlarged Group had an amount due to the minority shareholder and amount due to the shareholder of approximately RMB78,089,000 and RMB1,795,000 respectively. Other than the amount due to the minority shareholder of approximately RMB46,087,000 carry interest at prevailing market interest rate of The People’s Bank of China, the remaining balances of the amount due to the minority shareholder and the amount due to the shareholder are interest free, unsecured and repayable on demand.

Security and guarantees

As at the close of business on 30 April 2009, the secured bank loans and revolving loans of the Enlarged Group are (a) guaranteed by corporate guarantee executed by the Company and (b) secured by the Enlarged Group’s property, plant and equipment with a total carrying amounts of approximately RMB2,877,000; investment properties with a total carrying amounts of approximately RMB36,256,000; prepaid lease payments with a total carrying amounts of approximately RMB18,726,000 and time deposits of approximately RMB12,000,000 as at 30 April 2009.

Commitment

As at the close of business on 30 April 2009, the Enlarged Group had capital commitment contracted but not provided for in respect of properties under development of approximately RMB119,000.

As the close of business on 30 April 2009, the Enlarged Group, as a lessee, had total future minimum lease payments under non-cancelable operating leases in respect of the office equipments amounting to approximately RMB34,000.

As the close of business on 30 April 2009, the Enlarged Group, as a lessor, had total future minimum lease receivables under non-cancelable operating leases in respect of the investment properties amounting to approximately RMB15,238,000.

Contingent liabilities

As at the close of business on 30 April 2009, the Enlarged Group had the following contingent liabilities:

- (1) On 25 April 2008, a subsidiary of the Enlarged Group established in the PRC (the “**PRC subsidiary**”) had been served with a writ of summons in the PRC and was being claimed for a total amount of approximately RMB22,000,000 under a guarantee being allegedly issued by the PRC subsidiary. The PRC subsidiary has made an appeal against the judgment in October 2008. The legal proceedings is still in progress and no conclusion has been drawn on the legal proceedings up to the date of this statement. Based on the legal advice, the directors are of the opinion that the Enlarged Group would have strong grounds to defend and accordingly, no provision is considered necessary.
- (2) As at the close of business on 30 April 2009, the Enlarged Group had set aside a provision of claims of approximately RMB60,700,000 in respect of a claim by another branch office of a bank (the “**Bank**”) against the PRC subsidiary under a corporate guarantee allegedly provided by the PRC subsidiary to the Bank in respect of a third party. A judgment was made by the relevant court on the litigation regarding the alleged corporate guarantee in favour of the Bank and the Enlarged Group has made an appeal against the judgment. The Enlarged Group has reached a preliminary settlement agreement with the Bank regarding the alleged guarantee of approximately RMB60,700,000 and restructuring of the Unsecured Loan 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 RMB60,700,000 would be restructured into a term of not less than 1 year and not more than 3 years against the pledge of the Enlarged Group’s leasehold buildings and investment properties in the PRC and the Unsecured Loan and certain amount of accrued interest thereon would be waived. Accordingly, the PRC subsidiary has applied to the relevant court to withdraw the appeal and a provision of approximately RMB60,700,000 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 have not been finalised, the Bank has not demanded immediate repayment up to the date of this statement. The Enlarged Group is continuing to negotiate with the Bank to finalise the terms of settlements.

- (3) In December 2007, a main contractor of the Enlarged Group raised a claim of approximately RMB9,500,000 against a PRC subsidiary. The relevant court has made a judgment in favour of the main contractor and the Enlarged Group has made an appeal against the judgment. In May 2008, the PRC subsidiary and the main contractor reached a mutual agreement to withdraw from the litigation by settling a reasonable amount. However, the main contractor applied through the relevant court to demand the PRC subsidiary settle the retainer fee due being RMB550,000 together with penalty. On 10 September 2008, the PRC subsidiary submitted a counterclaim for the settlement of the retainer fee of RMB550,000 to the relevant court. The legal proceedings is still in progress and no conclusion has been drawn on the legal proceedings up to the date of this statement. Based on the legal advice, the directors are of the opinion that the Enlarged Group would have strong grounds to defend and accordingly, no provision is considered necessary.
- (4) In November 2008, a PRC subsidiary of the Enlarged Group brought a claim against the contractors for the breach of contracts in respect of settlement of service fees for certain construction works performed by the PRC subsidiary. A judgment was made on 21 April 2009 by the relevant court in favor of the PRC subsidiary and the contractors have made an appeal against the judgment on 14 May 2009. The legal proceeding is still in progress and no conclusion has been drawn on the legal proceedings up to the date of this statement.

For the purpose of the above indebtedness statement, foreign currency amounts have been translated into Renminbi at the rate of exchange prevailing the close of business on 30 April 2009.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables, the Enlarged Group did not have outstanding at the close of business on 30 April 2009 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

B. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial and trading position of the Group since 30 June 2008 (being the date to which the latest published audited financial statements of the Group have been made up) and up to the Latest Practicable Date.

C. WORKING CAPITAL STATEMENT

The Directors, are of the opinion that, taking into account its internal resources and the presently available credit facilities of the Enlarged Group and after the completion of the proposed Acquisition, the Enlarged Group will not have sufficient working capital for its present requirements, that is for at least the next twelve months from the date of this circular.

In view of the foregoing, the Company is currently (i) seeking financial assistance from banks or financial institutions for development of the Project Land (in this respect, the Project Company has already obtained the letters of intent from one leading PRC bank and one financial institution which are willing to offer a loan amount of RMB75,000,000 to the Project Company); (ii) conducting other fund raising activities, such as equity financing, in the future; and (iii) the pre-sale of the residential properties at the Project Land in order to fulfill the future working capital requirement of the Target Group if necessary. The abovementioned measures are limited to fulfill the future working capital requirement of the Target Group only. The Directors are of the opinion that, based on the fact that the possible loan amount of RMB75,000,000 is expected to be sufficient to cover the estimated capital cost of development of the Project Land of approximately RMB52,000,000, the Target Group would be able to fulfill its future working capital requirement.

As for the Group, it is stated in the 2008 Interim Report that the Company was in the process of negotiation for the restructuring of the guarantee provisions of approximately RMB60,700,000 and short term bank loan of approximately RMB77,734,000 with a bank creditor (the “**Restructuring**”). As at the Latest Practicable Date, the Directors confirmed that the negotiation process is still in process. The bank creditor is aware of the proposed Acquisition and both the Company and the bank creditor target to finalise the Restructuring before the end of December 2009. Should the Restructuring be approved by the bank creditor, the liquidity position of the Group would likely to be improved.

As mentioned in the “letter from the board” of this circular, the construction of the Project Land is scheduled to be completed in the second half of 2010. In addition, with reference to the current development plan of the Project Land, the pre-sale of the residential properties will be commenced by the 4th quarter of 2009 and the Enlarged Group shall apply the proceeds being derived to settle part of its then debt liabilities.

The Directors are aware of that the Enlarged Group’s liquidity position would depend largely on the successful negotiation of the Restructuring and the development of the Project Land, therefore, the Company shall publish relevant announcement(s) to update the Shareholders as and when necessary.

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the Company's reporting accountants, SHINEWING (HK) CPA Limited, Certified Public Accountants, Hong Kong.



SHINEWING (HK) CPA Limited
16/F., United Centre
95 Queensway, Hong Kong

30 June 2009

The Directors

The Quaypoint Corporation Limited

Dear Sirs,

We set out below our report on the financial information of Ocean Vast Corporation Limited (“Ocean Vast”) and its subsidiaries (hereinafter collectively referred to as the “Ocean Vast Group”) for the period from 28 September 2007 (date of incorporation) to 31 December 2007 and the year ended 31 December 2008 and for the three months ended 31 March 2009 (the “Relevant Periods”) (the “Financial Information”) for inclusion in the circular of The Quaypoint Corporation Limited (the “Company”) dated 30 June 2009 (the “Circular”) in connection with the proposed acquisition of the entire equity interest of Ocean Vast (the “Proposed Acquisition”).

Ocean Vast was incorporated in Hong Kong on 28 September 2007 with limited liability with authorised share capital of HK\$10,000 divided into 10,000 ordinary shares of HK\$1 each. The registered office and the principal place of business is situated at Room 1-3, 10/F, Kwan Chart Tower, 6 Tonnochy Road, Wanchai, Hong Kong.

Ocean Vast is an investment holding company. The financial statements of Ocean Vast for the period from 28 September 2007 (date of incorporation) to 31 December 2007 and the year ended 31 December 2008 were audited by Proventus & Co. certified public accountants, registered in Hong Kong. The principal activities and other particulars of its subsidiaries are set out below.

As at the date of this report, Ocean Vast has beneficial interests in the following subsidiaries.

Name of subsidiary	Place and date of establishment	Registered capital	Proportion of equity interest held		Principal activities
			Direct	Indirect	
珠海廣海信息科技 有限公司 Zhuhai Guanghai Information Technology Company Limited * ("Zhuhai Guanghai")	The People's Republic of China (the "PRC") 23 November 2007	HK\$2,000,000	100%	-	Provision for telecommunication service, software development and investment consultancy
珠海經濟特區合強實業 有限公司 Zhuhai Special Economic Zone Heqiang Industrial Company Limited * ("Zhuhai Heqiang")	The PRC 5 October 1992	RMB 3,000,000	-	60%	Development of real estates and property management

Zhuhai Guanghai is a sino-foreign equity joint venture and Zhuhai Heqiang is a domestic company established in the PRC. The Ocean Vast Group has adopted 31 December as its financial year end date.

The statutory financial statements of Zhuhai Guanghai and Zhuhai Heqiang for the year ended 31 December 2007 and 2008 were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises in the PRC and were audited by Zhuhai GuoRui CPA Limited * 珠海國睿會計師事務所, a certified public accountants registered in the PRC.

For the purpose of this report, the director of Ocean Vast has prepared the consolidated financial statements of the Ocean Vast Group for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and on the basis set out in Note 1 of Section II below (the "Underlying Financial Statements").

For the purpose of this report, we have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA. However, because of the matters described in the basis of disclaimer of opinion paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis of an audit opinion.

We have examined the Underlying Financial Statements in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommend by the HKICPA.

* These English names are for identification purpose only.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements. No adjustments have been made to the Underlying Financial Statements in the preparation of our report for the inclusion in the Circular.

The director of Ocean Vast is responsible for the preparation of the Underlying Financial Statements and the Financial Information. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements and to form an independent opinion, based on our examination, on the Financial Information and to report our opinion to you.

However, the scope of our examination which was planned in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by HKICPA was limited as set out below:

BASIS OF DISCLAIMER OF OPINION

On 30 November 2007, the Ocean Vast Group acquired 60% equity interest of Zhuhai Heqiang. Details of the acquisition are set out in Note 25.

Zhuhai Heqiang undertook a reorganisation on 24 May 2007. The books and records of Zhuhai Heqiang prior to its reorganisation were kept and maintained by the former management of Zhuhai Heqiang (“Former Management”). The Former Management had left Zhuhai Heqiang following the reorganisation of Zhuhai Heqiang on 24 May 2007. For the Relevant Periods, the books and records (including any bank records) of Zhuhai Heqiang on or before 24 May 2007 (“Incomplete books and records”) as made available to us by Zhuhai Heqiang’s current management were incomplete for our purposes.

In summary, the scope of limitations included the following:

- a) Under circumstances as explained above and since the current management is unable to satisfy whether the completeness of recording of transactions entered into by Zhuhai Heqiang and of the completeness of disclosures of contingent liabilities, capital commitment and pledged of assets as at 30 November 2007, the date of acquisition of Zhuhai Heqiang, in the Financial Information, we were not able to carry out procedures which we considered necessary on the books and records of Zhuhai Heqiang, to satisfy ourselves as to whether the fair value of net assets and liabilities and contingent liabilities acquired of approximately RMB33,802,000; (ii) the minority interest as at the date of acquisition of approximately RMB13,521,000; (iii) the goodwill of approximately RMB16,931,000 generated from the acquisition; and (iv) the net cash inflow arising on acquisition of approximately RMB1,183,000 included in the Financial Information were free from material misstatement.

- b) The incomplete books and records of Zhuhai Heqiang remained unresolved for the period from 30 November 2007 to 31 December 2007, the year ended 31 December 2008 and three months ended 31 March 2009. Zhuhai Heqiang's assets and liabilities acquired and minority interests on 30 November 2007 have been included in the Ocean Vast Group's Financial Information for the year ended 31 December 2007, 2008 and the three months ended 31 March 2009. The assets have been included in the Financial Information as at 31 December 2007, 2008 and 31 March 2009 at the amount of RMB28,833,000, RMB21,029,000 and RMB21,029,000 respectively; the liabilities have been included in the Financial Information as at 31 December 2007, 2008 and 31 March 2009 at the amounts of RMB20,873,000 respectively; and the minority interests have been included in the Financial Information as at 31 December 2007, 2008 and 31 March 2009 at the amounts of RMB13,521,000.

There were no other alternative procedures which we could adopt to satisfy ourselves as to the matters set out in the above paragraphs.

Any adjustments to the above figures may have consequential significant effects on the assets, liabilities, loss, cash flows and related disclosures in the notes to the Financial Information of the Ocean Vast Group as at 31 December 2007 and 2008 and 31 March 2009 and for the Relevant Periods respectively.

Fundamental uncertainty relating to going concern basis

As explained in Note 1 of Section II, which indicates that the Ocean Vast Group and Ocean Vast had net current liabilities of approximately RMB102,646,000 and RMB1,794,000 respectively as at 31 March 2009, the Financial Information have been prepared on a going concern basis. In the absence of sufficient documentary evidence, we were unable to ascertain whether the assumptions made by the director in preparing the Financial Information on a going concern basis are proper and appropriate.

Should the Ocean Vast Group and Ocean Vast 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 of the value of assets to their recoverable amounts and to provide for further liabilities which may arise. The Financial Information has not incorporated any of these adjustments.

DISCLAIMER OF OPINION: DISCLAIMER ON VIEW OF GIVEN BY FINANCIAL INFORMATION

Because of the significance of the matters described in the basis for disclaimer of opinion paragraph, we were unable to form an opinion on the Financial Information, for the purpose of this report, as to whether they give a true and fair view of the state of affairs of the Ocean Vast Group and Ocean Vast as at 31 December 2007, 2008 and 31 March 2009 and of the consolidated results and consolidated cash flows for the Relevant Periods.

REVIEW CONCLUSION

The comparative consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flow of the Ocean Vast Group for the three months ended 31 March 2008 together with the notes thereon (the “31 March 2008 Financial Information”) have been extracted from the Ocean Vast Group’s unaudited financial information for the same period which was prepared by the director of Ocean Vast solely for the purpose of this report. It is our responsibility to form an independent conclusion, based on our review, and to report our conclusion to you.

For the purpose of this report, we have reviewed the 31 March 2008 Financial Information in accordance with Hong Kong Standard on Review Engagements 2400 “Engagements to Review Financial Statements” issued by the HKICPA. Our review consisted principally of making enquiries of the Ocean Vast Group’s management and applying analytical procedures to the 31 March 2008 Financial Information and bases thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the 31 March 2008 Financial Information.

Because of the significance of the possible effect of the limitation in evidence available to us as set out above, we were unable to reach a review conclusion as to whether material modifications should be made to the 31 March 2008 Financial Information.

I. FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Period from 28 September 2007 (date of incorporation) to 31 December 2007	Year ended 31 December 2008	Three months ended 31 March 2008	Three months ended 31 March 2009
	NOTES	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	7	-	-	-	-
Other operating income	8	45	107	103	-
Administrative expenses		(349)	(546)	(170)	(142)
Finance costs	9	<u>(275)</u>	<u>(2,677)</u>	<u>(691)</u>	<u>(656)</u>
Loss before taxation	10	(579)	(3,116)	(758)	(798)
Taxation	12	<u>-</u>	<u>(3,208)</u>	<u>-</u>	<u>-</u>
Loss and the total comprehensive income for the period/year		<u><u>(579)</u></u>	<u><u>(6,324)</u></u>	<u><u>(758)</u></u>	<u><u>(798)</u></u>
Loss and the total comprehensive income attributable to:					
Owners of Ocean Vast		(453)	(4,846)	(694)	(742)
Minority interests		<u>(126)</u>	<u>(1,478)</u>	<u>(64)</u>	<u>(56)</u>
		<u><u>(579)</u></u>	<u><u>(6,324)</u></u>	<u><u>(758)</u></u>	<u><u>(798)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at		As at
		31 December		31 March
		2007	2008	2009
	NOTES	RMB'000	RMB'000	RMB'000
Non-current assets				
Plant and equipment	14	29	54	51
Properties under development	15	112,641	113,694	113,734
Goodwill	17	16,931	16,931	16,931
		<u>129,601</u>	<u>130,679</u>	<u>130,716</u>
Current assets				
Other receivables		7,884	80	80
Bank balances and cash	18	2,244	137	104
		<u>10,128</u>	<u>217</u>	<u>184</u>
Current liabilities				
Other payables		218	315	459
Provision for claims	19	20,873	–	–
Tax payable		19,279	22,487	22,487
Amount due to a shareholder	20	1,885	1,790	1,795
Amount due to the minority shareholder	21	69,411	77,436	78,089
		<u>111,666</u>	<u>102,028</u>	<u>102,830</u>
Net current liabilities		<u>(101,538)</u>	<u>(101,811)</u>	<u>(102,646)</u>
Total assets less current liabilities		<u>28,063</u>	<u>28,868</u>	<u>28,070</u>
Non-current liabilities				
Deferred tax liabilities	22	(15,120)	(15,120)	(15,120)
		<u>12,943</u>	<u>13,748</u>	<u>12,950</u>
Capital and reserves				
Share capital	23	1	1	1
Reserves	24	(453)	(5,299)	(6,041)
Equity attributable to owners of Ocean Vast		(452)	(5,298)	(6,040)
Minority interests		<u>13,395</u>	<u>19,046</u>	<u>18,990</u>
		<u>12,943</u>	<u>13,748</u>	<u>12,950</u>

STATEMENT OF FINANCIAL POSITION

		As at		As at
		31 December		31 March
		2007	2008	2009
	NOTES	RMB'000	RMB'000	RMB'000
Non-current asset				
Investments in subsidiaries	16	<u>1,895</u>	<u>1,895</u>	<u>1,895</u>
Current asset				
Bank balances and cash	18	<u>1</u>	<u>1</u>	<u>1</u>
Current liability				
Amount due to a shareholder	20	<u>(1,885)</u>	<u>(1,790)</u>	<u>(1,795)</u>
Net current liabilities		<u>(1,884)</u>	<u>(1,789)</u>	<u>(1,794)</u>
		<u>11</u>	<u>106</u>	<u>101</u>
Capital and reserve				
Share capital	23	<u>1</u>	<u>1</u>	<u>1</u>
Retained profits		<u>10</u>	<u>105</u>	<u>100</u>
		<u>11</u>	<u>106</u>	<u>101</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Ocean Vast Group				
	Paid-in capital <i>RMB'000</i>	Accumulated losses <i>RMB'000</i>	Total <i>RMB'000</i>	Minority interests <i>RMB'000</i>	Total <i>RMB'000</i>
Issue of shares at the date of incorporation	-	-	-	-	-
Loss and total comprehensive income for the period	-	(453)	(453)	(126)	(579)
Allotment of new shares	1	-	1	-	1
Acquisition of a subsidiary (<i>Note 25</i>)	-	-	-	13,521	13,521
At 31 December 2007 and 1 January 2008	1	(453)	(452)	13,395	12,943
Loss and total comprehensive income for the year	-	(4,846)	(4,846)	(1,478)	(6,324)
Contribution from the minority shareholders (<i>Note 24</i>)	-	-	-	7,129	7,129
At 31 December 2008 and 1 January 2009	1	(5,299)	(5,298)	19,046	13,748
Loss and total comprehensive income for the period	-	(742)	(742)	(56)	(798)
At 31 March 2009	<u>1</u>	<u>(6,041)</u>	<u>(6,040)</u>	<u>18,990</u>	<u>12,950</u>
For the three months ended 31 March 2008 (unaudited)					
At 1 January 2008	1	(453)	(452)	13,395	12,943
Loss and total comprehensive income for the period	-	(694)	(694)	(64)	(758)
At 31 March 2008	<u>1</u>	<u>(1,147)</u>	<u>(1,146)</u>	<u>13,331</u>	<u>12,185</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

	Period from 28 September 2007 (date of incorporation) to 31 December 2007 RMB'000	Year ended 31 December 2008 RMB'000	Three months ended 31 March 2008 RMB'000 (Unaudited)	Three months ended 31 March 2009 RMB'000
OPERATING ACTIVITIES				
Loss before taxation	(579)	(3,116)	(758)	(798)
Adjustments for:				
Bank interest income	(16)	(3)	(1)	-
Depreciation on plant and equipment	-	13	3	3
Operating cash flows before movements in working capital	(595)	(3,106)	(756)	(795)
Increase in properties under development	(22,884)	(1,053)	(445)	(40)
Decrease/(increase) in other receivables	280	7,804	(1,893)	-
Increase in other payables	218	97	52	144
NET CASH (USED IN)/FROM OPERATING ACTIVITIES	(22,981)	3,742	(3,042)	(691)
INVESTING ACTIVITIES				
Purchase of plant and equipment	(29)	(38)	(37)	-
Interest received	16	3	1	-
Net cash inflow arising on the acquisition of a subsidiary (Note 25)	1,183	-	-	-
NET CASH FROM/(USED IN) INVESTING ACTIVITIES	1,170	(35)	(36)	-
FINANCING ACTIVITIES				
Increase/(decrease) in amount due to a shareholder	1,885	(95)	(99)	5
Allotment of new shares	1	-	-	-
Increase/(decrease) in amount due to the minority shareholder	22,169	(5,719)	1,091	653
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	24,055	(5,814)	992	658
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	2,244	(2,107)	(2,086)	(33)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD/YEAR	-	2,244	2,244	137
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD/YEAR, represented by bank balances and cash	2,244	137	158	104

II. NOTES TO THE FINANCIAL INFORMATION

1. CORPORATION INFORMATION AND BASIS OF PREPARATION

Corporation information

Ocean Vast was incorporated in Hong Kong on 28 September 2007 with limited liability with authorised share capital of HK\$10,000 divided into 10,000 ordinary shares of HK\$1 each. The registered office and the principal place of business is situated at Room 1-3, 10/F, Kwan Chart Tower, 6 Tonnochy Road, Wanchai, Hong Kong.

Ocean Vast is an investment holding company and the principal activities of its subsidiaries are set out in Note 16.

The Financial Information are presented in Renminbi (“RMB”), which is the same as the functional currency of Ocean Vast.

Basis of preparation

As at 31 March 2009, the Ocean Vast Group and Ocean Vast had net current liabilities of approximately RMB102,646,000 and RMB1,794,000 respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Ocean Vast Group’s and Ocean Vast’s ability to continue as a going concern and therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, the director is of the opinion that the Ocean Vast Group will have sufficient working capital to meet its financial obligations as and when they fall due for the next twelve months from 31 March 2009 given that:

- (i) ZhengMaoYuan Investment Consultant Co., Limited (“ZhengMaoYuan”) 珠海市正懋源投資顧問有限公司, the minority shareholder of the Ocean Vast Group, will continue to provide financial support to the Ocean Vast Group and Ocean Vast to meet the Ocean Vast Group’s and Ocean Vast’s liabilities and commitments as and when it falls due; and
- (ii) the director of Ocean Vast anticipates that the Ocean Vast Group and Ocean Vast will generate positive cash flows from its operations.

Accordingly, the director is of the opinion that it is appropriate to prepare the Financial Information on a going concern basis. Should the Ocean Vast Group and Ocean Vast be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in the Financial Information.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

For the purposes of preparing and presenting the Financial Information for the Relevant Periods, the Ocean Vast Group has consistently applied all of the new or revised Hong Kong Accounting Standards (“HKASs”), HKFRSs, amendments and Interpretations (“INT”) (herein collectively referred to as “New HKFRSs”) issued by the HKICPA, which are effective for the accounting period beginning on 1 January 2009.

The Ocean Vast Group has not early applied the following new and revised standards, amendments or INTs that have been issued but are not yet effective as at the date of this report.

HKFRSs (Amendments)	Improvement to HKFRSs ¹
HKFRSs (Amendments)	Improvement to HKFRSs 2009 ²
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ³
HKAS 39 (Amendments)	Eligible Hedged Item ³
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards ³
HKFRS 3 (Revised)	Business Combinations ³
HK(IFRIC)-INT 9 & HKAS 39 (Amendment)	Embedded Derivatives ⁴
HK(IFRIC)-INT 17	Distribution of Non-cash Assets to Owners ³
HK(IFRIC)-INT 18	Transfers of Assets from Customers ⁵

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

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

³ Effective for annual periods beginning on or after 1 July 2009.

⁴ Effective for annual periods ending on or after 30 June 2009.

⁵ Effective for transfers of assets from customers received on or after 1 July 2009.

The director of Ocean Vast anticipates that the adoption of such standards, amendments and INTs will have no material impact on the results and the financial position of the Ocean Vast Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below. These accounting policies have been consistently applied throughout the Relevant Periods.

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA and the accounting policies have been consistently applied to the Relevant Periods and are materially consistent with the accounting policies adopted by the Company. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Basis of consolidation

The Financial Information incorporates the financial statements of Ocean Vast and entities controlled by Ocean Vast (its subsidiaries). Control is achieved where Ocean Vast has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The result of subsidiaries acquired or disposed during the Relevant Periods are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring its accounting policies into line with those used by other members of the Ocean Vast Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Ocean Vast Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiaries' equity are allocated against the interests of the Ocean Vast Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Investment in subsidiaries

In the Ocean Vast's balance sheet, the investment in subsidiaries is stated at cost less impairment loss. The results of the subsidiaries are accounted for by Ocean Vast on the basis of dividends received and receivable.

Business combination

The acquisition of business is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Ocean Vast Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 Business Combinations are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Ocean Vast Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after assessment, the Ocean Vast Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Goodwill

Goodwill arising on an acquisition of a business represents the excess of the cost of acquisition over the Ocean Vast Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a business is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial period. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated statement of comprehensive income. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Plant and equipment

Plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of plant and equipment over their estimate useful lives and after taking into account of their estimated residual value, using the straight-line method.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statement of comprehensive income in the period/year in which the item is derecognised.

Property under development

Properties under development in respect of development activities are stated at the lower of cost and net realisable value. The cost of properties under development comprises specifically identified costs, including aggregate cost of development, acquisition cost of land, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised. On completion, the properties are transferred to completed properties held for sales. Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the properties.

Properties under development are classified as non-current assets unless those will be realised in one normal operating cycle.

Impairment losses on assets (other than goodwill)

At the end of each reporting period, the Ocean Vast Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss be recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Financial instruments

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

Financial assets

The Ocean Vast Group's financial assets are mainly classified into loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant periods. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Interest income is recognised on an effective interest basis for debts instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables (including other receivables and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy in respect of impairment loss on financial assets below).

Impairment loss on financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganisation.

For certain categories of financial asset, such as other receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Ocean Vast Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on the other receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When an other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses were recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Ocean Vast Group after deducting all of its liabilities. The Ocean Vast Group's financial liabilities are generally classified into other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant periods. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities (including other payables, amount due to a shareholder and amount due to the minority shareholder) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by Ocean Vast are recorded at the proceeds received, net of direct issue costs.

Derecognition

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

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Revenue recognition

Interest income from a financial asset is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Retirement benefit costs

Payments to state-managed retirement benefit schemes are charged as an expense when employees have rendered services entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the Relevant Periods. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in the Relevant Periods and it further excludes items that are never taxable or deductible. The Ocean Vast Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the Relevant Periods when the liability is settled or the asset realised based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of reporting period. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Foreign currencies

In preparing the Financial Information of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the date of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

Provision and contingent liabilities

Provisions for liabilities of uncertain timing or amount are recognised when the Ocean Vast Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or nonoccurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Transactions with minority interests

The Ocean Vast Group applies a policy of treating transactions with minority interests as transactions with equity owners of Ocean Vast.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Ocean Vast Group's accounting policies which are described in Note 3, the director of Ocean Vast is required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates of associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of reporting period, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Going concern consideration

The assessment of the going concern assumption involves making a judgement by the director of Ocean Vast, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The director of Ocean Vast considers that the Ocean Vast Group has the ability to continue as a going concern and the major events or conditions, which may give rise to business risks, that individually or collectively may cast significant doubt about the going concern assumption are set out in Note 1.

PRC enterprise income taxes and deferred taxation

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Ocean Vast Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Where the final tax outcome of these transactions is different from the amounts that were initially recorded, such differences will affect the income tax and deferred tax provisions in the year/period in which such determination is made.

Estimated net realisable value on properties under development

As explained in note 3, the Ocean Vast Group's properties under development are stated at the lower of cost and net realisable value. Based on Ocean Vast's recent experience and the nature of the subject properties, Ocean Vast makes estimates of the selling prices, the costs of completion in case for properties under development, and the cost to be incurred in selling the properties based on prevailing market conditions.

If there is an increase in costs to completion or decrease in net sales value, the net realisable value will decrease and this may result in impairment loss on properties under development. Such impairment assessment required the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and impairment loss on properties under development in the periods in which such estimate is changed will be adjusted accordingly.

In addition, given the volatility of the PRC property market and the unique nature of individual properties, the actual outcomes in terms of costs and revenue may be higher or lower than estimated at the end of each reporting periods. Any increase or decrease in impairment loss would affect the results in future years.

Provision for claims

As explained in Note 3, provision for claims is recognised when the Ocean Vast Group has a present obligation as a result of a past event, and it is probable that the Ocean Vast Group will be required to settle that obligation. Provision for claims is measured at the director's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and is discounted to present value where the effect is material.

In determining whether a provision for claims is required, the director of Ocean Vast will take into consideration for the probability of the payment of the obligations. Specific provision is only made for the amount that is probable. In this regard, the director of Ocean Vast believed that all provision for claims has been properly made.

Estimated impairment of goodwill

The Ocean Vast Group determines whether goodwill is impaired on an annual basis. This requires an estimation of the value-in-use of the cash-generating unit to which the goodwill is allocated. Estimating the value-in-use requires the Ocean Vast Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Where the actual future cash flows are less than expected, a material impairment loss may arise. Details of the recoverable amount calculation are disclosed in Note 17.

5. CAPITAL RISK MANAGEMENT

The Ocean Vast Group manages its capital to ensure that the Ocean Vast Group will be able to continue as a going concern while maximising the return to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Ocean Vast Group's overall strategy remains unchanged during the Relevant Periods.

The capital structure of the Ocean Vast Group consists of cash and cash equivalents and equity attributable to owners of Ocean Vast, comprising issued share capital and reserves.

The Ocean Vast Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Ocean Vast Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31 December		As at 31 March
	2007	2008	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
The Ocean Vast Group			
Financial assets			
Loans and receivables (including bank balances and cash)	<u>10,128</u>	<u>217</u>	<u>184</u>
Financial liabilities			
At amortised cost	<u>71,514</u>	<u>79,541</u>	<u>80,343</u>
	As at 31 December	As at 31 March	
	2007	2008	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Ocean Vast			
Financial assets			
Loans and receivables (including bank balances and cash)	<u>1</u>	<u>1</u>	<u>1</u>
Financial liabilities			
At amortised cost	<u>1,885</u>	<u>1,790</u>	<u>1,795</u>

(b) Financial risk management objective and policies

The Ocean Vast Group's and Ocean Vast's major financial instruments include other receivables, bank balances and cash, other payables, amount due to a shareholder and amount due to the minority shareholder. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include currency risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

The Ocean Vast Group's and Ocean Vast's exposure to currency risk is attributable to amount due to a shareholder which are denominated in foreign currencies of Hong Kong Dollars ("HK\$"). The functional currency of the Ocean Vast Group is RMB. The Ocean Vast Group currently does not have any HK\$ hedging policy but the management monitors HK\$ exchange exposure and will consider hedging significant HK\$ exposure should the need arise.

The director does not expect any significant movement in RMB/HK\$ exchange rates. Given the foreign currency exposure is only to HK\$, sensitivity analysis to changes in exchange rates is not presented thereof.

Credit risk

At the end of each reporting period, the Ocean Vast Group's and Ocean Vast's maximum exposure to credit risk, which will cause a financial loss to the Ocean Vast Group and Ocean Vast due to failure to discharge an obligation by the counterparties, is arising from the carrying amount of the respective recognised financial assets as stated in the statements of financial position. In order to minimise the credit risk, the Ocean Vast Group and Ocean Vast have determined the credit limits, credit approvals and other monitoring procedures to ensure that follow-up action taken to recover overdue debts. In additions, the Ocean Vast Group and Ocean Vast review the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regards, the director of the Ocean Vast Group and Ocean Vast consider its credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit rating. Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Ocean Vast Group and Ocean Vast do not have any other significant concentration of credit risk.

Liquidity risk

The director of Ocean Vast has built an appropriate liquidity risk management framework for the management of the Ocean Vast Group's short, medium and long-term funding and liquidity management requirements. The Ocean Vast Group manages liquidity risk by maintaining sufficient bank balances and obtaining continuing financial support from ZhengMaoYuan, the minority shareholder of Zhuhai Heqiang. The Ocean Vast Group continuously monitors the forecast and actual cash flows and the maturity profiles of financial liabilities.

The maturity dates of Ocean Vast Group's other financial liabilities including other payables, amount due to a shareholder and amount due to the minority shareholder, are all within one year as at the respectively reporting period ended date.

Although the Ocean Vast Group and Ocean Vast has a considerable amount of financial liabilities which have to be settled within the next 12 months from the end of the reporting period, the director of Ocean Vast believes that both Ocean Vast and the Ocean Vast Group can manage the associated liquidity risk based on the factors as set out in Note 1.

(c) Fair value

The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively.

The director of the Ocean Vast considers that the carrying amount of financial assets and financial liabilities of the Ocean Vast Group and Ocean Vast recorded at amortised cost in the Financial Information approximate their fair values due to their short-term maturities.

7. REVENUE AND SEGMENTAL INFORMATION

The Ocean Vast Group did not generate any turnover during the Relevant Periods and the three months ended 31 March 2008.

No segment information is presented as the Ocean Vast Group operates in one single industry, the development of real estates and property management and operates within one geographic segment. Substantially all of the Ocean Vast Group's assets and liabilities are located in the PRC and therefore no geographical segment information has been disclosed for the Relevant Periods and the three months ended 31 March 2008.

8. OTHER OPERATING INCOME

	Period from 28 September 2007 (date of incorporation) to 31 December 2007 <i>RMB'000</i>	Year ended 31 December 2008 <i>RMB'000</i>	Three months ended 31 March 2008 <i>RMB'000</i> (Unaudited)	Three months ended 31 March 2009 <i>RMB'000</i>
Bank interest income	16	3	1	–
Exchange gain	29	104	102	–
	<u>45</u>	<u>107</u>	<u>103</u>	<u>–</u>

9. FINANCE COSTS

	Period from 28 September 2007 (date of incorporation) to 31 December 2007 <i>RMB'000</i>	Year ended 31 December 2008 <i>RMB'000</i>	Three months ended 31 March 2008 <i>RMB'000</i> (Unaudited)	Three months ended 31 March 2009 <i>RMB'000</i>
Interest on amount due to the minority shareholder wholly repayable within five years	275	2,677	691	656
	<u>275</u>	<u>2,677</u>	<u>691</u>	<u>656</u>

10. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging:

	Period from 28 September 2007 (date of incorporation) to 31 December 2007	Year ended 31 December 2008	Three months ended 31 March 2008	Three months ended 31 March 2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Director's remuneration (Note 11)	–	–	–	–
Other staff costs	146	353	111	110
Retirement benefits scheme contributions (note)	<u>34</u>	<u>83</u>	<u>26</u>	<u>26</u>
Total staff costs	<u>180</u>	<u>436</u>	<u>137</u>	<u>136</u>
Auditors' remuneration	15	22	20	–
Depreciation of plant and equipment	<u>–</u>	<u>13</u>	<u>3</u>	<u>3</u>

Note: The employees of the Ocean Vast Group are members of a state-managed retirement benefits scheme in the PRC. The Ocean Vast Group is required to contribute a specific percentage of its payroll costs to the retirement benefits scheme to fund the benefits. The only obligation of the Ocean Vast Group with respect to the retirement benefits scheme is to make the specified contributions under the scheme. No forfeited contributions are available during the Relevant Periods and the three months ended 31 March 2008 to reduce the contribution payable in the future years.

11. DIRECTOR'S REMUNERATION AND THE FIVE HIGHEST PAID EMPLOYEES**Directors' remuneration**

During the Relevant Periods and the three months ended 31 March 2008, no emoluments were paid by Ocean Vast to the director.

The five highest paid employees

The five highest paid individuals for the Relevant Periods and the three months ended 31 March 2008 include only one director. Details of whose emoluments are included in the disclosure above. The emoluments of the remaining four individuals, which are individually below RMB880,000 (approximately HK\$1,000,000) for the Relevant Periods and the three months ended 31 March 2008 are as follows:

	Period from 28 September 2007 (date of incorporation) to 31 December 2007 RMB'000	Year ended 31 December 2008 RMB'000	Three months ended 31 March 2008 RMB'000 (Unaudited)	Three months ended 31 March 2009 RMB'000
Salaries and other benefits	146	353	111	110
Retirement benefit scheme contributions	<u>34</u>	<u>83</u>	<u>26</u>	<u>26</u>
	<u><u>180</u></u>	<u><u>436</u></u>	<u><u>137</u></u>	<u><u>136</u></u>

During the Relevant Periods and the three months ended 31 March 2008, no remuneration has been paid by the Ocean Vast Group to the director or the five highest paid individuals as an inducement to join or upon joining the Ocean Vast Group or as a compensation for loss of office. There was no arrangement under which the directors waived or agreed to waive any remuneration during the Relevant Periods and the three months ended 31 March 2008.

12. TAXATION

	Period from 28 September 2007 (date of incorporation) to 31 December 2007 RMB'000	Year ended 31 December 2008 RMB'000	Three months ended 31 March 2008 RMB'000 (Unaudited)	Three months ended 31 March 2009 RMB'000
Current tax				
PRC Corporate Income Tax ("CIT")	<u>–</u>	<u>3,208</u>	<u>–</u>	<u>–</u>

No provision for Hong Kong Profits Tax has been made as the Ocean Vast Group did not generate any assessable profits in Hong Kong during the Relevant Periods and the three months ended 31 March 2008.

CIT charged to the consolidated statement of comprehensive income was calculated based on the assessable profits of Ocean Vast's subsidiaries located in the PRC of the year at a applicable progressive rate of 15%, 18%, 18% and 20% for the period from 28 September 2007 (date of incorporation) to 31 December 2007, the year ended 31 December 2008, the three months ended 31 March 2008 and 2009 respectively.

The CIT Law of the PRC (the "new CIT Law") is effective from 1 January 2008. According to the new CIT Law and the relevant regulations, the income tax rate applicable to Ocean Vast's subsidiaries established in Zhuhai Special Economic Zone, the PRC will be gradually increased to 25% over a five-year period from 2008 to 2012.

In additions, starting from 1 January 2008, 10% withholding income tax will be imposed on dividends relating to profits earned by the subsidiaries established in the PRC in the calendar year 2008 onwards to their foreign shareholders. No deferred tax has been provided as the subsidiaries established in the PRC were loss making during the Relevant Periods and the three months ended 31 March 2008.

The taxation for the Relevant Periods can be reconciled to the loss before taxation per the consolidated statement of comprehensive income as follow:

	Period from 28 September 2007 (date of incorporation) to 31 December 2007	Year ended 31 December 2008	Three months ended 31 March 2008	Three months ended 31 March 2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i>
Loss before taxation	<u>(579)</u>	<u>(3,116)</u>	<u>(758)</u>	<u>(798)</u>
Domestic income tax rates	15%	18%	18%	20%
Tax at domestic income tax rates of	(87)	(561)	(137)	(159)
Tax effect of non-taxable income	(7)	(18)	(17)	-
Tax effect of non-deductible expense	94	578	154	159
Effect of different tax rates of subsidiaries operating in other jurisdictions	-	1	-	-
Others (<i>Note</i>)	<u>-</u>	<u>3,208</u>	<u>-</u>	<u>-</u>
Taxation for the Relevant Periods	<u>-</u>	<u>3,208</u>	<u>-</u>	<u>-</u>

Note: Zhuhai Guanghai and ZhengMaoYuan, the shareholders of the Ocean Vast Group, has waived the amount due from Zhuhai Heqiang of approximately RMB17,823,000 for the year ended 31 December 2008. In accordance to relevant PRC tax rules and legislations, the shareholder's contribution were deemed as taxable income and subject to CIT at the applicable rate for the year ended 31 December 2008.

13. DIVIDENDS

No dividends was paid or proposed during the Relevant Periods and the three months period ended 31 March 2008.

14. PLANT AND EQUIPMENT

The Ocean Vast Group

	Office equipment <i>RMB'000</i>
COST	
At 28 September 2007 (date of incorporation)	–
Additions	<u>29</u>
At 31 December 2007 and 1 January 2008	29
Additions	<u>38</u>
At 31 December 2008, 1 January 2009 and 31 March 2009	<u>67</u>
ACCUMULATED DEPRECIATION	
At 28 September 2007 (date of incorporation) and 1 January 2008	–
Provided for the year	<u>13</u>
At 31 December 2008 and 1 January 2009	13
Provided for the period	<u>3</u>
At 31 March 2009	<u>16</u>
CARRYING VALUES	
At 31 December 2007	<u><u>29</u></u>
At 31 December 2008	<u><u>54</u></u>
At 31 March 2009	<u><u>51</u></u>

The rate of depreciation of office equipment ranged from 15% to 20% for the Relevant Periods.

15. PROPERTIES UNDER DEVELOPMENT

The Ocean Vast Group

An analysis of the amount of properties under development expected to be recovered is as follows:

	As at 31 December		As at 31 March
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
At beginning of period/year	–	112,641	113,694
Additions	22,884	1,053	40
Acquisition of a subsidiary (Note 25)	89,757	–	–
	<u>112,641</u>	<u>113,694</u>	<u>113,734</u>
At the end of period/year	112,641	113,694	113,734
Represented by:			
Land use rights	91,481	91,481	91,481
Construction costs and capitalised expenditure	21,160	22,213	22,253
	<u>112,641</u>	<u>113,694</u>	<u>113,734</u>

Land use rights represent prepaid operating lease payments, which are analysed as follows:

	As at 31 December		As at 31 March
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
In the PRC held on:			
Medium-term lease	<u>91,481</u>	<u>91,481</u>	<u>91,481</u>

According to the accounting policy of Ocean Vast Group, properties under development are classified as non-current asset as the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

16. INVESTMENTS IN SUBSIDIARIES

	As at 31 December		As at 31 March
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Unlisted investments, at cost	<u>1,895</u>	<u>1,895</u>	<u>1,895</u>

The details of the subsidiaries are set out as follow:

Name of subsidiary	Place and date of establishment	Registered capital	Proportion of equity interest held	Principal activities
Zhuhai Guanghai	The PRC 23 November 2007	HK\$2,000,000	100% directly	Provision for telecommunication service, software development and investment consultancy
Zhuhai Heqiang	The PRC 5 October 1992	RMB 3,000,000	60% indirectly	Development of real estates and property management

The subsidiaries had not issued any debt securities during the Relevant Periods and at the end of each of the Relevant Periods.

17. GOODWILL

The Ocean Vast Group

	As at 31 December		As at 31 March
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Cost and carrying values			
At beginning of period/year	–	16,931	16,931
Acquisition of a subsidiary (<i>Note 25</i>)	16,931	–	–
At the end of period/year	<u>16,931</u>	<u>16,931</u>	<u>16,931</u>

Goodwill arose on acquisition of Zhuhai Heqiang and will be tested for impairment at least annually.

The management considers the primary segment as the cash-generating unit (“CGU”) for the purpose of goodwill impairment testing. As at the end of each reporting period, the carrying amount of goodwill of approximately RMB16,931,000 is allocated to the development of real estates and property management segment.

During the Relevant Periods, the Ocean Vast Group performed the goodwill impairment testing with reference to a valuation carried out by Vigers Appraisal & Consulting Limited, a qualified valuer not connected with the Ocean Vast Group, for the purpose of assessing the recoverable amount. Such valuation has been carried out using cash flow projections based on financial budgets approved by management of Zhuhai Heqiang and Ocean Vast and applying the discounted cash flow technique. The management prepares cash flow forecasts derived from the most recent financial budgets for the next 2 years and a discount rate of 14.93%, 13.03% and 13.03% as at the end of each reporting period. The director of Ocean Vast is of the opinion, based on the valuation, that the recoverable amount exceeds its carrying values in the consolidated statement of financial position and no impairment is needed.

18. BANK BALANCES AND CASH**The Ocean Vast Group and Ocean Vast**

All the bank balances are held in banks with high credit standing.

Cash at bank and short-term bank deposits with an original maturity of three months or less carry interest at prevailing market rate from 0.36% to 0.81% per annum as at the respective end of the reporting periods.

19. PROVISION FOR CLAIMS**The Ocean Vast Group**

	As at 31 December	As at 31 March	
	2007	2008	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Provision for claims in respect of:			
The loan	<u>20,873</u>	<u>–</u>	<u>–</u>

As at 31 December 2007, the Ocean Vast Group has recognised a provision for claims of approximately HK\$20,873,000 in respect of claims by an independent third party (the “Creditor”) for a long outstanding loans (the “Loan”) granted to Zhuhai Heqiang Industrial, the predecessor company of the subsidiary, prior to the Relevant Periods.

Zhuhai Heqiang Industrial had been served with writs of summons in the PRC and was being demanded for repayment for the amounts due and the overdue interests thereon of approximately RMB15,047,000 and RMB5,826,000 respectively. On 24 May 2007, Zhuhai Heqiang Industrial was transformed into a limited liability company and changed its name into Zhuhai Heqiang (the “Reorganisation”). Such claims would be settled by the Ocean Vast Group subsequent to the Reorganisation and the acquisition of Zhuhai Heqiang by the Ocean Vast Group.

During the year ended 31 December 2007, ZhengMaoYuan assumed the full outstanding provision of Zhuhai Heqiang.

On 5 November 2008, Zhuhai Guanghai, Zhuhai Heqiang and ZhengMaoYuan have entered into a debt restructuring agreement (the “Agreement”). Pursuant to the Agreement, Zhuhai Guanghai and ZhengMaoYuan have agreed to waive partial of the provision of claims regarding the Loan of approximately RMB10,694,000 and RMB7,129,000 respectively according to their respective shareholdings in Zhuhai Heqiang. The remaining balances of approximately RMB3,050,000 was included in the amount due to the minority shareholder.

20. AMOUNT DUE TO A SHAREHOLDER**The Ocean Vast Group and Ocean Vast**

The amount is unsecured, non-interest bearing and repayable on demand. The amount due to a shareholder is denominated in HK\$.

21. AMOUNT DUE TO THE MINORITY SHAREHOLDER

The Ocean Vast Group

	As at 31 December		As at 31 March
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Interest-free (<i>note 1</i>)	32,199	29,530	30,183
Interest-bearing (<i>note 2</i>)	<u>37,212</u>	<u>47,906</u>	<u>47,906</u>
	<u><u>69,411</u></u>	<u><u>77,436</u></u>	<u><u>78,089</u></u>

Note 1: The amount is interest free, unsecured and repayable on demand.

Note 2: The above mentioned interest-bearing portion are unsecured, repayable on demand and interest bearing are at prevailing market interest rate of The People's Bank of China during the Relevant Periods.

22. DEFERRED TAX LIABILITIES

The Ocean Vast Group

The components of deferred tax liability recognised in the consolidated statement of financial position and the movements during the Relevant Periods are as follows:

	Fair value adjustment on properties under development at acquisition		
	As at 31 December		As at 31 March
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
At beginning of period/year	–	15,120	15,120
Acquisition of a subsidiary (<i>Note 25</i>)	<u>15,120</u>	<u>–</u>	<u>–</u>
At the end of period/year	<u><u>15,120</u></u>	<u><u>15,120</u></u>	<u><u>15,120</u></u>

23. SHARE CAPITAL

	No. of shares	Amount HK\$'000
Authorised:		
Ordinary share of HK\$1 each as at 28 September 2007 (date of incorporation), 31 December 2007, 31 December 2008 and 31 March 2009	<u>10,000</u>	<u>10</u>
Issued and fully paid:		
Ordinary shares of HK\$1 each		
At 28 September 2007 (date of incorporation)	1	–
Allotment of new shares	<u>999</u>	<u>1</u>
At 31 December 2007, 31 December 2008 and 31 March 2009	<u>1,000</u>	<u>1</u>
		<i>RMB'000</i>
Shown in the Financial Information		<u>1</u>

Ocean Vast was incorporated as a limited liability company in Hong Kong with an authorised share capital of HK\$10,000 divided into 10,000 ordinary shares of HK\$1 each on 28 September 2007. 1 ordinary share of HK\$1 each was allotted and issued for cash at par, as initial working capital.

Pursuant to a resolution passed on 18 October 2007, the issued share capital of Ocean Vast increased from HK\$1 to HK\$1,000 by allotting 999 ordinary shares of HK\$1 each at par for cash for the purpose of increasing the working capital of Ocean Vast. All the shares rank pari passu in all respect with the existing capital of Ocean Vast.

24. RESERVES

The Ocean Vast Group*Capital contribution reserve*

Pursuant to the Agreement as set out in Note 19, Zhuhai Guanghai and ZhengMaoYuan have agreed to waive the amount of approximately RMB10,694,000 and RMB7,129,000 respectively. The waiver is deemed as capital contribution from the shareholder and recorded in the capital contribution reserve of which is non-distributable.

The waiver from Zhuhai Guanghai of approximately RMB10,694,000 is considered as a deemed investment cost in Zhuhai Heqiang.

25. ACQUISITION OF A SUBSIDIARY

On 30 November 2007, Zhuhai Guanghai, a wholly owned subsidiary of Ocean Vast, acquired 60% equity interest of Zhuhai Heqiang for a consideration of approximately RMB37,212,000. The acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of acquisition was approximately RMB16,931,000.

The net assets acquired in the transaction and the goodwill arising is as follows:

	Acquiree's carrying value before combination	Fair value adjustments	Fair value
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Properties under development	21,029	68,728	89,757
Other receivables	8,164	–	8,164
Bank balances and cash	1,183	–	1,183
Provision for claims	(20,873)	–	(20,873)
Amount due to the minority shareholder	(10,030)	–	(10,030)
Tax payable	(19,279)	–	(19,279)
Deferred tax liabilities	–	(15,120)	(15,120)
	<u>(19,806)</u>	<u>53,608</u>	33,802
Minority interests			(13,521)
Goodwill			<u>16,931</u>
Total consideration			<u>37,212</u>
Total consideration satisfied by:			
Amount due to the minority shareholder			<u>37,212</u>
Net cash inflow arising on acquisition:			
Cash and cash equivalents acquired			<u>1,183</u>

Zhuhai Heqiang contributed loss of approximately RMB314,000 to the Ocean Vast Group's loss for the period between the date of acquisition and 31 December 2007.

If the acquisition had been completed on 1 January 2007, the Ocean Vast Group's turnover for the year ended 31 December 2007 would remain unchanged and loss for the year ended 31 December 2007 would have been increased by approximately RMB19,593,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of turnover and results of operations of the Ocean Vast Group that actually would have been achieved had the acquisition been completed on 1 January 2007, nor is it intended to be a projection of future results.

26. COMMITMENTS AND CONTINGENT LIABILITIES

Commitments**The Ocean Vast Group and Ocean Vast**

Capital expenditures contracted for at the end of each reporting periods are as follows:

	As at 31 December		As at March
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Properties under development	<u>309</u>	<u>159</u>	<u>119</u>

Contingent liabilities

On 30 November 2007, the Ocean Vast Group acquired 60% equity interest of Zhuhai Heqiang. Saved for the provision of claims of approximately RMB20,873,000, amount due to the minority shareholder of approximately RMB10,030,000 and tax payable of approximately RMB19,279,000 disclosed in the statement of financial position of Zhuhai Heqiang as at 30 November 2007, the vendor, ZhengMaoYuan, has agreed to indemnify the Ocean Vast Group at all times in respect of, among other matters, any losses or expenses incurred by the Ocean Vast Group in respect of any other liabilities, tax provision, contingent liabilities and commitments, if any, not reflected in the statement of financial position of Zhuhai Heqiang as at 30 November 2007, the date of completion of this acquisition.

27. RELATED PARTY TRANSACTIONS

The balances with the shareholder and the minority shareholder are set out in Notes 20 and 21 respectively.

During the Relevant Periods, Ocean Vast Group entered into the following related party transactions:

- a) As set out in Note 19, ZhengMaoYuan has assumed provision for claims of approximately RMB20,873,000 for the year ended 31 December 2008.

Zhuhai Guanghai and ZhengMaoYuan have agreed to waive an amount of approximately RMB17,823,000 according to their respective shareholdings in Zhuhai Heqiang for the year ended 31 December 2008.

The remaining balances of provision of claims of approximately RMB3,050,000 for the year ended 31 December 2008 was included in the amount due to the minority shareholder, which was the non-cash transaction.

- b) The transaction costs of the acquisition of Zhuhai Heqiang was borne by ZhengMaoYuan, the minority shareholder of the Ocean Vast Group.

Compensation of key management personnel

Save as disclosed in Note 11, no remuneration was paid to other key management personnel.

28. SUBSEQUENT EVENTS

On 19 May 2009, Hill Light Investments Limited (“Hill Light”), the wholly owned subsidiary of the Company, has entered into the sales and purchase agreement (the “Sales and Purchase Agreement”) with Ms. Wong Sio Leng (the “Vendor”) pursuant to which Hill Light has conditionally agreed to acquire for and the Vendor has conditionally agreed to sell the entire issued share capital of Ocean Vast, at a consideration of RMB69,300,000.

Details of which are set out in the Company’s announcement dated 21 May 2009.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Ocean Vast in respect of any period subsequent to 31 March 2009.

SHINEWING (HK) CPA Limited

Certified Public Accountants

Ip Yu Chak

Practising Certificate Number: P04798

Hong Kong

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the Company's reporting accountants, SHINEWING (HK) CPA Limited, Certified Public Accountants, Hong Kong.



SHINEWING (HK) CPA Limited
16/F., United Centre
95 Queensway, Hong Kong

30 June 2009

The Directors

The Quaypoint Corporation Limited

Dear Sirs,

We set out below our report on the financial information of Zhuhai Special Economic Zone Heqiang Industrial Company Limited* 珠海經濟特區合強實業有限公司 (“Zhuhai Heqiang”) for each of the three years ended 31 December 2006, 2007 and 2008 and the three months ended 31 March 2009 (the “Relevant Periods”) (the “Financial Information”) for inclusion in the circular of The Quaypoint Corporation Limited (the “Company”) dated 30 June 2009 (the “Circular”) in connection with the proposed acquisition of the entire equity interest of Ocean Vast Corporation Limited (“Ocean Vast”) (the “Proposed Acquisition”).

Zhuhai Heqiang is principally engaged in the development of real estates and property management in Zhuhai City, Guangdong Province, the People's Republic of China (the “PRC”).

Zhuhai Special Economic Zone Heqiang Industrial (Group) Limited* 珠海經濟特區合強實業(集團)公司 (“Zhuhai Heqiang Industrial”), the predecessor company, was established as a collectively owned enterprise with registered capital of RMB21,600,000 in the PRC on 5 October 1992. Pursuant to the approval of relevant PRC government authorities, Zhuhai Heqiang Industrial (i) transformed its legal form into a limited liability company and (ii) changed its name to Zhuhai Heqiang (the “Reorganisation”). The Reorganisation was completed on 24 May 2007. The registered office and principal place of business of Zhuhai Heqiang are at South of Yuehai West Road, Gongbei, Zhuhai City, Guangdong Province, the PRC.

On 30 November 2007, Zhuhai Guanghai Xin Xi Technology Co., Limited* (“Zhuhai Guanghai”) 珠海廣海信息科技有限公司, the wholly owned subsidiary of Ocean Vast, acquired 60% equity interest in Zhuhai Heqiang.

As at 31 December 2007, 2008 and 31 March 2009, the director of Zhuhai Heqiang considers the ultimate holding company and the immediately holding company of Zhuhai Heqiang are Ocean Vast and Zhuhai Guanghai respectively.

Zhuhai Heqiang adopted 31 December as financial year ended date.

* *These English names are for identification purpose only*

Before the completion of Reorganisation, there is no statutory requirement for Zhuhai Heqiang Industrial, accordingly, no statutory financial statements of Zhuhai Heqiang Industrial have been prepared for the year ended 31 December 2006. The statutory financial statements of Zhuhai Heqiang for the two years ended 31 December 2007 and 2008 were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC and were audited by Zhuhai GuoRui CPA Limited* 珠海國睿會計師事務所, a certified public accountants registered in the PRC.

For the purpose of this report, the director of Zhuhai Heqiang has prepared the financial statements of Zhuhai Heqiang for the Relevant Periods based on the respective audited financial statements and unaudited management accounts in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and on the basis set out in Note 1 of Section II below (the “Underlying Financial Statements”).

For the purpose of this report, we have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA. However, because of the matters described in the basis of disclaimer of opinion paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis of an audit opinion.

We have examined the Underlying Financial Statements in accordance with Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” as recommend by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements. No adjustments have been made to the Underlying Financial Statements in the preparation of our report for the inclusion in the Circular.

The director of Zhuhai Heqiang is responsible for the preparation of the Underlying Financial Statements and the Financial Information. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion, based on our examination, on the Financial Information and to report our opinion to you.

However, the scope of our examination which was planned in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by HKICPA was limited as set out below:

* *This English name is for identification purpose only*

BASIS OF DISCLAIMER OF OPINION

The books and records of Zhuhai Heqiang prior to its reorganisation were kept and maintained by the former management of Zhuhai Heqiang (“Former Management”). The Former Management had left Zhuhai Heqiang following the Reorganisation of Zhuhai Heqiang on 24 May 2007. For the Relevant Periods, the books and records (including any bank records) of Zhuhai Heqiang on or before 24 May 2007 (“Incomplete books and records”) as made available to us by Zhuhai Heqiang’s current management were incomplete for our purposes.

In summary, the scope of limitations included the following:

- a) Under circumstances as explained above, we were not able to carry out procedures which we considered necessary on the books and records of Zhuhai Heqiang, to satisfy ourselves as to whether its assets (including any cash and bank balances) of approximately RMB27,376,000 and liabilities of approximately RMB159,429,000 as at 31 December 2006 and its loss and cash flows and related disclosures in the notes to the Financial Information for the year ended 31 December 2006 were fairly stated.

The incomplete books and records of Zhuhai Heqiang remained unresolved for the year ended 31 December 2007, 2008 and three months ended 31 March 2009. Zhuhai Heqiang’s assets and liabilities brought forward from 31 December 2006 have been included in the Zhuhai Heqiang’s Financial Information for the year ended 31 December 2007, 2008 and the three months ended 31 March 2009. The assets have been included in the Financial Information as at 31 December 2007, 2008 and 31 March 2009 at the amount of approximately RMB28,833,000, RMB21,029,000 and RMB21,029,000 respectively and the liabilities have been included in the Financial Information as at 31 December 2007 at the amounts of approximately RMB20,873,000.

- b) The current management is unable to satisfy as to the completeness of recording of transactions entered into by Zhuhai Heqiang and the completeness of disclosures of contingent liabilities, capital commitment and pledged of assets for the period from 1 January 2006 to 24 May 2007 in the Financial Information. Furthermore, the current management is unable to determine the completeness of related party transactions, employee benefits and emoluments incurred for the period from 1 January 2006 to 24 May 2007.
- c) The current management is unable to obtain sufficient documentary evidence to satisfy whether the nil paid-in capital in the statement of financial position as at 31 December 2006 was fairly stated.

There were no other alternative procedures which we could adopt to satisfy ourselves as to the matters set out in the above paragraphs.

Any adjustments to the above figures may have consequential significant effects on the assets, liabilities, loss, cash flows and related disclosures in the notes to the Financial Information of Zhuhai Heqiang as at 31 December 2006, 2007 and 2008 and 31 March 2009 and for the Relevant Periods respectively.

Fundamental uncertainty relating to going concern basis

As explained in Note 1 of Section II, which indicates that Zhuhai Heqiang had net current liabilities and net liabilities of approximately RMB51,188,000 and RMB6,131,000 respectively as at 31 March 2009, the Financial Information have been prepared on a going concern basis. In the absence of sufficient documentary evidence, we were unable to ascertain whether the assumptions made by the director in preparing the Financial Information on a going concern basis are proper and appropriate.

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

DISCLAIMER OF OPINION: DISCLAIMER ON VIEW OF GIVEN BY FINANCIAL INFORMATION

Because of the significance of the matters described in the basis for disclaimer of opinion paragraph, we were unable to form an opinion on the Financial Information, for the purpose of this report, as to whether they give a true and fair view of the state of affairs of Zhuhai Heqiang as at 31 December 2006, 2007 and 2008 and 31 March 2009 and of its results and cash flows for the Relevant Periods.

REVIEW CONCLUSION

The comparative statement of comprehensive income, statement of changes in equity and statement of cash flow of Zhuhai Heqiang for the three months ended 31 March 2008 together with the notes thereon (the “31 March 2008 Financial Information”) have been extracted from the Zhuhai Heqiang’s unaudited financial information for the same period which was prepared by the director of Zhuhai Heqiang solely for the purpose of this report. It is our responsibility to form an independent conclusion, based on our review, and to report our conclusion to you.

For the purpose of this report, we have reviewed the 31 March 2008 Financial Information in accordance with Hong Kong Standard on Review Engagements 2400 “Engagements to Review Financial Statements” issued by the HKICPA. Our review consisted principally of making enquiries of Zhuhai Heqiang’s management and applying analytical procedures to the 31 March 2008 Financial Information and bases thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the 31 March 2008 Financial Information.

Because of the significance of the possible effect of the limitation in evidence available to us as set out above, we were unable to reach a review conclusion as to whether material modifications should be made to the 31 March 2008 Financial Information.

I. FINANCIAL INFORMATION

STATEMENT OF COMPREHENSIVE INCOME

		Year ended			Three months ended	
		31 December			31 March	
		2006	2007	2008	2008	2009
	NOTES	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)	
Revenue	7	-	-	-	-	-
Other operating income	8	-	14	-	-	-
Administrative expenses		-	(328)	(486)	(161)	(140)
Loss before taxation	9	-	(314)	(486)	(161)	(140)
Taxation	11	-	(19,279)	(3,208)	-	-
Loss and the total comprehensive income for the year/period		-	(19,593)	(3,694)	(161)	(140)

STATEMENT OF FINANCIAL POSITION

		As at 31 December			As at
		2006	2007	2008	31 March
	NOTES	RMB'000	RMB'000	RMB'000	2009
					RMB'000
Non-current assets					
Plant and equipment	13	–	29	54	51
Properties under development	14	21,029	43,913	44,966	45,006
		<u>21,029</u>	<u>43,942</u>	<u>45,020</u>	<u>45,057</u>
Current assets					
Other receivables		5,164	7,884	80	80
Bank balances and cash	15	1,183	348	105	72
		<u>6,347</u>	<u>8,232</u>	<u>185</u>	<u>152</u>
Current liabilities					
Other payables		–	218	315	459
Provisions for claims	16	159,429	20,873	–	–
Tax payable		–	19,279	22,487	22,487
Amount due to the minority shareholder	17	–	31,924	28,394	28,394
		<u>159,429</u>	<u>72,294</u>	<u>51,196</u>	<u>51,340</u>
Net current liabilities		<u>(153,082)</u>	<u>(64,062)</u>	<u>(51,011)</u>	<u>(51,188)</u>
		<u>(132,053)</u>	<u>(20,120)</u>	<u>(5,991)</u>	<u>(6,131)</u>
Capital and reserves					
Paid-in capital	18	–	3,000	3,000	3,000
Reserves		(132,053)	(23,120)	(8,991)	(9,131)
		<u>(132,053)</u>	<u>(20,120)</u>	<u>(5,991)</u>	<u>(6,131)</u>

STATEMENT OF CHANGES IN EQUITY

	Paid-in capital <i>RMB'000</i>	Capital contribution reserve <i>RMB'000</i>	Accumulated losses <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2006	–	–	(132,053)	(132,053)
Loss and total comprehensive income for the year	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
At 31 December 2006 and 1 January 2007	–	–	(132,053)	(132,053)
Capital injection (<i>Note 18</i>)	3,000	–	–	3,000
Loss and total comprehensive income for the year	–	–	(19,593)	(19,593)
Shareholder's contribution (<i>Note i</i>)	<u>–</u>	<u>128,526</u>	<u>–</u>	<u>128,526</u>
At 31 December 2007 and 1 January 2008	3,000	128,526	(151,646)	(20,120)
Loss and total comprehensive income for the year	–	–	(3,694)	(3,694)
Shareholder's contribution (<i>Note ii</i>)	<u>–</u>	<u>17,823</u>	<u>–</u>	<u>17,823</u>
At 31 December 2008 and 1 January 2009	3,000	146,349	(155,340)	(5,991)
Loss and total comprehensive income for the period	<u>–</u>	<u>–</u>	<u>(140)</u>	<u>(140)</u>
At 31 March 2009	<u><u>3,000</u></u>	<u><u>146,349</u></u>	<u><u>(155,480)</u></u>	<u><u>(6,131)</u></u>
For the three months ended 31 March 2008 (unaudited)				
At 1 January 2008	3,000	128,526	(151,646)	(20,120)
Loss and total comprehensive income for the period	<u>–</u>	<u>–</u>	<u>(161)</u>	<u>(161)</u>
At 31 March 2008	<u><u>3,000</u></u>	<u><u>128,526</u></u>	<u><u>(151,807)</u></u>	<u><u>(20,281)</u></u>

Notes

- i: Zhuhai Heqiang has set aside a provision of claims of approximately RMB159,429,000 and RMB20,873,000 as at 31 December 2006 and 2007 respectively in respect of claims (a) against certain guarantees issued to the bank creditor (the “Bank”) for its former associate and related companies; (b) for the settlement of long outstanding loans borrowed by the predecessor company, Zhuhai Heqiang Industrial; and (c) the unsettled construction costs of the properties under development. During the two years ended 31 December 2007 and 2008, ZhengMaoYuan Investment Consultant Co., Limited (“ZhengMaoYuan”) 珠海市正懋源投資顧問有限公司, the minority shareholder of Zhuhai Heqiang, assumed and settled these provision on behalf of Zhuhai Heqiang.

On 10 September 2007, Zhuhai Heqiang and ZhengMaoYuan have entered into certain debt restructuring agreements (the “First Agreement”). Pursuant to the First Agreement, ZhengMaoYuan has agreed to waived the amount of approximately RMB128,526,000.

- ii: On 5 November 2008, Zhuhai Guanghai, Zhuhai Heqiang and ZhengMaoYuan have entered into another debt restructuring agreement (the “Second Agreement”). Pursuant to the Second Agreement, Zhuhai Guanghai and ZhengMaoYuan has agreed to waive a further amount of approximately RMB17,823,000 according to their respective shareholdings in Zhuhai Heqiang.
- iii: The waivers were deemed as capital contribution from the shareholders and recorded in the capital contribution reserve of which was non-distributable.

STATEMENT OF CASH FLOWS

	Year ended 31 December			Three months ended 31 March	
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2008 RMB'000 (Unaudited)	2009 RMB'000
OPERATING ACTIVITIES					
Loss before taxation	-	(314)	(486)	(161)	(140)
Adjustments for:					
Bank interest income	-	(14)	-	-	-
Depreciation on plant and equipment	-	-	13	3	3
Operating cash flows before movements in working capital	-	(328)	(473)	(158)	(137)
Increase in properties under development	-	(22,884)	(1,053)	(445)	(40)
Decrease/(increase) in other receivables	-	(2,720)	7,804	(123)	-
Increase in other payables	-	218	97	53	144
NET CASH (USED IN)/FROM OPERATING ACTIVITIES	-	(25,714)	6,375	(673)	(33)
INVESTING ACTIVITIES					
Purchase of plant and equipment	-	(29)	(38)	(37)	-
Interest received	-	14	-	-	-
NET CASH USED IN INVESTING ACTIVITIES	-	(15)	(38)	(37)	-
FINANCING ACTIVITIES					
Increase/(decrease) in amount due to the minority shareholder	-	21,894	(6,580)	395	-
Capital injection	-	3,000	-	-	-
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	-	24,894	(6,580)	395	-
NET DECREASE IN CASH AND CASH EQUIVALENTS	-	(835)	(243)	(315)	(33)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR/PERIOD	1,183	1,183	348	348	105
CASH AND CASH EQUIVALENTS AT THE END OF YEAR/PERIOD					
represented by bank balances and cash	<u>1,183</u>	<u>348</u>	<u>105</u>	<u>33</u>	<u>72</u>

II NOTES TO THE FINANCIAL INFORMATION

1. CORPORATION INFORMATION AND BASIS OF PREPARATION

Corporation information

Zhuhai Heqiang is principally engaged in the development of real estates and property management in Zhuhai City, Guangdong Province, the PRC.

Zhuhai Heqiang Industrial, the predecessor company, was established as a collectively owned enterprise with registered capital of RMB21,600,000 in the PRC on 5 October 1992. Pursuant to the approval of relevant PRC government authorities, Zhuhai Heqiang Industrial (i) transformed its legal form into a limited liability company; and (ii) changed its name to Zhuhai Heqiang (the “Reorganisation”). The Reorganisation was completed on 24 May 2007. The registered office and principal place of business of Zhuhai Heqiang are at South of Yuehai West Road, Gongbei, Zhuhai City, Guangdong Province, the PRC.

As at 31 December 2007, 2008 and 31 March 2009, the director of Zhuhai Heqiang considers the ultimate holding company and the immediately holding company of the Zhuhai Heqiang are Ocean Vast and Zhuhai Guanghai, respectively.

The Financial Information is presented in Renminbi (“RMB”), which is the same as the functional currency of Zhuhai Heqiang.

Basis of preparation

As at 31 March 2009, Zhuhai Heqiang had net current liabilities and net liabilities of approximately RMB51,188,000 and RMB6,131,000 respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Zhuhai Heqiang’s ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, the director is of the opinion that Zhuhai Heqiang will have sufficient working capital to meet its financial obligations as and when they fall due for the next twelve months from 31 March 2009 given that:

- (i) ZhengMaoYuan, the minority shareholder of Zhuhai Heqiang, will continue to provide financial support to Zhuhai Heqiang to meet Zhuhai Heqiang’s liabilities and commitments as and when it falls due; and
- (ii) The director of Zhuhai Heqiang anticipates that Zhuhai Heqiang will generate positive cash flows from its operations.

Accordingly, the director is of the opinion that it is appropriate to prepare the Financial Information on a going concern basis. Should Zhuhai Heqiang be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets as current assets. The effect of these adjustments has not been reflected in the Financial Information.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

For the purposes of preparing and presenting the Financial Information for the Relevant Periods, Zhuhai Heqiang has consistently applied all of the new or revised Hong Kong Accounting Standards (“HKASs”), HKFRSs, amendments and Interpretations (“INT”) (herein collectively referred to as “New HKFRSs”) issued by the HKICPA, which are effective for the accounting period beginning on 1 January 2009.

Zhuhai Heqiang has not early applied the following new and revised standards, amendments or INTs that have been issued but are not yet effective as at the date of this report.

HKFRSs (Amendments)	Improvement to HKFRSs ¹
HKFRSs (Amendments)	Improvement to HKFRSs 2009 ²
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ³
HKAS 39 (Amendments)	Eligible Hedged Item ³
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards ³
HKFRS 3 (Revised)	Business Combinations ³
HK(IFRIC)-INT 9 & HKAS 39 (Amendment)	Embedded Derivatives ⁴
HK(IFRIC)-INT 17	Distribution of Non-cash Assets to Owners ³
HK(IFRIC)-INT 18	Transfers of Assets from Customers ⁵

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

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

³ Effective for annual periods beginning on or after 1 July 2009.

⁴ Effective for annual periods ending on or after 30 June 2009.

⁵ Effective for transfers of assets from customers received on or after 1 July 2009.

The director of Zhuhai Heqiang anticipates that the adoption of such standards, amendments and INTs will have no material impact on the results and the financial position of Zhuhai Heqiang.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA and the accounting policies have been consistently applied throughout the Relevant Periods and are materially consistent with the accounting policies adopted by the Company. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Plant and equipment

Plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of plant and equipment over their estimate useful lives and after taking into account of their estimated residual value, using the straight-line method.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statement of comprehensive income in the year/period in which the item is derecognised.

Property under development

Properties under development in respect of development activities are stated at the lower of cost and net realisable value. The cost of properties under development comprises specifically identified costs, including aggregate cost of development, acquisition cost of land, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised. On completion, the properties are transferred to completed properties held for sales. Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the properties.

Properties under development are classified as non-current assets unless those will be realised in one normal operating cycle.

Impairment losses on assets

At the end of each reporting period, Zhuhai Heqiang reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Financial instruments

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

Financial assets

Zhuhai Heqiang's financial assets are mainly loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant periods. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Interest income is recognised on an effective interest basis for debts instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables (including other receivables and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy in respect of impairment loss on financial assets below).

Impairment loss on financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For all financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganisation.

For certain categories of financial asset, such as other receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include Zhuhai Heqiang's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on the other receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When an other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by Zhuhai Heqiang are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of Zhuhai Heqiang after deducting all of its liabilities. Zhuhai Heqiang's financial liabilities are generally classified into other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant periods. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities (including other payables and amount due to the minority shareholder) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by Zhuhai Heqiang are recorded at the proceeds received, net of direct issue costs.

Derecognition

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

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Revenue recognition

Interest income from a financial asset is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Retirement benefit schemes

Payments to state-managed retirement benefit schemes are charged as an expense when employees have rendered services entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other year/period, and it further excludes items that are never taxable or deductible. Zhuhai Heqiang's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

Deferred tax is calculated at the tax rates that are expected to apply in the year/period when the liability is settled or the asset realised based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of reporting period. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Provision and contingent liabilities

Provisions for liabilities of uncertain timing or amount are recognised when Zhuhai Heqiang has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or nonoccurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Transactions with minority interests

Zhuhai Heqiang applies a policy of treating transactions with minority interests as transactions with equity owners of Zhuhai Heqiang.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of Zhuhai Heqiang's accounting policies which are described in Note 3, the director of Zhuhai Heqiang is required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates of associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of reporting period, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Going concern consideration

The assessment of the going concern assumption involves making a judgement by the director of Zhuhai Heqiang, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The director of Zhuhai Heqiang considers that Zhuhai Heqiang has the ability to continue as a going concern and the major events or conditions, which may give rise to business risks, that individually or collectively may cast significant doubt about the going concern assumption are set out in Note 1.

PRC enterprise income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. Zhuhai Heqiang carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Where the final tax outcome of these transactions is different from the amounts that were initially recorded, such differences will affect the income tax in the year/period in which such determination is made.

Estimated net realisable value on properties under development

As explained in Note 3, Zhuhai Heqiang's properties under development are stated at the lower of cost and net realisable value. Based on Zhuhai Heqiang's recent experience and the nature of the subject properties, Zhuhai Heqiang makes estimates of the selling prices, the costs of completion in case for properties under development, and the cost to be incurred in selling the properties based on prevailing market conditions.

If there is an increase in costs to completion or decrease in net sales value, the net realisable value will decrease and this may result in impairment loss on properties under development. Such impairment assessment required the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and impairment loss on properties under development in the periods in which such estimate is changed will be adjusted accordingly.

In addition, given the volatility of the PRC property market and the unique nature of individual properties, the actual outcomes in terms of costs and revenue may be higher or lower than estimated at the end of each reporting periods. Any increase or decrease in the impairment loss would affect the results in future years.

Provision for claims

As explained in Note 3, provisions for claims are recognised when Zhuhai Heqiang has a present obligation as a result of a past event, and it is probable that Zhuhai Heqiang will be required to settle that obligation. Provisions for claims are measured at the director's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material.

In determining whether provisions for claims are required, the director of Zhuhai Heqiang will take into consideration for the probability of the payment of the obligations. Specific provisions are only made for the amount that is probable. In this regard, the director of Zhuhai Heqiang believed that all provision for claims has been properly made.

5. CAPITAL RISK MANAGEMENT

Zhuhai Heqiang manages its capital to ensure that Zhuhai Heqiang will be able to continue as a going concern while maximising the return to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Zhuhai Heqiang's overall strategy remains unchanged during the Relevant Periods.

The capital structure of Zhuhai Heqiang consists of cash and cash equivalents and equity attributable to owners of Zhuhai Heqiang, comprising paid-in capital and reserves.

The director of Zhuhai Heqiang actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of Zhuhai Heqiang and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31 December		As at 31 March	
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Loans and receivables (including bank balances and cash)	<u>6,347</u>	<u>8,232</u>	<u>185</u>	<u>152</u>
Financial liabilities				
At amortised cost	<u>–</u>	<u>32,142</u>	<u>28,709</u>	<u>28,853</u>

(b) Financial risk management objective and policies

Zhuhai Heqiang's major financial instruments include other receivables, bank balances and cash, other payables and amount due to the minority shareholder. Details of the financial instruments are disclosed in respective notes.

The risks associated with these financial instruments include credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

At the end of each reporting period, Zhuhai Heqiang's maximum exposure to credit risk, which will cause a financial loss to Zhuhai Heqiang due to failure to discharge an obligation by the counterparties, is arising from the carrying amount of the respective recognised financial assets as stated in the statements of financial position. In order to minimise the credit risk, Zhuhai Heqiang's management has determined the credit limits, credit approvals and other monitoring procedures to ensure that follow-up action taken to recover overdue debts. In additions, Zhuhai Heqiang reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regards, the director of Zhuhai Heqiang considers its credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings. Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, Zhuhai Heqiang does not have any other significant concentration of credit risk.

Liquidity risk

The director of Zhuhai Heqiang has built an appropriate liquidity risk management framework for the management of the Zhuhai Heqiang's short, medium and long-term funding and liquidity management requirements. Zhuhai Heqiang manages liquidity risk by maintaining sufficient bank balances and obtaining continuing financial support from ZhengMaoYuan, the minority shareholder of Zhuhai Heqiang. Zhuhai Heqiang continuously monitors the forecast and actual cash flows and the maturity profiles of financial liabilities.

The maturity dates of Zhuhai Heqiang's other financial liabilities are all within one year as at the respective reporting period ended date.

Although Zhuhai Heqiang has a considerable amount of financial liabilities which have to be settled within the next 12 months from the end of the reporting period, the director of Zhuhai Heqiang believes that Zhuhai Heqiang can manage the associated liquidity risk based on the factors as set out in Note 1.

(c) Fair value

The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively.

The director of Zhuhai Heqiang considers that the carrying amount of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values due to their short-term maturities.

7. REVENUE AND SEGMENTAL INFORMATION

Zhuhai Heqiang did not generate any turnover during the Relevant Periods and the three months ended 31 March 2008.

No segment information is presented as Zhuhai Heqiang operates in one single industry, the development of real estates and property management and operates within one geographic segment. Substantially all of Zhuhai Heqiang's assets and liabilities are located in the PRC and therefore no geographical segment information has been disclosed for the Relevant Periods and the three months ended 31 March 2008.

8. OTHER OPERATING INCOME

	Year ended 31 December			Three months ended	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank interest income	—	14	—	—	—

(Unaudited)

9. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging:

	Year ended 31 December			Three months ended	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Director remuneration (Note 10)	–	73	126	31	31
Other staff costs	–	86	248	85	84
Retirement benefits scheme contributions (note)	–	21	62	21	21
Total staff costs	–	180	436	137	136
Auditors' remuneration	–	15	20	20	–
Depreciation of plant and equipment	–	–	13	3	3

Note: The employees of Zhuhai Heqiang are members of a state-managed retirement benefits scheme in the PRC. Zhuhai Heqiang is required to contribute a specific percentage of its payroll costs to the retirement benefits scheme to fund the benefits. The only obligation of Zhuhai Heqiang with respect to the retirement benefits scheme is to make the specified contributions under the scheme. No forfeited contributions are available during the Relevant Periods and the three months ended 31 March 2008 to reduce the contribution payable in the future years.

10. DIRECTOR'S REMUNERATION AND THE FIVE HIGHEST PAID EMPLOYEES

Director's remuneration

The details of director's remuneration for the Relevant Periods and the three months ended 31 March 2008 are set out below:

For the year ended 31 December 2006

Name of Director	Salaries and other benefits RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Hu Xu 胡旭	–	–	–

For the year ended 31 December 2007

Name of Directors	Notes	Salaries and other benefits RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Hu Xu 胡旭	1	–	–	–
Guo Cheng Jia 郭成佳	2	60	13	73
		<u>60</u>	<u>13</u>	<u>73</u>

Notes:

1. Resigned on 2 July 2007.
2. Appointed on 2 July 2007.

For the year ended 31 December 2008

Name of Director	Salaries and other benefits RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Guo Cheng Jia 郭成佳	105	21	126
	<u>105</u>	<u>21</u>	<u>126</u>

For the three months ended 31 March 2008 (Unaudited)

Name of Director	Salaries and other benefits RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Guo Cheng Jia 郭成佳	26	5	31
	<u>26</u>	<u>5</u>	<u>31</u>

For the three months ended 31 March 2009

Name of Director	Salaries and other benefits RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Guo Cheng Jia 郭成佳	26	5	31
	<u>26</u>	<u>5</u>	<u>31</u>

The five highest paid employees

The five highest paid individuals for the Relevant Periods and the three months ended 31 March 2008 include only one director. Details of whose emoluments are included in the disclosure above.

During the Relevant Periods and the three months ended 31 March 2008, Zhuhai Heqiang only employed four employees (including the director). The emoluments of the remaining three individuals, whose emoluments are individually below RMB880,000 (approximately HK\$1,000,000) for the Relevant Periods and the three months ended 31 March 2008 are as follows:

	Year ended 31 December			Three months ended	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Salaries and allowances	–	86	248	85	84
Retirement benefits scheme contributions	–	21	62	21	21
	<u>–</u>	<u>107</u>	<u>310</u>	<u>106</u>	<u>105</u>

During the Relevant Periods and the three months ended 31 March 2008, no remuneration has been paid by Zhuhai Heqiang to the director or the five highest paid individuals as an inducement to join or upon joining Zhuhai Heqiang or as a compensation for loss of office. There was no arrangement under which the directors waived or agreed to waive any remuneration during the Relevant Periods and the three months ended 31 March 2008.

11. TAXATION

	Year ended 31 December			Three months ended	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Current tax:					
PRC Corporate Income Tax (“CIT”)	<u>–</u>	<u>19,279</u>	<u>3,208</u>	<u>–</u>	<u>–</u>

No provision for Hong Kong Profits Tax has been made as Zhuhai Heqiang did not generate any assessable profits in Hong Kong during the Relevant Periods and the three months ended 31 March 2008.

CIT charged to the statement of comprehensive income was calculated based on the assessable profits of Zhuhai Heqiang located in the PRC of the year at a applicable progressive rate of 15%, 15%, 18%, 18% and 20% for the year ended 31 December 2006, 2007, 2008, the three months ended 31 March 2008 and 2009 respectively.

The CIT Law of the PRC (the “new CIT Law”) is effective from 1 January 2008. According to the new CIT Law and the relevant regulations, the income tax rate applicable to Zhuhai Heqiang established in Zhuhai Special Economic Zone, the PRC will be gradually increased to 25% over a five-year period from 2008 to 2012.

The taxation for the Relevant Periods and the three months ended 31 March 2008 can be reconciled to the loss before taxation per the statement of comprehensive income as follow:

	Year ended 31 December			Three months ended	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Loss before taxation	<u>—</u>	<u>(314)</u>	<u>(486)</u>	<u>(161)</u>	<u>(140)</u>
Domestic income tax rates	15%	15%	18%	18%	20%
Tax at domestic income tax rates	—	(47)	(87)	(29)	(28)
Tax effect of non-taxable income	—	(2)	—	—	—
Tax effect of non-deductible expense	—	49	87	29	28
Others (note)	<u>—</u>	<u>19,279</u>	<u>3,208</u>	<u>—</u>	<u>—</u>
Taxation for the Relevant Periods	<u>—</u>	<u>19,279</u>	<u>3,208</u>	<u>—</u>	<u>—</u>

Note: Zhuhai Guanghai and ZhengMaoYuan, the shareholders of Zhuhai Heqiang, have waived certain amounts due from Zhuhai Heqiang for the two years ended 31 December 2007 and 2008. In accordance to relevant PRC tax rules and legislations, the shareholder's contribution were deemed as taxable income and subject to CIT at the applicable rate for the two years ended 31 December 2007 and 2008.

12. DIVIDENDS

No dividends was paid or proposed during the Relevant Periods and the three months period ended 31 March 2008.

13. PLANT AND EQUIPMENT

	Office equipment <i>RMB'000</i>
COST	
At 1 January 2006, 31 December 2006 and 1 January 2007	–
Additions	<u>29</u>
At 31 December 2007 and 1 January 2008	29
Additions	<u>38</u>
At 31 December 2008, 1 January 2009 and 31 March 2009	<u><u>67</u></u>
ACCUMULATED DEPRECIATION	
At 1 January 2006, 2007 and 2008	–
Provided for the year	<u>13</u>
At 31 December 2008 and 1 January 2009	13
Provided for the period	<u>3</u>
At 31 March 2009	<u>16</u>
CARRYING VALUES	
At 31 December 2006	<u><u>–</u></u>
At 31 December 2007	<u><u>29</u></u>
At 31 December 2008	<u><u>54</u></u>
At 31 March 2009	<u><u>51</u></u>

The rates of depreciation of office equipment ranged from 15% to 20% for the Relevant Periods.

14. PROPERTIES UNDER DEVELOPMENT

An analysis of the amount of properties under development expected to be recovered is as follows:

	As at 31 December			As at
	2006	2007	2008	31 March
	RMB'000	RMB'000	RMB'000	2009
At beginning of year/period	21,029	21,029	43,913	44,966
Additions	—	22,884	1,053	40
	<u>21,029</u>	<u>43,913</u>	<u>44,966</u>	<u>45,006</u>
At the end of year/period	<u>21,029</u>	<u>43,913</u>	<u>44,966</u>	<u>45,006</u>
Represented by:				
Land use rights	—	22,753	22,753	22,753
Construction costs and capitalised expenditure	21,029	21,160	22,213	22,253
	<u>21,029</u>	<u>43,913</u>	<u>44,966</u>	<u>45,006</u>

Land use rights represented prepaid operating lease payments, which are analysed as follows:

	As at 31 December			As at
	2006	2007	2008	31 March
	RMB'000	RMB'000	RMB'000	2009
In the PRC held on:				
Medium-term lease	—	22,753	22,753	22,753
	<u>—</u>	<u>22,753</u>	<u>22,753</u>	<u>22,753</u>

According to the accounting policy of Zhuhai Heqiang, properties under development are classified as non-current asset as the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

15. BANK BALANCES AND CASH

All the bank balances are held in stated-owned banks with high credit standing.

Cash at bank and short-term bank deposits with an original maturity of three months or less carry interest at prevailing market rate from 0.36% to 0.81% per annum as at the respective end of the reporting periods.

16. PROVISIONS FOR CLAIMS

	As at 31 December			As at
	2006	2007	2008	31 March
	RMB'000	RMB'000	RMB'000	2009
				RMB'000
Provision for claims in respect of:				
Guarantees issued to the bank (<i>Note i</i>)	135,731	–	–	–
The loan (<i>Note ii</i>)	20,873	20,873	–	–
Unsettled construction cost (<i>Note iii</i>)	2,825	–	–	–
	<u>159,429</u>	<u>20,873</u>	<u>–</u>	<u>–</u>

Notes:

- (i) Zhuhai Heqiang Industrial, the predecessor company, has granted certain guarantees to the Bank in respect of banking facilities granted to its former associate and related companies which remained in force so long as the former associate and related companies had utilised the banking facilities. These former associate and related companies had been defaulted in repayment on the due date and have been struck off in 2002. Zhuhai Heqiang Industrial had been served with certain writs of summons in the PRC and was being demanded for repayment for the amounts due of approximately RMB61,889,000 and the overdue interest thereon of approximately RMB73,842,000. Such claims would be settled by Zhuhai Heqiang subsequent to the Reorganisation.

Accordingly, Zhuhai Heqiang provided for the respective guarantees which was amounted to approximately RMB135,731,000 as at 31 December 2006.

During the year ended 31 December 2007, ZhengMaoYuan assumed the full outstanding provision of Zhuhai Heqiang.

Pursuant to the First Agreement entered into between Zhuhai Heqiang and ZhengMaoYuan on 10 September 2007, ZhengMaoYuan has agreed to waive partial of the provision of such guarantees of approximately RMB127,351,000. The remaining balances of approximately RMB8,380,000 was included in the amount due to the minority shareholder.

- (ii) As at 31 December 2006 and 2007, Zhuhai Heqiang has recognised a provision for claims of approximately RMB20,873,000 in respect of claims by an independent third party (the “Creditor”) for a long outstanding loan (the “Loan”) granted to Zhuhai Heqiang Industrial prior to the Relevant Periods.

Zhuhai Heqiang Industrial had been served with writs of summons in the PRC and was being demanded for repayment for the amounts due and the overdue interests thereon, of approximately RMB15,047,000 and RMB5,826,000 respectively. Such claims would be settled by Zhuhai Heqiang subsequent to the Reorganisation.

During the year ended 31 December 2008, ZhengMaoYuan assumed the full outstanding provision of Zhuhai Heqiang.

Pursuant to the Second Agreement entered into between Zhuhai Guanghai, Zhuhai Heqiang and ZhengMaoYuan on 5 November 2008, Zhuhai Guanghai and ZhengMaoYuan have agreed to waive partial of the provision of claims regarding the Loan of approximately RMB10,694,000 and RMB7,129,000 respectively. The remaining balances of approximately RMB3,050,000 was included in the amount due to the minority shareholder.

- (iii) As at 31 December 2006, Zhuhai Heqiang has recognised a provision for claims of approximately RMB2,825,000 in respect of claims by the main contractor of the properties under development. Due to the unsatisfactory quality, Zhuhai Heqiang Industrial had not fully settled the amounts due to the main contractor. Zhuhai Heqiang Industrial had been served with writs of summons in the PRC and was being demanded for repayment for the amounts due and the overdue interests thereon, of approximately RMB1,650,000 and RMB 1,175,000 respectively. Such claims would be settled by Zhuhai Heqiang subsequent to the Reorganisation.

During the year ended 31 December 2007, ZhengMaoYuan assumed the full outstanding provision of Zhuhai Heqiang.

Pursuant to the First Agreement entered into between Zhuhai Heqiang and ZhengMaoYuan on 10 September 2007, ZhengMaoYuan has agreed to waive partial of the provision of claims regarding the unsettled construction costs of approximately RMB1,175,000. The remaining balances of approximately RMB1,650,000 was included in the amount due to the minority shareholder.

17. AMOUNT DUE TO THE MINORITY SHAREHOLDER

The amount is unsecured, non-interest bearing and repayable on demand.

18. PAID-IN CAPITAL

	As at 31 December			As at
	2006	2007	2008	31 March
	RMB'000	RMB'000	RMB'000	2009
				RMB'000
Registered capital	21,600	3,000	3,000	3,000
Paid-in capital	–	3,000	3,000	3,000

Upon the completion of the Reorganisation on 24 May 2007, Zhuhai Heqiang's registered capital was reduced from RMB21,600,000 to RMB3,000,000.

On 24 May 2007, the shareholder contributed RMB3,000,000 in cash to Zhuhai Heqiang. Zhuhai Heqiang's paid-up capital was therefore increased from nil to RMB3,000,000. The capital contribution was verified by the PRC registered accountant and approved by the relevant PRC government authority.

19. COMMITMENTS

Capital expenditures contracted for at the end of each reporting periods are as follows:

	As at 31 December			As at
	2006	2007	2008	31 March
	RMB'000	RMB'000	RMB'000	2009
				RMB'000
Properties under development	–	309	159	119

20. RELATED PARTY TRANSACTIONS

The transaction and balance with the minority shareholder are set out in Note 17.

During the Relevant Periods, Zhuhai Heqiang entered into the following related party transactions:

As set out in Note 16, ZhengMaoYuan has assumed provision for claims of approximately RMB138,556,000 and RMB20,873,000 for the year ended 31 December 2007 and 2008 respectively.

ZhengMaoYuan has agreed to waive the provisions of claims of approximately RMB128,526,000 for the year ended 31 December 2007. Zhuhai Guanghai and ZhengMaoYuan have agreed to waive a further amount of approximately RMB17,823,000 according to their respective shareholdings in Zhuhai Heqiang for the year ended 31 December 2008.

The remaining balances of provision of claims of approximately RMB10,030,000 and RMB3,050,000 for the year ended 31 December 2007 and 2008 respectively were included in the amount due to the minority shareholder, which constituted to the non-cash transactions of Zhuhai Heqiang.

Compensation of key management personnel

Save as disclosed in Note 10, no remuneration was paid to other key management personnel.

21. SUBSEQUENT EVENTS

On 19 May 2009, Hill Light Investments Limited (“Hill Light”), the wholly owned subsidiary of the Company, has entered into the sales and purchase agreement (the “Sales and Purchase Agreement”) with Ms. Wong Sio Leng (the “Vendor”) pursuant to which Hill Light has conditionally agreed to acquire for and the Vendor has conditionally agreed to sell the entire issued share capital of Ocean Vast, at a consideration of RMB69,300,000 (“Proposed Acquisition”). Upon the completion of the Proposed Acquisition, the Company would become the ultimate holding company of Zhuhai Heqiang.

Details of which are set out in the Company’s announcement dated 21 May 2009.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for Zhuhai Heqiang in respect of any period subsequent to 31 March 2009.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Ip Yu Chak
Practising Certificate Number: P04798
Hong Kong

PROPERTY INTEREST

Vigers Appraisal & Consulting Limited, an independent valuer, has valued the property interest held by the Target Group as at 31 March 2009 and is of the opinion that the market value of the property interest is amounted to RMB115,500,000 as at 31 March 2009. Details of the valuation of the property interest as at 31 March 2009 are set out in Appendix VI to this circular.

Set forth below is the reconciliation of the valuation figure of the Target Group's property with the figures included in the Combined Financial Statements:

	<i>RMB'000</i>
Net book value of the property as set out in the Financial Information on the Target Group included in Appendix III-A	113,734
Movement for the period from 31 December 2008 to 31 March 2009 (unaudited)	
Depreciation provided during the period	–
Amortization provided during the period	–
Net book value as at 31 March 2009	113,734
Valuation surplus	<u>1,766</u>
Valuation of the property as at 31 March 2009 as set out in the Valuation Report set out in Appendix VI	<u><u>115,500</u></u>



SHINEWING (HK) CPA Limited

16/F., United Centre

95 Queensway, Hong Kong

30 June 2009

The Directors
The Quaypoint Corporation Limited
Suite 1501, 15/F
Tower 1, Silvercord, 30 Canton Road
Tsimshatsui, Kowloon
Hong Kong

Dear Sirs,

We report on the unaudited pro forma financial information of The Quaypoint Corporation Limited (the “Company”) and its subsidiaries (hereafter collectively referred to as the “Group”) set out in Appendix IV of the circular dated 30 June 2009 (the “Circular”) in connection with the proposed acquisition of the entire equity interest of Ocean Vast Corporation Limited (“Ocean Vast”) by Hill Light Investments Limited (“Hill Light”) (“Proposed Acquisition”), the Company’s wholly-owned subsidiary, which has been prepared by the directors of the Company (the “Directors”), for illustrative purpose only, to provide information about how the Proposed Acquisition might have affected the financial information presented. The basis of preparation of the unaudited pro forma financial information is set out on page 147 to the Circular.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND REPORTING ACCOUNTANTS

It is the responsibility solely of the Directors to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the Directors. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the Directors on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgments and assumptions of the Directors, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group had the Proposed Acquisition actually occurred as at 31 December 2008 or any future date.

OPINION

In our opinion:

- a) the unaudited pro forma financial information has been properly compiled by the Directors on the basis stated;
- b) such basis is consistent with the accounting policies of the Group; and
- c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,

SHINEWING (HK) CPA Limited

Certified Public Accountants

Ip Yu Chak

Practising Certificate Number: P04798

Hong Kong

UNAUDITED PRO FORMA FINANCIAL INFORMATION

The accompanying unaudited pro forma consolidated statement of financial position of the Group (the “Unaudited Pro Forma Financial Information”) have been prepared to illustrate the effect of the proposed acquisition of the entire equity interest of Ocean Vast by Hill Light (“Proposed Acquisition”), the Company’s wholly-owned subsidiary, might have affected the financial information of the Company.

For the purpose of the Unaudited Pro Forma Financial Information, Ocean Vast and its subsidiaries are referred to as the “Ocean Vast Group”. The Group immediately after the completion of the Proposed Acquisition is referred to as the “Enlarged Group”.

The unaudited pro forma consolidated statement of financial position of the Enlarged Group has been prepared based on (1) the unaudited consolidated balance sheet of the Group as at 31 December 2008, which has been extracted from the published interim report of the Company for the six month period ended 31 December 2008 as set out in Appendix I to the Circular and (2) the audited consolidated statement of financial position of the Ocean Vast Group as at 31 March 2009 as set out in Appendix III-A to the Circular, and adjusted in accordance with the pro forma adjustments described in the notes thereto as if the Proposed Acquisition had been taken place at 31 December 2008.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Proposed Acquisition been completed as at the respective dates to which it is made up to or at any future dates.

UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET OF THE ENLARGED GROUP

	Unaudited consolidated balance sheet of the Group as at 31 December 2008 <i>RMB'000</i>	Audited consolidated statement of financial position of the Ocean Vast Group as at 31 March 2009 <i>RMB'000</i>	Pro forma adjustment <i>RMB'000</i> <i>Note 2</i>	Pro forma adjustment <i>RMB'000</i> <i>Note 4</i>	Pro forma adjustment <i>RMB'000</i> <i>Note 4</i>	Unaudited pro forma consolidated balance sheet of the Enlarged Group as at 31 December 2008 <i>RMB'000</i>
Non-current assets						
Plant and equipment	18,640	51				18,691
Investment properties	164,025	-				164,025
Properties under development	-	113,734				113,734
Prepaid lease payments	17,755	-				17,755
Investments in subsidiaries	-	-	69,300		(69,300)	-
Goodwill	-	16,931			10,471	27,402
	<u>200,420</u>	<u>130,716</u>				<u>341,607</u>
Current assets						
Trade receivables	17,778	-				17,778
Prepayments, deposits and other receivables	14,615	80				14,695
Financial assets at fair value through profit or loss	96	-				96
Pledged bank deposits	12,406	-				12,406
Bank balances and cash	22,913	104				23,017
	<u>67,808</u>	<u>184</u>				<u>67,992</u>
Current liabilities						
Trade payables	4,333	-				4,333
Other payables	-	459				459
Secured bills payables	2,720	-				2,720
Provision for claims	60,700	-				60,700
Other accruals	17,950	-				17,950
Accrued interest	30,863	-				30,863
Receipts in advance	12,793	-				12,793
Amount due to a shareholder	-	1,795				1,795
Amount due to the minority shareholder	-	78,089		(52,597)		25,492
Bank borrowings – repayable within one year	112,895	-				112,895
Taxation payable	593	22,487		(22,487)		593
	<u>242,847</u>	<u>102,830</u>				<u>270,593</u>
Net current liabilities	<u>(175,039)</u>	<u>(102,646)</u>				<u>(202,601)</u>
Total assets less current liabilities	<u>25,381</u>	<u>28,070</u>				<u>139,006</u>

APPENDIX IV

UNAUDITED PRO-FORMA FINANCIAL INFORMATION
ON THE ENLARGED GROUP

	Unaudited consolidated financial position balance sheet of the Group as at 31 December 2008 <i>RMB'000</i>	Audited consolidated statement of financial position of the Ocean Vast Group as at 31 March 2009 <i>RMB'000</i>	Pro forma adjustment <i>RMB'000</i> <i>Note 2</i>	Pro forma adjustment <i>RMB'000</i> <i>Note 4</i>	Pro forma adjustment <i>RMB'000</i> <i>Note 4</i>	Unaudited pro forma consolidated balance sheet of the Enlarged Group as at 31 December 2008 <i>RMB'000</i>
Non-current liabilities						
Bank borrowings – repayable within one year	11,874	–				11,874
Deferred tax liabilities	–	15,120				15,120
	<u>11,874</u>	<u>15,120</u>				<u>26,994</u>
Net assets	<u><u>13,507</u></u>	<u><u>12,950</u></u>				<u><u>112,012</u></u>
Capital and reserves						
Share capital	43,987	1	15,400		(1)	59,387
Share premium	28,952	–	53,900			82,852
Convertible redeemable preference shares	184,653	–				184,653
Reserves	<u>(244,085)</u>	<u>(6,041)</u>		64,869	(58,828)	<u>(244,085)</u>
	13,507	(6,040)				82,807
Minority interests	–	18,990		10,215		29,205
	<u><u>13,507</u></u>	<u><u>12,950</u></u>				<u><u>112,012</u></u>

Notes:

- (1) On 19 May 2009, Hill Light has entered into the sales and purchase agreement (the “Sales and Purchase Agreement”) with Ms. Wong Sio Leng (the “Vendor”) to acquire the entire equity interest of Ocean Vast (“Proposed Acquisition”).
- (2) The adjustment represents the consideration for the Proposed Acquisition.

The total consideration for the acquisition is RMB69,300,000 (equivalent to approximately HK\$78,750,000) which is to be satisfied by the issuance and allotment of 175,000,000 ordinary shares of HK\$0.1 each to the Vendor credited as fully paid at the price of HK\$0.45 each. The fair value of each Consideration Share is assumed to be HK\$0.45 each based on the price stated in the conditional sale and purchase agreement dated 19 May 2009 in relation to the Proposed Acquisition. Upon completion of the Proposed Acquisition, the fair value of the Consideration Shares issued as at that date will be used to determine the cost of the Proposed Acquisition.

Upon completion of the Proposed Acquisition, the share capital and share premium of the Company will increase by approximately RMB15,400,000 and RMB53,900,000 respectively.

- (3) Under Hong Kong Financial Reporting Standard No.3 “Business Combinations”, the Group will apply the purchase method to account for the acquisition of the Ocean Vast Group as subsidiaries if the Group has the power, directly or indirectly, to govern the financial and operating policies of the Ocean Vast Group, so as to obtain benefits from its activities after the completion of the Proposed Acquisition. As at the date of this report, the directors of the Company consider that the Group will have control over the Ocean Vast Group after the completion of the Proposed Acquisition.

In applying the purchase method, the identifiable assets, liabilities and contingent liabilities of the Ocean Vast Group will be recorded on the consolidated statement of financial position of the Group at their fair values at the date of the completion of the Proposed Acquisition. Goodwill arising on the Proposed Acquisition will be determined as the excess of the cost of business combination over the Group’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the Ocean Vast Group at the date of completion of the Proposed Acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

Since the fair value of the identifiable assets, liabilities and contingent liabilities of the Ocean Vast Group and the fair value of the Consideration Shares as at the date of the actual completion of the Proposed Acquisition may be different and will have to be assessed. Accordingly the actual goodwill at date of actual completion may be different from that presented below.

- (4) The adjustment represents goodwill arising from the Proposed Acquisition.

For the purpose of preparing the Unaudited Pro Forma Financial Information of the Enlarged Group, it is assumed that the carrying value of the net assets of the Ocean Vast Group as at 31 March 2009 as per the Accountants’ Report as set out in Appendix III-A of this Circular are approximate to the fair values.

The goodwill arising from the acquisition of the Ocean Vast Group is derived from the calculation as follows:

	<i>RMB'000</i>
Fair values of net assets of the Ocean Vast Group as at 31 March 2009	12,950
Add: Waiver of the amount due to the minority shareholder and tax payable (<i>note a</i>)	75,084
Less: Minority interest (after the waiver adjustment in note a)	(29,205)
Less: Goodwill	<u>(16,931)</u>
Adjusted fair value of the identifiable assets, liabilities and contingent liabilities of the Ocean Vast Group prior to the Proposed Acquisition	41,898
Goodwill (<i>note b</i>)	<u>27,402</u>
Purchase consideration	<u><u>69,300</u></u>

- (a) Pursuant to the Sale and Purchase Agreement, the Vendor has agreed to indemnify the Group in respect of the amount due to the minority shareholder and taxation payable of the Ocean Vast Group of approximately RMB52,597,000 and RMB22,487,000 respectively before the completion of Proposed Acquisition.

Accordingly, the shareholder's contribution reserve and minority interests would increase approximately RMB64,869,000 and RMB10,215,000 respectively.

- (b) The goodwill of approximately RMB27,402,000 represents goodwill of approximately RMB16,931,000 acquired through the Ocean Vast Group and goodwill of approximately RMB10,471,000 arising from the acquisition of the Ocean Vast Group, as if the Proposed Acquisition was completed on 31 December 2008.
- (5) No adjustments have been made to reflect the transaction cost of the Proposed Acquisition as the directors consider that such direct expenses are not material.
- (6) No adjustment has been made to reflect any other transactions of the Group and the Ocean Vast Group entered into subsequent to 31 December 2008.
- (7) Basis of translation

Transaction of RMB into HK\$ is made in the Unaudited Pro Forma Financial Information of the Enlarged Group at the closing rate of HK\$1=RMB0.88 for the preparation of unaudited pro forma consolidated statement of financial position.

A. MANAGEMENT DISCUSSION AND ANALYSIS ON THE GROUP

Set out below are the management discussion and analysis of the Group as extracted from the interim report of the Company for the six months ended 31 December 2008 and the annual reports of the Company for the three years ended 30 June 2008:

For the six months ended 31 December 2008:**Business Review**

For the six months ended 31 December 2008, the Group achieved unaudited turnover of approximately RMB188,429,000 (six months ended 31 December 2007: approximately RMB111,253,000) which represented an approximately 69% increase as compared to the last corresponding period. The increase in turnover is mainly attributable to the trading business of electronic components by one of the Group's Hong Kong subsidiaries.

The unaudited loss attributable to equity holders of the Company was approximately RMB17,888,000 (six months ended 31 December 2007: approximately RMB74,783,000 which included an amount of approximately RMB60,000,000 set aside in respect of the alleged guarantee which are said to be issued by a PRC subsidiary of the Company), which is mainly due to revaluation of investment properties.

For the debt-restructuring proposal on approximately RMB138,700,000, we are continuing our negotiations with the Bank of China, Shenzhen branch.

The second half of 2008 posed numerous challenges for many companies in the market, technology business of the Group has gradually slowed down due to competitive market and the recent financial tsunami. The Group is still optimistic about the technology business in China and will redeploy resources to the business when the opportunities rise again. In the meantime, the Group continues its strategy to enhance technological innovation ability, the integration of research and development.

During the six months ended 31 December 2008, the consumer electronics and automation products market in Asia was booming which lead to a significant growth in our electronic components and automation products trading business. Despite an increase in turnover of the Group for the six months ended 31 December 2008, the Group's gross profit margin has decreased as trading in electronic components is very competitive with a relatively high cost of sales, thus resulting in lower profit margin compared to the same period last year. As compared to the same period last year, 56.5% of the Group's turnover was generated by trading in mobile phones, machines of vertical impregnating line and the natural resources and industrial equipments which commanded a higher gross margin.

As for the more profitable trading business of natural resources, mobile phones and machines of vertical impregnating line, due to volatile market situations, trading of natural resources, mobile phones and machines of vertical impregnating line became difficult which lead to a significant decline in gross profit. Bearing in mind the possible adverse effect of the financial tsunami, the Group will continue to sustain the growth in the trading of electronic component in a cautious manner.

For the property investment by the Group during the six months ended 31 December 2008, there has been no change in the Group's property portfolio.

Segment Information

The details of segmental information are set out in note 5 to the financial statements.

Liquidity and Financial Resources

As at 31 December 2008, the total assets of the Group were approximately RMB268,228,000 (as at 30 June 2008: approximately RMB279,400,000), a decrease by approximately 4%. As at 31 December 2008, the Group has total borrowings of approximately RMB124,769,000 (at 30 June 2008: approximately RMB124,957,000). As at 31 December 2008, the gearing ratio, expressed as a percentage of total borrowings over net assets, was about 4.92 (at 30 June 2008: 2.88).

As at 31 December 2008, the total cash and bank balances of the Group amounted to approximately RMB22,913,000 (as at 30 June 2008: approximately RMB14,422,000). The Group's net current liabilities was approximately RMB175,039,000 (at 30 June 2008: approximately RMB169,629,000) and the current ratio was about 0.28 (at 30 June 2008: 0.28).

Capital Structure

The issued ordinary share capital of the Company as at 31 December 2008 was HK\$42,868,000 divided into 428,680,000 shares of HK\$0.10 each (as at 30 June 2008: HK\$42,868,000 divided into 428,680,000 shares of HK\$0.10 each). As at 31 December 2008, the issued convertible redeemable preference share capital was HK\$35,000,000 divided into 350,000,000 shares of HK\$0.10 each (as at 30 June 2008: HK\$35,000,000 divided into 350,000,000 shares of HK\$0.10 each) and the convertible redeemable preference A share capital was HK\$11,000,000 divided into 110,000,000 shares of HK\$0.10 each (as at 30 June 2008: HK\$11,000,000 divided into 110,000,000 shares of HK\$0.10 each). As at 31 December 2008, none of the convertible redeemable preference shares and convertible redeemable preference A shares were converted into ordinary shares.

As at 31 December 2008, the Group's bank borrowings of approximately RMB112,895,000 on a short-term basis and was mainly in Renminbi. Out of such borrowings, the loan of approximately RMB77,734,000 bears fixed interest rate whilst the loan of approximately RMB35,161,000 bears prevailing market rates. There are no known seasonal factors in our borrowing profiles.

Foreign Currency Exposure

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 for hedging purposes, treasury and funding policies, therefore the Group's exposure to fluctuations in exchange rates is considered minimal.

Charge on Assets

As at 31 December 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 RMB70,067,000 were pledged to banks for securing revolving loans and general banking facilities granted to certain subsidiaries of the Company (at 30 June 2008: approximately RMB77,654,000).

Significant Investment

The Group had no significant investment held for the six months ended 31 December 2008.

Material Acquisitions and Disposals of Subsidiaries and Associates Companies

The Group did not have any material acquisition or disposal of subsidiaries or associates during the six months ended 31 December 2008.

Details of Future Plans for Material Investments or Capital Assets

There was no specific plan for material investments and acquisition of material capital assets as at 31 December 2008. However, the Group will continue to seek new business development opportunities.

Capital Commitments

The Group did not have any significant capital commitments as at 31 December 2008.

Reserves

Details of movements in the reserves of the Group during the period are presented in the condensed consolidated statement of changes in equity on page 28 of this Report.

Distributable Reserves

For the six months ended 31 December 2008, loss attributable to equity holders of the Company then amounted to approximately RMB17,888,000, representing a decrease of approximately 76% as compared to the same period last year.

Employee and Remuneration Policies

As at 31 December 2008, the Group employed a total of approximately 30 full time employees (as at 30 June 2008: 40) in Hong Kong and the PRC. Total remuneration cost for the period under review was approximately RMB2,587,000 (six months ended 31 December 2007: approximately RMB10,117,000). The Group's emolument policies are formulated on the basis of market trends, future plans and the performance of individuals, which will be reviewed periodically. Apart from provident fund scheme and state-managed social welfare scheme, share options will also be awarded to employees according to assessment of individuals' performance.

Contingent Liabilities and Litigation

During the period 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 RMB77,734,000 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") for investment activities in the listed companies in Hong Kong. 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 has defended the questionable claim during the court hearing late last year and is waiting for the court's judgement.

Prospects

There have been some changes in the composition of the Board after annual general meeting held in November 2008, the new Board will do their best to settle the litigation issue and look forward to improve the performance of the Group.

In view of the recent worldwide financial tsunami, the Board is taking a very cautious approach in broadening the revenue base. Bearing this risk factor in mind, the Board is taking advantage of this downturn and will continue to look for good projects for expansion in Asia, especially in the PRC.

With the anticipated finalization of the debt restructuring proposal, broadening of revenue base and the fund raising activities (if necessary), 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.

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 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.

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 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*

A guarantee made by the PRC subsidiary for a claim of approximately RMB22 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.

For the year ended 30 June 2007

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 of 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 of 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 RMB88,200,000 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 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. As 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. Details of the share capital are set out in note 32 to the financial statements.

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. Details of the bank loans are set out in note 31 to the financial statements.

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 guarantees 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 and one of its subsidiaries had also given corporate guarantees to two banks for securing the bank loans and general banking facilities granted to two Hong Kong subsidiaries and the outstanding balance at 30 June 2007 was approximately HK\$63.1 million (RMB60.6 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.

Details of financial guarantees and contingent liabilities as at 30 June 2007 are set out in notes 42 and 43 to the financial statements.

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 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 end October. 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.

For the year ended 30 June 2006

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, 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 report.

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:

	<i>RMB'000</i>
Repayable within one year	102,710
Repayable after one year but within two years	2,340
Repayable after two years but within five years	<u>2,340</u>
	<u><u>107,390</u></u>

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 Research and Development Centre (The "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 of 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 defensible. 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.

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.

Litigation

During the year, the Group has received certain writs of summons in respect of the total alleged claims of RMB155 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 report, 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 was advised that the case would be defensible 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's 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 commits 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 proprietary 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 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.

B. MANAGEMENT DISCUSSION AND ANALYSIS ON THE TARGET GROUP

For the three years ended 31 December 2008, 2007 and 2006 and the three months ended 31 March 2009

Business Review

The Target Company is an investment holding company incorporated in Hong Kong in 2007 with limited liability and is wholly-owned by the Vendor. The Target Company has not carried out any significant business since the date of its incorporation. As at the Latest Practicable Date, the Target Company held 100% equity interest in the PRC Company. The major investment up to the Latest Practicable Date was its 100% holding in the PRC Company.

Incorporated in December 2007, the PRC Company is a company established in the PRC in December 2007 with limited liability and has not carried out any significant business since the date of its incorporation. At present, the PRC Company's major investment is its 60% equity interest in the Project Company with the remaining equity interest held by Zheng Mao Yuan. In October 2006, the Project Company was established as a private limited company, the only major asset of which is the Project Land.

The Target Group did not generate any turnover during the years/period under review.

Financial review

Set out below is a summary of the audited financial information on the Target Company (of which the accounts of the PRC Company and the Project Company have been consolidated) for the period from 28 September 2007 (date of its incorporation) to 31 December 2007, the year ended 31 December 2008 and for the three months ended 31 March 2009 prepared in accordance with the Hong Kong Financial Reporting Standards, as extracted from Appendix III to this circular:

	For the period from 28 September 2007 to 31 December 2007	For the year ended 31 December 2008	For the three months ended 31 March 2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>

Consolidated Income Statement

Revenue	–	–	–
Net loss before taxation	(579)	(3,116)	(798)
Net loss after taxation	(579)	(6,324)	(798)

As at 31 December 2007	As at 31 December 2008	As at 31 March 2009
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>

Consolidated Balance Sheet

Total assets	139,729	130,896	130,900
Total liabilities	(126,786)	(117,148)	(117,950)
Net assets	12,943	13,748	12,950

Set out below is a summary of the audited financial information on the Project Company for the three years ended 31 December 2008 and the three months ended 31 March 2009 prepared in accordance with the Hong Kong Financial Reporting Standards, as extracted from Appendix III to this circular:

	For the year ended 31 December 2006	For the year ended 31 December 2007	For the year ended 31 December 2008	For the three months ended 31 March 2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>

Consolidated Income Statement

Revenue	–	–	–	–
Net loss before taxation	–	(314)	(486)	(140)
Net loss after taxation	–	(19,593)	(3,694)	(140)

	As at 31 December 2006 <i>RMB'000</i>	As at 31 December 2007 <i>RMB'000</i>	As at 31 December 2008 <i>RMB'000</i>	As at 31 March 2009 <i>RMB'000</i>
Consolidated Balance Sheet				
Total assets	27,376	52,174	45,205	45,209
Total liabilities	(159,429)	(72,294)	(51,196)	(51,340)
Net liabilities	(132,053)	(20,120)	(5,991)	(6,131)

Liquidity and Financial Resources

As at 31 March 2009 and 31 December 2008, 2007 and 2006, the Target Group had no bank borrowing, but with (i) other payables of RMB459,000, RMB315,000, RMB218,000 and nil respectively; (ii) amount due to a shareholder of RMB1,795,000, RMB1,790,000, RMB1,885,000 and nil respectively; and (iii) amount due to the minority shareholders of RMB78,089,000, RMB77,436,000, RMB69,411,000 and nil respectively. The gearing ratio, expressed as a percentage of total liabilities over total assets, as at 31 March 2009 and 31 December 2008, 2007 and 2006 were approximately 90.11%, 89.50%, 90.74% and 582.37% respectively. As at 31 March 2009 and 31 December 2008, 2007 and 2006, the total cash and bank balances of the Target Group were amounted to approximately RMB104,000, RMB137,000, RMB2,244,000 and RMB1,183,000 respectively.

As at 31 March 2009 and 31 December 2008, 2007 and 2006, the Target Group's net current liabilities were approximately RMB102,646,000, RMB101,811,000, RMB101,538,000 and RMB153,082,000 respectively and its current ratios were approximately 0.18%, 0.21%, 9.07% and 3.98% respectively.

Capital commitment

The Target Group did not have any capital commitment as at 31 March 2009, 31 December 2008, 2007 and 2006.

Treasury policies

The Target Group had no formal treasury policy and did not enter into any form of financial arrangement for hedging for the last three financial years and the three months ended 31 March 2009.

Exchange rate exposure

The Target Group had no material exchange rate exposure.

Contingent liabilities

On 30 November 2007, the Ocean Vast Group (as defined in the accountant's report of the Target Group contained in Appendix III to this circular) acquired 60% equity interest of the Project Company. Save for the provision of claims of approximately RMB20,873,000, amount due to the minority shareholder of approximately RMB10,030,000 and tax payable of approximately RMB19,279,000 disclosed in the statement of financial position of the Project Company as at 30 November 2007, Zheng Mao Yuan (being the vendor) has agreed to indemnify the Ocean Vast Group at all times in respect of, among other matters, any losses or expenses incurred by the Ocean Vast Group due to any other liabilities, tax provision, contingent liabilities and commitments, if any, not reflected in the statement of financial position of the Project Company as at 30 November 2007 and the date of completion of such acquisition.

Significant investments, material acquisition and disposals

The Target Group did not have any significant investments, material acquisition and disposals for the last three financial years and for three months ended 31 March 2009.

Employees

The Target Group had a work force of 5, 5, 5 and 4 employees as at 31 March 2009 and 31 December 2008, 2007 and 2006 respectively.

Vigers Appraisal & Consulting Limited
International Property Consultants

10th Floor, The Grande Building
398 Kwun Tong Road
Kowloon
Hong Kong



30 June 2009

The Directors
The Quaypoint Corporation Limited
Suite 1501, Tower 1,
Silvercord,
30 Canton Road,
Tsim Sha Tsui,
Kowloon,
Hong Kong

Dear Sirs,

In accordance with The Quaypoint Corporation Limited (the “Company”) instructions for us to value the property interest held by the Target Group in the People’s Republic of China (“the PRC”), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of such property interest as at 31 March 2009 (“date of valuation”) for the purpose of incorporation in the circular.

Our valuation is our opinion of the market value of the property interest which we would define market value as intended to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

In valuing the property interest which is held by the Target Group for future development in the PRC, we have valued on the basis that the property will be developed and completed in accordance with the latest development proposal as provided to us by the Company. We have assumed that all consents, approvals and licences from relevant government authorities for the development proposal have been obtained or will be obtained without onerous conditions or undue time delays. We have also assumed that the design and construction of the development are in compliance with the local planning regulations and have been approved by the relevant authorities. In arriving at our opinion of value, we have adopted the direct comparison approach by making reference to comparable sales evidences as available in the relevant market and have also taken into account the expended construction costs and the costs that will be expended to complete the development to reflect the quality of the completed development.

Our valuation has been made on the assumption that the owner sells the property interest on the open market in its existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the value of the property interest. In addition, no forced sale situation in any manner is assumed in our valuation.

We have not caused title searches to be made for the property interest at the relevant government bureau in the PRC. We have been provided with certain extracts of title documents relating to the property interest. However, we have not inspected the original documents to verify the ownership, encumbrances or the existence of any subsequent amendments which may not appear on the copies handed to us. In undertaking our valuation for the property interest, we have relied on the legal opinion (the “PRC legal opinion”) provided by the Company’s PRC legal adviser, Guangdong Zhong Cheng Law Firm.

We have relied to a considerable extent on information provided by the Company and have accepted advice given to us by the Company on such matters as planning approvals or statutory notices, easements, tenure, occupation, lettings, site and floor areas and in the identification of the property and other relevant matter. We have also been advised by the Company that no material facts had been concealed or omitted in the information provided to us. All documents have been used for reference only.

All dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us by the Company and are approximations only. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the property. However, we have not carried out a structural survey nor have we inspected woodwork or other parts of the structures which are covered, unexposed or inaccessible and we are therefore unable to report that any such parts of the property are free from defect. No tests were carried out on any of the services.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interest nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interest is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

Our valuation is prepared in accordance with the HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors (HKIS) and the requirements set out in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

Unless otherwise stated, all money amounts stated are in Renminbi (RMB). The exchange rate used in valuing the property interest in the PRC as at 31 March 2009 was HK\$1=RMB0.88. There has been no significant fluctuation in the exchange rate for Renminbi against Hong Kong Dollars (HK\$) between that date and the date of this letter.

We enclose herewith the valuation certificate.

Yours faithfully,
For and on behalf of
Vigers Appraisal & Consulting Limited
Raymond Ho Kai Kwong
Registered Professional Surveyor
MRICS MHKIS MSc(e-com)
Managing Director

Note: Mr. Raymond Ho Kai Kwong, Chartered Surveyor, MRICS MHKIS MSc(e-com), has over twenty two years' experiences in undertaking valuations of properties in Hong Kong and has over fifteen years' experiences in valuations of properties in the PRC.

VALUATION CERTIFICATE

Property interest held by the Target Group for future development in the PRC

Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2009
A parcel of land located at South of Yuehai West Road, Gongbei, Zhuhai City, Guangdong Province, the PRC	<p>The property comprises a parcel of land together with a partially completed basement erected thereon.</p> <p>The property has a site area of approximately 11,878.40 sq.m.</p>	The property is currently vacant with a partially completed basement erected thereon.	RMB115,500,000 (equivalent to approximately HK\$131,300,000)

The property is planned to be developed into a composite residential and commercial development with car parking spaces. According to the Company, the proposed gross floor area of the property is as follows:

Use	Approximate Gross Floor Area (sq.m.)
Residential	29,196.43
Commercial	1,430.00
Podium Garden	1,822.00
Basement	3,553.53
Public Facilities	<u>374.00</u>
Total:	<u><u>36,375.96</u></u>

According to the Company, the development is scheduled to be completed in the second half of 2010.

The property is held with the land use rights for terms expiring on 10 July 2077 and 10 July 2047 for residential and commercial uses respectively.

Notes:

1. According to the Real Estate Ownership Certificate (Document No.: Yue Fang Di Zheng Zi No. C6561410), the land use rights of the property having a site area of approximately 11,878.40 sq.m. have been granted to 珠海經濟特區合強實業有限公司 (Zhuhai Special Economic Zone Heqiang Industrial Company Limited) for terms expiring on 10 July 2077 and 10 July 2047 for residential and commercial uses respectively.
2. According to the Planning Permit for Construction Land (Document No.: Di Zi No. 2008-096) issued by Zhuhai City Planning Bureau on 13 November 2008, the construction site of a parcel of land with an area of approximately 11,878.40 sq.m. is in compliance with the urban construction requirements.
3. According to the Planning Permit for Construction Works (Document No. Jian Zi No. 2009-018) issued by Zhuhai City Planning Bureau on 25 February 2009, the construction works of portion of the property with a total gross floor area of 35,238.20 sq.m. are in compliance with the urban construction requirements and are approved.
4. According to the Permit for Commencement of Construction Works (Document No. 440400200905190101) issued by Zhuhai City Construction Bureau on 20 May 2009, the construction works of portion of the property with a total gross floor area of 35,238.2 sq.m. are in compliance with the requirements for works commencement and are approved.
5. The PRC legal opinion states, inter alia, the following:
 - (i) 珠海經濟特區合強實業有限公司 (Zhuhai Special Economic Zone Heqiang Industrial Company Limited) is the sole legal land user of the property and has obtained the relevant rights certificate and entity approval from the government.
 - (ii) The land premium has been duly paid and settled.
 - (iii) The property is free from any mortgages and encumbrances.
6. The status of title and grant of major approvals and permits in accordance with the PRC legal opinion and information provided by the Company are as follows:

(i)	Real Estate Ownership Certificate	Yes
(ii)	Planning Permit for Construction Land	Yes
(iii)	Planning Permit for Construction Works	Yes
(iv)	Permit for Commencement of Construction Works	Yes

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Enlarged Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and following the completion of the Acquisition were and are expected to be as follows:

<i>Authorised:</i>	<i>HK\$</i>
3,000,000,000 Shares	300,000,000
<i>Issued and fully paid:</i>	<i>HK\$</i>
429,180,000 Shares as at the Latest Practicable Date	42,918,000
175,000,000 Consideration Shares to be issued pursuant to the Acquisition	<u>17,500,000</u>
<i>Total (for illustrative purpose)</i>	
604,180,000 Shares	<u><u>60,418,000</u></u>

All of the Shares in issue and to be issued will rank pari passu in all respects with each other, including, in particular, as to dividends, voting rights and return of capital. The Shares and the Consideration Shares in issue and to be issued are or will be listed on the Stock Exchange.

3. DISCLOSURE OF INTERESTS

(a) Directors' interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director and chief executive of the Company is taken or deemed to have under such provisions of the SFO); or which (b) were required to be entered into the register maintained by the Company, pursuant

to Section 352 of the SFO; or which (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules are set out below:

Name of Director	Number of shares held		Number of options held		Approximate percentage of shareholding
	Personal Interest	Corporate Interest	Personal Interest	Total	
Ms. XIA Dan (<i>Note</i>)	–	79,500,000	–	79,500,000	18.52
Mr. LAU Sai Chung	148,000	–	–	148,000	0.03
Mr. Gerard Joseph McMAHON (retired on 28 November 2008)	500,000	–	1,000,000	1,500,000	0.35

Note: Ms. Xia Dan (“Ms. Xia”) is taken to be interested in 79,500,000 Shares held by Mega Edge International Limited which is 100% owned by Ms. Xia. By virtue of the SFO, Ms. Xia is deemed to have interest in the Shares held by Mega Edge International Limited.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, the chief executive of the Company nor their associates, had any other interests or short positions in the Shares, underlying Shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or the chief executive of the Company is taken or deemed to have under such provisions of the SFO); or which (b) were required to be entered into the register maintained by the Company, pursuant to Section 352 of the SFO; or which (c) were required to be notified to the Company or the Stock Exchange, pursuant to the Model Code for Securities Transaction by Directors of Listed Companies contained in the Listing Rules.

(b) Persons who have interests or short positions which are discloseable under Divisions 2 and 3 of Part XV of the SFO

As at the Latest Practicable Date, the register of substantial shareholders maintained under Section 336 of the SFO, shows that the Company has been notified of the following interests, being 5% or more of the Company’s issued share capital. These interests are in addition to those disclosed above in respect of the Directors and the chief executive of the Company.

Long position in ordinary shares

Substantial Shareholder	Capacity and nature of interest	Number of shares held	As approximate percentage of total issued shares
Mega Edge International Limited (<i>note</i>)	Beneficial Owner	79,500,000	18.52
Mr. CHAK. Joaquim Emilio Kin Man	Beneficial Owner	96,824,000	22.56

Note: Mega Edge International Limited is 100% owned by Ms. Xia Dan, a non-executive director of the Company. By virtue of the SFO, Ms. Xia is deemed to have interest in the Shares held by Mega Edge International Limited.

Long position in underlying shares

Name	Capacity and nature of interest	Number of underlying shares	As approximate percentage of total issued ordinary shares
Weina (BVI) Limited (“Weina”) (Notes 1 & 2)	Beneficial owner	460,000,000	107.18%
Weina Group Limited (“Weina Group”) (Note 3)	Interest of a controlled corporation	460,000,000	107.18%
Mr. TSIM Wing Kong (“Mr. Tsim”) (Note 3)	Interest of a controlled corporation	460,000,000	107.18%
The Vendors	Beneficial owner	175,000,000	40.78%

Notes:

- 1 The Company has entered into a subscription and option agreement on 26 May 2006 with Weina and through such agreement and the exercise of the option by the Company, Weina is interested in 350,000,000 convertible redeemable preference shares and has the right to convert the aforesaid shares into 350,000,000 ordinary shares (based on its initial conversion price).
- 2 The Company has entered into a sale and purchase agreement on 17 November 2006 with Weina Holdings Limited and through such agreement, Weina (as designated by Weina Holdings Limited) is interested in 110,000,000 convertible redeemable preference A Shares and has the right to convert the aforesaid shares into 110,000,000 ordinary shares (based on its initial conversion price).
- 3 Weina Group owns the entire issued capital of Weina and is therefore deemed to have interests in the underlying shares of the Company in which Weina is interested. Mr. Tsim is deemed to be interested in the underlying shares of the Company by virtue of his controlling interest in Weina Group. Mr. Tsim is the father of Mr. Tsim Sze Hon, a director of the Company.

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any person (other than a Director or chief executive of the Company) who had any other interests or short positions in the Shares or underlying Shares and debentures of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

4. DIRECTORS’ SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or proposed Directors had any existing service contract or proposed service contract with any member of the Enlarged Group which will not expire or is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

5. DIRECTORS' INTERESTS IN THE ENLARGED GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE ENLARGED GROUP

As at the Latest Practicable Date, none of the Directors or proposed Directors, directly or indirectly, had any interest in any assets which had since 30 June 2008 (being the date to which the latest published audited financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

There is no contract or arrangement subsisting as at the Latest Practicable Date, in which any of the Directors was materially interested and which was significant to the business of the Enlarged Group.

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates had any interest in a business which competes or may compete with the businesses of the Enlarged Group (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them is a controlling shareholder of the Company).

7. EXPERTS

The followings are the qualifications of the experts who have given opinion or advice which are contained in this circular:

Name	Qualification
SHINEWING (HK) CPA Limited	Certified Public Accountants
Vigers Appraisal & Consulting Limited	Professional surveyors and valuers
廣東中晟律師事務所	Practicing lawyers in the PRC

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or reference to its name or opinion in the form and context in which it appears.

As at the Latest Practicable Date, each of the above experts was not beneficially interested in the share capital of any member of the Enlarged Group nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group.

As at the Latest Practicable Date, each of the above experts did not, directly or indirectly, had any interest in any assets which had since 30 June 2008 (being the date to which the latest published audited financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

8. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts (not being contracts in the ordinary course of business of the Enlarged Group) have been entered into by members of the Enlarged Group within two years immediately preceding the date of this circular which are or may be material:

- (1) the provisional agreement dated 27 December 2007 entered into between Weina Land Limited (as purchaser), a wholly-owned subsidiary of the Company and Victory International Manufactory Limited (as vendor), pursuant to which Weina Land Limited agreed to purchase an office premises at a consideration of HK\$23,445,000, details of which have been included in the announcement of the Company dated 3 January 2008;
- (2) the sale and purchase agreement dated 30 June 2008 entered into among the Company (as vendor), Global Tide Limited (as purchaser) and Magic Gain Investments Limited, pursuant to which Magic Gain Investments Limited, an associated company of the Group, was disposed of at a consideration of HK\$6,240,000;
- (3) the assignment of debt dated 30 June 2008 entered into among the Company (as assignor), Global Tide Limited (as assignee) and Magic Gain Investments Limited (as debtor), pursuant to which the Company assigned to Global Tide Limited a debt in the amount of HK\$17,661,238 owed by Magic Gain Investments Limited to the Company;
- (4) the Sale and Purchase Agreement;
- (5) a debt transfer agreement dated 18 June 2009 entered into among the Vendor (as transferee), Zheng Mao Yuan (as transferor) and the PRC Company, pursuant to which the amounts of RMB35,411,833.41 and RMB10,693,909.58 indebted to Zheng Mao Yuan by the PRC Company, together with the relevant interests accrued thereon, have been transferred to the Vendor; and
- (6) a debt transfer agreement dated 18 June 2009 entered into among the Vendor (as transferee), Zheng Mao Yuan (as transferor) and the Project Company, pursuant to which the amount of RMB3,050,000 indebted to Zheng Mao Yuan by the Project Company, together with the relevant interests accrued thereon, has been transferred to the Vendor.

9. LITIGATION

As at the Latest Practicable Date, save for mentioned below, no member of the Enlarged Group was engaged in any litigation or claims of material importance known to the Directors to be pending or threatened against any member of the Enlarged Group.

During the financial year ended 30 June 2008, 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 to 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 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 has defended the questionable claim during the court hearing late last year and is waiting for the court’s judgment.

On November 2008, TIL (as plaintiff) brought a civil claim (the “**Shanghai Claim**”) against Shanghai Tian Ke Hua Power Technology Co., Ltd. (“**Tian Ke Hua**”) and Xi’an Ying Feng Technology Co., Ltd. (“**Ying Feng**”) (both Tian Ke Hua and Ying Feng are defendants) for, *inter alia*, breach of contracts in respect of payment of service fees for certain construction works performed by TIL in the PRC. On 21 April 2009, a judgment (the “**Judgment**”) in respect of the Shanghai Claim was handed down by First Intermediate People’s Court of Shanghai, pursuant to which TIL was awarded the outstanding service fees of RMB14,860,000 (equivalent to approximately HK\$16,886,360) together with liquidated damages calculated at the rate of 0.001 per day. Tian Ke Hua filed a notice of appeal (the “**Appeal**”) against the Judgment with Higher People’s Court of Shanghai on 14 May 2009. To the knowledge and information of the Directors, the date of hearing of the Appeal had not been fixed as at the Latest Practicable Date.

10. GENERAL

- (a) The registered address of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, the Cayman Islands.
- (b) The head office and principal place of business of the Company in Hong Kong is at Suite 1501, 15/F., Tower 1, Silvercord, 30 Canton Road, Tsimshatsui, Kowloon, Hong Kong.
- (c) The company secretary of the Company is Mr. Law Kim Fai. Mr. Law is a member of the Hong Kong Institute of Certified Public Accountants and has more than 10 years of professional experience in accounting.
- (d) In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during business hours at the head office and principal place of business of the Company at Suite 1501, 15/F., Tower 1, Silvercord, 30 Canton Road, Tsimshatsui, Kowloon, Hong Kong, from the date of this circular up to and including the date of the EGM:

- (a) the memorandum and articles of association of the Company;
- (b) the Sale and Purchase Agreement;
- (c) the written consents from the experts as referred to in the section headed "Experts" in this appendix;
- (d) the valuation report regarding the Project Land;
- (e) the accountants' report on the Target Group as set out in Appendix III to this circular;
- (f) the report on unaudited pro-forma financial information on the Enlarged Group as set out in Appendix IV to this circular;
- (g) all the agreements/contracts as referred to in this appendix;
- (h) the interim report of the Company for the six months ended 31 December 2008; and the annual reports of the Company for each of the financial years ended 30 June 2006, 30 June 2007 and 30 June 2008; and
- (i) this circular.

NOTICE OF EGM



THE QUAYPOINT CORPORATION LIMITED

紀翰集團有限公司*

(Incorporated in the Caymans Islands with limited liability)

(Stock code: 2330)

NOTICE IS HEREBY GIVEN THAT the extraordinary general meeting of The Quaypoint Corporation Limited (the “**Company**”) will be held at 11:00 a.m. on Friday, 17 July 2009 at Fountain Room 1, LG/F, Hotel Nikko Hongkong, 72 Mody Road, Tsimshatsui, Kowloon, Hong Kong for the purpose of considering and, if thought fit, passing, with or without modification, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTIONS

“**THAT**

1. the sale and purchase agreement (the “**Agreement**”) dated 19 May 2009 entered into between Hill Light Investments Limited as purchaser (the “**Purchaser**”) and Ms. Wong Sio Leng as vendor (the “**Vendor**”) pursuant to which the Purchaser agrees to acquire the entire issued share capital of Ocean Vast Corporation Limited from the Vendor at a consideration of RMB69,300,000.00 (the “**Acquisition**”), upon the terms and subject to the conditions set out in the Agreement, be and is hereby approved, ratified and confirmed;
2. subject to and conditional upon the passing of resolution No.1 above, the board of directors of the Company (the “**Board**”) be and is hereby authorised to issue and allot up to 175,000,000 consideration shares (the “**Consideration Shares**”) to the Vendor (or her nominee) for the purpose of satisfying the consideration for the Acquisition; and
3. the Board be and is hereby authorised to execute such all other documents, do all other acts and things and take such action as may in the opinion of the Board be necessary, desirable or expedient to implement and give effect to the Agreement and the issuance and allotment of the Consideration Shares and any other transactions contemplated thereunder.”

By order of the Board
The Quaypoint Corporation Limited
Law Kim Fai
Company Secretary

Hong Kong, 30 June 2009

* *For identification purpose only*

NOTICE OF EGM

Head office and principal place of business in Hong Kong:

Suite 1501, 15/F.
Tower 1, Silvercord
30 Canton Road
Tsimshatsui
Kowloon

Notes:

1. A form of proxy for use at the meeting is enclosed with the circular despatched on 30 June 2009 to the members of the Company.
2. Any member entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a member.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.
4. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to the principal place of business of the Company at Suite 1501, 15th Floor, Tower 1, Silvercord, 30 Canton Road, Tsimshatsui, Kowloon, Hong Kong not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote.
5. Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.
6. Where there are joint holders of any share any one of such joint holder may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register in respect of the joint holding.
7. The Register of Members of the Company will be closed for a period commencing from 15 July 2009 to 17 July 2009, both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for attending the meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Union Registrars Limited at Rooms 1901-02, Fook Lee Commercial Centre, Tower Place, 33 Lockhart Road, Wanchai, Hong Kong for registration not later than 4:00 p.m. on 14 July 2009.