The Quaypoint Corporation Limited

紀翰集團有限公司

Stock Code : 2330

Annual Report 2008

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

CHEN Xian *(Chairman)*
LAU Sai Chung *(Chief Executive Officer)*
XIA Dan
TSIM Tze Hon

Non-executive Directors

Gerard J. McMAHON

Independent non-executive Directors

NG Kwok Chu, Winfield
POON Lai Yin, Michael
CHONG Yiu Chik

AUDIT COMMITTEE

POON Lai Yin, Michael *(Chairman)*
NG Kwok Chu, Winfield
CHONG Yiu Chik
Gerard J. McMAHON
LAU Sai Chung

REMUNERATION COMMITTEE

NG Kwok Chu, Winfield *(Chairman)*
POON Lai Yin, Michael
CHONG Yiu Chik

NOMINATION COMMITTEE

CHONG Yiu Chik *(Chairman)*
NG Kwok Chu, Winfield
POON Lai Yin, Michael

COMPANY SECRETARY

LAW Kim Fai

AUDITORS

SHINEWING (HK) CPA Limited

PRINCIPAL BANKERS

Hang Seng Bank Limited
Citic Ka Wah Bank Limited
Bank of China
Bank of China, Shenzhen Branch

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Bank (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 75
Grand Cayman KY1-1107
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
Room 1901-2
Fook Lee Commercial Centre
Town Place
33 Lockhart Road
Wanchai
Hong Kong

INTERNET ADDRESS

www.quaypoint.com.hk

STOCK CODE

2330

FIVE YEARS FINANCIAL SUMMARY

YEAR ENDED 30 JUNE

Results	**2008**	2007	2006	2005	2004
Turnover (RMB'000)	**152,826**	145,059	115,581	187,965	359,172
(Loss) Profit attributable to shareholders (RMB'000)	**(112,622)**	7,864	(247,520)	(19,105)	10,921
(Loss) Earnings per share (RMB cents) – Basic	**(26.41)**	2.25	(70.72)	(5.46)	3.12
– Diluted	**N/A**	2.22	N/A	N/A	N/A

AS AT 30 JUNE

Assets and liabilities	**2008**	2007	2006	2005	2004
Total assets (RMB'000)	**279,400**	329,402	183,910	331,617	355,125
Total liabilities (RMB'000)	**(248,565)**	(212,283)	(154,626)	(157,949)	(162,352)
Net asset value (RMB'000)	**30,835**	117,119	29,284	173,668	192,773
Net asset value per share (RMB cents)	**7.19**	33.47	8.37	49.62	55.08

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONS REVIEW

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

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

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

(b) Trading

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

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

(c) Property investment

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

MANAGEMENT DISCUSSION AND ANALYSIS

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 is 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

FINAL DIVIDEND

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

RETIREMENT OF DIRECTORS

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

MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE GOVERNANCE PRACTICES

Information on the Company's corporate practices is set out in the Corporate Governance Report of the Company which sets out details on how the Company applied and complied with the corporate governance principles, including practices as set up in the Corporate Governance Code.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

PUBLICATION ON ANNUAL RESULTS AND ANNUAL REPORT

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

APPRECIATION

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

By Order of the Board
The Quaypoint Corporation Limited

Chen Xian
Chairman

Hong Kong, 21 October 2008

BIOGRAPHICAL DETAILS OF DIRECTORS

DIRECTORS

Executive Directors

Mr. Chen Xian, aged 44. Mr. Chen is the chairman of the Company since October 2007. He is one of the founders of a sizeable property development company in Zhuhai, the PRC and has been a member of the senior management of a subsidiary of that company. Mr. Chen was mainly responsible for the investment and development of real estate projects of such companies. Before joining those companies, Mr. Chen worked as a senior member of certain stated-owned companies and the local authority. He has more than 15 years of extensive experience in the investment and development of real estate projects. He holds a Master Degree of Business Administration from the Asia International Open University (Macau).

Mr. Lau Sai Chung, aged 52. Mr. Lau is the executive director and chief executive officer of the Company since December 2007. He was an independent non-executive director of Dickson Holdings Limited, a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the period from August 2003 to January 2006. He holds a bachelor degree in Commerce with major in Accounting from the University of Alberta, Canada and has over 20 years' experience in the field of banking and finance.

Ms. Xia Dan, aged 41. Ms. Xia is the executive director since October 2007. She was a member of the senior management of a sizeable property development company in Zhuhai, PRC and was responsible for its project investments analysis. Ms. Xia also worked for various companies in the PRC and North America and has over 17 years of extensive experience in strategic planning and marketing in the fields of construction, financial and foreign trading industries. She graduated from Shenyang University with Bachelor of Science in Architecture and holds a Master Degree of Business Administration from New York Institute of Technology.

Mr. TSIM Sze Hon, aged 35. Mr. Tsim is the executive director since December 2007. He is also a director of Weina (BVI) Limited which is the holder of the 460,000,000 Convertible Redeemable Preference Shares issued by the Company. Mr. Tsim is a son of Mr. Tsim Wing Kong who is the ultimate controlling shareholder of Weina (BVI) Limited. He holds a Bachelor Degree in Design Study from London Metropolitan University. He had over 10 years' experience in toys manufacturing industry.

Non-executive Director

Mr. Gerard J. McMahon, aged 64. Mr. McMahon is the non-executive director since May 2006. Mr. McMahon is qualified as a barrister in Hong Kong and New South Wales of Australia. He was an executive director and a member of Securities and Futures Commission in Hong Kong ("SFC") and the representative of the SFC on the Hong Kong Standing Committee on Company Law Reform. He was also a member of the Hong Kong Takeover and Merger Panel and Legal Adviser to Hong Kong's Securities Review Committee and Insider Dealing Tribunal. Since leaving the SFC, he had been appointed a director of various publicly listed companies in Hong Kong and overseas. Currently, he is an independent non-executive director of Guangnan (Holdings) Limited and the non-executive Chairman of Oriental Technologies Investment Limited, a company listed on the Australian Stock Exchange.

BIOGRAPHICAL DETAILS OF DIRECTORS

Independent Non-executive Directors

Mr. Poon Lai Yin, Michael, aged 36. Mr. Poon is the independent non-executive director of the Company since September 2006. He is an associate member of Hong Kong Institute of Certified Public Accountants and a member of CPA Australia. He holds a bachelor degree in administrative studies with York University in Canada and a master degree in practicing accounting with Monash University in Australia. Mr. Poon worked for an international accounting firm and was responsible for providing business advisory and assurance services for some listed clients. He has over 10 years of experience in financial reporting, business advisory, auditing, taxation, accounting, merger and acquisition. He is the independent non-executive director of Sun International Group Limited (stock code 8029) since September 2008 and he is currently the chief financial officer of Enviro Energy International Holdings Limited ("Enviro", stock code 8182), both companies are listed on GEM. He previously was the independent non-executive director of the Enviro in 2006 and 2007.

Mr. Ng Kwok Chu, Winfield, aged 49. Mr. Ng is the independent non-executive director of the Company since September 2006. He is currently a General Manager of a local financial institution. He has 10 years' experience in consumer and commercial finance in the local and PRC markets. He is currently also an independent non-executive director of Long Success International (Holdings) Limited (stock code: 8017), a company listed on GEM.

Mr. Chong Yiu Chik, aged 68, is the independent non-executive director of the Company since March 2008. He graduated from Wuhan University in China with major in Politics and Economics. He is currently the director and general manager of Eliter International Development Limited and he has over 30 years' management experience in the field of China and foreign trades. He is also the vice president of China's Foreign Trade Association, Honorary president of Shantou Overseas Friendship Association, Honorary Chairman of Universal Petrol-Chemical Development Limited and member of Standing Committee of Returned Oversea Chinese Association of Guangdong.

CORPORATE GOVERNANCE REPORT

The Board of Directors (the "Board") and the management of the Company are committed to the maintenance of good corporate governance practices and procedures.

The corporate governance principles of the Company emphasize a quality Board, sound internal controls, transparency and accountability to all shareholders. The Company has applied the principles and complied with all code provisions and, where applicable, the recommended practices of the Code on Corporate Governance Practices ("Code on CG Practices") as set out in Appendix 14 to the Listing Rules throughout the year except for the deviation from Code Provision A.3.2 which stipulates that the total number of the independent non-executive directors should be at least one-third of the Board. During the period under review, the Board has only 2 independent non-executive directors (which is less than one-third of the rule). But on 1 March 2008, the Company has appointed a new independent non-executive director, therefore with effect from 1 March 2008, the Company has complied the Code Provision A.3.2.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding securities transactions by the Directors. Confirmation has been received from all Directors that they have complied with the required standards set out in the Model Code for the year ended 30 June 2008.

COMPOSITION AND BOARD PRACTICES

The Board is collectively responsible for the oversight of the management of the business and affairs of the Group with the objective of enhancing shareholders value. As at 30 June 2008, the board consists of eight Directors, comprising four executive Directors, one non-executive Director and three independent non-executive Directors.

The Board has delegated the Executive Committee with authority and responsibility by handling the management functions and operations of the day-to-day business of the Company, while reserving certain key matters for the approval by the Board. The types of decisions to be taken by the Board include annual and interim period financial reporting and control, equity fund raising, declaration of interim dividend and making recommendation of final dividend or other distributions, notifiable transactions under Chapters 14 and 14A of the Listing Rules and making recommendation for capital reorganization or scheme arrangement of the Company.

During the year under review, four regular meetings were held with at least fourteen days' notices given to all Directors and are provided with relevant information to make informed decisions. The Board and each Director have separate and independent access to the Company's senior management. A Director who considers a need for independent professional advice in order to perform his duties as a Director may convene, or request the secretary of the Company to convene, a meeting of the Board to approve the seeking of independent legal or other professional advice.

CORPORATE GOVERNANCE REPORT

The attendance of Directors at the Board Meetings and the Board Committees Meetings is set our in the table below:

		Meetings attended/ Eligible to attend	
Name of Directors	**Board**	**Audit Committee**	**Remuneration Committee**
Executive Directors			
CHEN Xian *(appointed on 12 October 2007 as executive director and re-designated on 30 November 2007)*	1/1	–	2/2
LAU Sai Chung *(re-designated on 30 November 2007)*	4/4	4/4	4/4
XIA Dan *(appointed on 21 August 2007 as non-executive director and re-designated on 12 October 2007)*	2/2	–	–
TSIM Sze Hon *(appointed on 1December 2007)*	1/1	–	–
CHAN Siu Chu Debby *(retired on 30 November 2007)*	3/3	–	2/2
SIEK Fui *(retired on 30 November 2007)*	2/3	–	–
SZE Kwan *(resigned on 1 September 2007)*	2/2	–	–
Non-executive Director			
Gerard J. McMAHON	3/4	2/4	3/3
Independent Non-executive Directors			
NG Kwok Chu, Winfield	4/4	3/4	3/4
POON Lai Yin, Michael	2/4	4/4	4/4
CHONG Yiu Chik *(appointed on 1 March 2008)*	1/1	1/1	–

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of the Chairman and Chief Executive Director are segregated and are held by different individuals. The Chairman is responsible for the Group's strategic planning and the management of the operations of the Board, while the Chief Executive Director takes the lead in the Group's operations and business development. There is a clear division of responsibilities between the Chairman and Chief Executive Officer of the Company which provides a balance of power and authority.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors are appointed for a specific term, subject to re-election, which will run until the conclusion of the third annual general meeting from the date of their last re-election and in accordance with the Company's Articles of Association. One of the independent non-executive Directors has appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10 of the Listing Rules. The Company has received the annual confirmation of independence from each of the independent non-executive Directors as required under Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors to be independent.

NOMINATION COMMITTEE

The existing Nomination Committee has the following three members:

Independent non-executive Directors

Mr. CHONG Yiu Chik *(Chairman)*
Mr. POON Lai Yin, Michael
Mr. NG Kwok Chu, Winfield

The Nomination Committee has adopted a written nomination procedure specifying the process and criteria for the selection and recommendation of candidates for directorship of the Company.

Potential new Directors are identified and submitted to the Nomination Committee for approval. The nomination of Directors should be taken into consideration of the candidate's qualification, ability and potential contribution to the Company. A candidate to be appointed as independent non-executive Director must also satisfy the independence criteria set out in Rule 3.13 of the Listing Rules. Four Nomination Committee Meetings were convened during the year for the appointment of new Directors.

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

The Board has set up a Remuneration Committee with a majority of the members being independent non-executive Directors. The existing Remuneration Committee has 4 members:

(a) Independent non-executive Directors

Mr. NG Kwok Chu, Winfield *(Chairman)*
Mr. POON Lai Yin, Michael
Mr. CHONG Yiu Chik

(b) Executive Director

Mr. LAU Sai Chung

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for the remuneration of Directors and senior management, and reviewing the specific remuneration packages of all executive Directors and senior management by reference to the corporate goals and objectives resolved by the Board from time to time.

Details of the remuneration of Directors are set out on note 12 to the condensed consolidated financial statements. During the year under review, no Director was involved in deciding his own remuneration.

AUDIT COMMITTEE

As at the date of this report, the Audit Committee of the Company consists of five members:

(a) Independent non-executive Directors

Mr. POON Lai Yin, Michael *(Chairman)*
Mr. NG Kwok Chu, Winfield
Mr. CHONG Yiu Chik

(b) Non-executive Director

Mr. Gerard McMAHON

(c) Executive Director

Mr. LAU Sai Chung

The Audit Committee is chaired by Mr. POON Lai Yin, Michael with extensive in financial reporting and controls.

The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system and internal control procedures, review of the Group's financial information and review of the relationship with the external auditors of the Company.

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

During the year under review, the Audit Committee reviewed and made recommendation for the Board's approval of the draft audited financial statements of the Group for the year ended 30 June 2008 and the draft unaudited interim financial statements of the Group for the six months ended 31 December 2007, discussed the accounting policies and practices which may affect the Group with the management and the Company's auditors, made recommendation on the change of auditors and re-appointment of external auditors for the approval of the shareholders in the annual general meeting of the Company, reviewed the fees charged by the external auditors; and reviewed the internal control system of the Group.

AUDITOR'S REMUNERATION

Grant Thornton, the Group's auditor, was appointed as the Company's external auditors by the Shareholders at the annual general meeting of the Company held on 30 November 2007 until the next annual general meeting but they resigned on 12 August 2008. The Board has approved the appointment of SHINEWING (HK) CPA Limited to fill the vacancy of Grant Thornton on 8 September 2008 to perform the audit works of the Group for the year ended 30 June 2008.

The total fee paid/payable in respect of the statutory audit and non-audit services provide by external auditors is set out in the following table:

Services rendered	**Fee paid/payable for the year ended 30 June**	
	2008	2007
	HK$'000	HK$'000
Audit services		
– Moores Rowland	**–**	640
– SHINEWING (HK) CPA Limited	**680**	–
Non-audit services		
– Moores Rowland		
Special engagement	**–**	220
– Grant Thornton		
Special engagement	**420**	–
Total fee paid/payable for the year	**1,100**	860

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated financial statements for each financial period which gives a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the consolidated financial statements for the year ended 30 June 2008, the Directors have selected suitable accounting policies and applied them consistently, made judgements and estimates that are prudent, fair and reasonable and prepared the consolidated financial statements on a going concern basis. The statement by the auditors of the Company regarding their reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report on page 23 of the annual report.

CORPORATE GOVERNANCE REPORT

INTERNAL CONTROLS

The Board has the overall responsibility for maintaining a sound and effective system of internal control and for reviewing its effectiveness, particularly in respect of the controls on financial, operational, compliance and risk management, to achieve the Company's business strategies and the Group's business operations. The Directors have adopted an internal control policy for the Group. The internal control is fundamental to the successful operation and day-to-day running of a business and its assists the Company in achieving its business objectives. The policy has been developed with a primary objective of providing general guidance and recommendations on a basic framework of internal control and risk management. The Company's internal control system comprises a well established organizational structure and policies and standards. Procedures have been designed to safeguard assets against unauthorized use or disposition, to ensure maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and to ensure compliance with applicable laws and regulations. The purpose of the Company's internal control is to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks or failure in operational systems and achievement of the Company's objective.

The Directors have conducted an annual review of the effectiveness of the system or internal control of the Group, covering all material controls, including financial, operational and compliance controls and risk management functions.

COMMUNICATION WITH SHAREHOLDERS

The Board makes its endeavour to maintain an ongoing and transparent communication with all shareholders and, in particular, use general meetings to communicate with shareholders and encourage their participation. The Company also uses various other means of communication with its shareholders, such as publication of annual and interim reports, announcements, circulars and additional information on the Group's business activities and development on the Company's website: www.quaypoint.com.hk. Details of the poll vote procedures, which comply with the Listing Rules and the Articles of Association of the Company, have been included in the Company's circulars sent to the Shareholders and in the proceedings of the Company's general meetings. During the year under review, all resolutions put forward at the annual general meeting and the special general meetings has been conducted by way of poll and poll results were published in the newspapers and/or posted on the websites of the Company and the Hong Kong Stock Exchange in compliance with the requirements of the Listing Rules.

REPORT OF DIRECTORS

The directors of the Company present their report and the audited consolidated financial statements of the Group for the year ended 30 June 2008.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (the "**Group**") are engaged in (i) the design, supply and integration of automation and control system, (ii) trading of automation products, electronic components and natural resources such as iron ore, iron sand, coal and other natural mineral products, (iii) property investment, (iv) investment in listed securities and (v) joint-venture investment in the provision of technical services and export services for natural resources. Details of the principal subsidiaries are set out in note 43 to the consolidated financial statements.

An analysis of the Group's turnover by business segments and geographical segments for the year ended 30 June 2008 is set out in note 8 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The Group's results for the year ended 30 June 2008 and the state of affairs of the Group at that date are set out in the annual report on pages 25 to 86. The directors of the Company do not recommend the payment of any dividend in respect of the year.

FIVE YEARS FINANCIAL SUMMARY

A summary of the published results, assets and liabilities, and minority interests of the Group for the last five financial years, as extracted from the audited consolidated financial statements is set out on page 2 of the annual report. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND PREPAID LEASE PAYMENTS

Details of movements in the property, plant and equipment, investment properties and prepaid lease payments of the Group during the year are set out in notes 16 to 18 to the consolidated financial statements.

ORDINARY SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's ordinary share capital and share options are set out in notes 30 and 35 to the consolidated financial statements.

REDEEMABLE CONVERTIBLE PREFERENCE SHARES

Details of the redeemable convertible preference shares issued by the Company during the year are set out in note 31 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association and the laws of the Cayman Islands which would oblige the Company to offer new shares of the Company on a pro rata basis to existing shareholders.

REPORT OF DIRECTORS

PURCHASE, SALE OR REDEMPTION OF SHARES

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

RESERVES

Details of movement in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 28 of the annual report.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers during the year is as follows:

	Percentage of the Group's total	
	Sales	**Purchases**
The largest customer	22.79%	–
Five largest customers in aggregate	69.14%	–
The largest supplier	–	34.47%
Five largest suppliers in aggregate	–	85.52%

At no time during the year have the Directors, their associates or any shareholders of the Company (which, to the best knowledge of the Directors, owe more than 5% of the Company's share capital) had any beneficial interest in the major customers and suppliers noted above.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive Directors

CHEN Xian	*(Appointed on 12 October 2007 as executive director and and re-designated on 30 November 2007)*
LAU Sai Chung	(Re-designated on 30 November 2007)
XIA Dan	*(Appointed on 21 August 2007 as non-executive director and re-designated on 12 October 2007)*
TSIM Sze Hon	*(Appointed on 1 December 2007)*
CHAN Siu Chu Debby	*(Retired on 30 November 2007)*
SIEK Fui	*(Retired on 30 November 2007)*
SZE Kwan	*(Resigned on 1 September 2007)*

REPORT OF DIRECTORS

Non-executive Director

Gerard J. McMAHON

Independent Non-executive Directors

NG Kwok Chu, Winfield
POON Lai Yin, Michael
CHONG Yiu Chik *(Appointed on 1 March 2008)*

In accordance with Articles 87(2), Mr. Lau Sai Chung and Mr. Poon Lai Yin Michael will retire from office by rotation at the AGM, being eligible, offers himself for re-election at the AGM. Mr. Gerard McMahon and Mr. Ng Kwok Chu Winfield will not offer himself for re-election at the AGM.

In accordance with Article 86(3), Mr. Tsim Sze Hon, Mr. Chong Yiu Chik who was appointed after the annual general meeting of the Company held on 30 November 2007 shall hold office until the AGM and shall be eligible for re-election at the forthcoming AGM.

BIOGRAPHIES OF DIRECTORS

Biographical details of the directors of the Company are set out on pages 8 and 9 of the annual report.

DIRECTORS' SERVICE CONTRACTS

No director of the Company proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No director of the Company had a significant beneficial interest, either direct or indirect, in any contract of significance to the business of the Group to which the Company or any its subsidiaries was a party at any time during the year ended 30 June 2008.

DIRECTORS' INTERESTS IN SHARES OF THE COMPANY

Directors' Interest

As at 30 June 2008, the interests and short positions of the Directors or the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of the Part XV of the SFO) (1) which are 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 they were taken or deemed to have under such provisions of the SFO); or (2) which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (3) which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange, were as follows:

	Capacity and number of Shares held		Capacity and Number of options held		
Name of Director	**Personal Interest**	**Corporate Interest**	**Personal Interest**	**Total**	**Approximate percentage of shareholding**
Xia Dan *(note)*	–	79,500,000	–	79,500,000	18.55%
Lau Sai Chung	148,000	–	–	148,000	0.03%
Gerard McMahon	–	–	3,000,000	3,000,000	0.70%

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.

Save as disclosed above, none of the Directors nor their associates had any interest or short position in any shares of the Company as at 30 June 2008.

Substantial Shareholders

As at 30 June 2008, so far as was known to the Directors, the following persons (other than the Directors or the chief executive of the Company) has interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of division 2 and 3 of Part XV of the SFO, or which were recorded in the register of substantial shareholder required to be kept by the Company under section 336 of the SFO.

(i) Long position in ordinary shares

Substantial Shareholder	**Capacity and nature of interest**	**Number of shares held**	**Percentage of total issued shares**
Mega Edge International Limited *(note)*	Registered Shareholder	79,500,000	18.55%
Chak Joaquim Emilio Kin Man	Registered Shareholder	96,824,000	22.59%

Note: Mega Edge International Limited, which is 100% owned by Ms. Xia Dan.

(ii) Long position in underlying shares

Name	Capacity and nature of interest	Number of underlying shares	Approximate percentage of total issued ordinary shares
Weina (BVI) Limited ("Weina") *(note 1 & 2)*	Beneficial owner	460,000,000	107.30%
Weina Group Limited ("Weina Group") *(note 3)*	Interest of a controlled corporation	460,000,000	107.30%
Mr. Tsim Wing Kong ("Mr. Tsim") *(note 3)*	Interest of a controlled corporation	460,000,000	107.30%

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 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 Tze Hon, the Director of the Company.

Save as disclosed above, no person had registered interest in the share capital of the Company that was required to be disclosed under Division 2 and 3 of the Part XV of the SFO and the Listing Rules.

Save for the shareholders as disclosed herein, the Directors are not aware of any persons, who, as at 30 June 2008, were entitled to exercise or control the exercise of 5% or more of the voting power at the general meeting of the Company and were also, a practicable matter, able to direct or influence the management of the Company.

SHARE OPTION SCHEME

A new share option scheme was adopted on 20 January 2003. The purpose of the scheme is to provide incentive and to recognize the contribution of the eligible participants, including directors and employees of the Group, to the growth of the Group and to provide flexibility to the Group in terms of remunerating the participants.

Particulars of the movement of the options held by each of the Directors, the employees of the Company in aggregate granted under the Share Option Scheme during the year ended 30 June 2008, were as follows:

Category of participants	Date of Grant	Exercise Period	Exercise price per share HK$	Number of share options: Held at 1 July 2007	Granted during the year	Exercised during the year	Lapsed during the year	Held at 30 June 2008
Existing Directors								
Lau Sai Chung	6 July 2007	6 July 2007 – 5 July 2008	1.14	–	148,000	148,000	–	–
Tsim Sze Hon	6 July 2007	6 July 2007 – 5 July 2008	1.14	–	1,500,000	1,500,000	–	–
Gerard Joseph McMahon	6 July 2007	6 July 2007 – 5 July 2008	1.14	–	1,500,000	–	–	1,500,000
	31 January 2008	31 January 2008 – 30 January 2011	0.74	–	1,500,000	–	–	1,500,000
Poon Lai Yin, Michael	6 July 2007	6 July 2007 – 5 July 2008	1.14	–	148,000	148,000	–	–
Ng Kwok Chu, Winfield	6 July 2007	6 July 2007 – 5 July 2008	1.14	–	148,000	148,000	–	–
Directors resigned/retired during the year								
Chan Siu Chu, Debby	6 July 2007	6 July 2007 – 5 July 2008	1.14	–	1,500,000	1,500,000	–	–
Siek Fui	6 July 2007	6 July 2007 – 5 July 2008	1.14	–	148,000	148,000	–	–
Sze Kwan	6 July 2007	6 July 2007 – 5 July 2008	1.14	–	148,000	148,000	–	–
Employees	6 July 2007	6 July 2007 – 5 July 2008	1.14	–	5,988,000	4,940,000	–	1,048,000
Total				–	12,728,000	8,680,000	–	4,048,000

On 6 July 2007, the Company granted 11,228,000 share options (all at subscription price of HK$1.14 per share) to Directors and selected employees of the Company and its affiliates.

In addition, on 31 January 2008, the Company granted 1,500,000 share options to a Director at a subscription price of HK$0.74.

The fair value of the share options granted during the year is set out in note 35 to the consolidated financial statement. No options was lapsed or cancelled during the year.

REPORT OF DIRECTORS

DIRECTORS' INTERESTS IN COMPETING BUSINESS

No director of the Company has interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Listing Rules, during the year and up to the date of this report.

CORPORATE GOVERNANCE

In the opinion of the directors of the Company, the Company has complied throughout the year ended 30 June 2008 with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules, save as the deviations disclosed in the Corporate Governance Report as set out in pages 10 to 15.

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge or its Directors as at the date of this report, the Company has maintained sufficient public float as required under the Listing Rules.

AUDITORS

Grant Thornton was auditors of the Company and resigned as auditors of the Company on 12 August 2008.

SHINEWING (HK) CPA Limited ("SHINEWING") was appointed as auditors of the Company on 8 September 2008 and the consolidated financial statements for the year ended 30 June 2008 was audited by SHINEWING. A resolution for the re-appointment of SHINEWING as auditors of the Company will be proposed at the forthcoming annual general meeting of the Company.

On Behalf of the Board

CHEN Xian
Chairman

Hong Kong, 21 October 2008

INDEPENDENT AUDITOR'S REPORT

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

TO THE SHAREHOLDERS OF
THE QUAYPOINT CORPORATION LIMITED
紀翰集團有限公司
(incorporated in the Cayman Islands with limited liability)

We were engaged to audit the consolidated financial statements of The Quaypoint Corporation Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 25 to 86, which comprise the consolidated balance sheet as at 30 June 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibilities for the consolidated financial statements

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

Auditor's responsibility

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

Except for the limitation in the scope of our work as explained below, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement. However, because of the matters described in the basis for disclaimer of opinion paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

INDEPENDENT AUDITOR'S REPORT

Fundamental uncertainties relating to the going concern basis

As explained in note 2 to the consolidated financial statements, which indicates that the Group incurred a consolidated loss attributable to equity holders of the Company of approximately RMB112,622,000 for the year ended 30 June 2008 and had a consolidated net current liabilities of approximately RMB169,629,000 as at 30 June 2008, the consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent on the successful outcome of the Group's current negotiations with its bank creditors and obtain new working capital in order for the Group to meet its financial obligation as they fall due and to finance its future working capital and financial requirements.

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

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

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

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

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

Hong Kong
21 October 2008

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2008

	Notes	2008 RMB'000	2007 RMB'000
Turnover	7	**152,826**	145,059
Cost of sales		**(129,115)**	(132,344)
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		**–**	(104)
(Loss) profit before tax	11	**(112,355)**	7,866
Income tax	14	**(267)**	(2)
(Loss) profit for the year, attributable to the equity holders of the Company		**(112,622)**	7,864
(Loss) earnings per share			
– basic	15	**RMB(26.41) cents**	RMB2.25 cents
– diluted	15	**N/A**	RMB2.22 cents

CONSOLIDATED BALANCE SHEET

At 30 June 2008

	Notes	2008 RMB'000	2007 RMB'000
Non-current assets			
Property, plant and equipment	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
		213,024	198,554
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
		66,376	130,848
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**	–
		236,005	212,283
Net current liabilities		**(169,629)**	(81,435)
Total assets less current liabilities		**43,395**	117,119

CONSOLIDATED BALANCE SHEET

At 30 June 2008

	Notes	2008 RMB'000	2007 RMB'000
Capital and reserves			
Ordinary share capital	30	**43,987**	37,100
Convertible redeemable preference shares	31	**184,653**	184,653
Reserves		**(197,805)**	(104,634)
Total equity		**30,835**	117,119
Non-current liabilities			
Bank borrowings – due after one year	29	**12,560**	–
		43,395	117,119

The consolidated financial statements on pages 25 to 86 were approved and authorised for issue by the Board of Directors on 21 October 2008 and are signed on its behalf by:

CHEN XIAN	**LAU SAI CHUNG**
Director	*Director*

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 (note (a))	**Share option reserve** RMB'000	**Translation reserve** RMB'000	**General reserve** RMB'000 (note (b))	**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 (note 35)	–	–	–	–	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	43,987	28,952	184,653	13,841	1,094	(4,981)	5,309	(242,020)	30,835	–	30,835

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

	Note	2008 RMB'000	2007 RMB'000
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)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2008

	Note	2008 RMB'000	2007 RMB'000
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		**(20,330)**	(53,122)
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		**13,680**	62,003
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(28,530)**	(46,479)
EFFECT ON FOREIGN EXCHANGE RATE CHANGES		**(2,655)**	(4,834)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**45,452**	96,765
CASH AND CASH EQUIVALENTS AT END OF YEAR		**14,267**	45,452
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
		14,267	45,452

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.

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

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 intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Goodwill *(Continued)*

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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Operating lease charges *(Continued)*

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).

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Available-for-sale securities (Continued)

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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment loss on financial assets (Continued)

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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

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 contact 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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

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.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(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.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Interest rate risk *(Continued)*

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 short-term bank loans with the banks.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

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 RMB'000	Within the second year RMB'000	Within the third year RMB'000	Within the fourth year RMB'000	Within or after the fifth year RMB'000	Total undiscounted cash flow RMB'000	Carrying amounts 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**
	196,509	**1,358**	**1,442**	**1,530**	**9,662**	**210,501**	**209,069**
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
	183,412	–	–	–	–	183,412	183,412

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

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 RMB'000	2007 RMB'000
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)	57,715	121,556
	58,135	126,766
Financial liabilities		
Financial liabilities stated at amortised cost	209,069	183,412

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

Note:

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

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

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.

8. SEGMENT INFORMATION *(Continued)*

Primary reporting format – Business segments

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

8. SEGMENT INFORMATION *(Continued)*

Primary reporting format – Business segments *(Continued)*

	For the year ended 30 June 2007				
	Technology RMB'000	Trading RMB'000	Property investment RMB'000	Unallocated RMB'000	Consolidated RMB'000
Turnover	32,647	111,126	1,286	–	145,059
Segment results	699	(17,274)	39,035	(4,329)	18,131
Finance costs					(10,161)
Share of losses of associates					(104)
Profit before tax					7,866
Income tax					(2)
Profit for the year					7,864
Other information:					
Increase in fair value of investment properties	–	–	37,964	–	37,964
Gain (loss) on disposal of property, plant and equipment	18	54	–	(13)	59
Gain on disposal of subsidiaries	–	–	–	3,801	3,801
Depreciation of property, plant and equipment	510	769	–	110	1,389
Amortisation of prepaid lease payments	–	–	41	–	41
Capital expenditure	15,027	184	11,605	376	27,192

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

8. SEGMENT INFORMATION *(Continued)*

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 **RMB'000**	2007 RMB'000
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 (note 33)	**–**	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 (note 34)	**–**	3,801
Waiver of loan	**–**	905
Others	**250**	150
	11,444	47,308

10. FINANCE COSTS

	2008 **RMB'000**	2007 RMB'000
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**	–
	12,219	10,161

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 (note 35)	**2,913**	–
	17,038	11,115
Included in research and development expenditures	**–**	(820)
	17,038	10,295
Auditors' remuneration	**702**	660
Amortisation of prepaid lease payments	**109**	41
Cost of inventories	**129,115**	132,344
Depreciation of property, plant and equipment	**1,355**	1,389
Impairment loss on amount due from an associate	**–**	530
Written off of property, plant and equipment	**130**	–
Operating lease rentals of premises	**1,053**	1,915
Impairment loss on prepayments, deposits and other receivables	**1,108**	–
Net foreign exchange losses	**369**	153
Research and development expenditures	**–**	1,792
Unrealised loss on listed securities (financial assets at fair value through profit or loss)	**765**	831

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 RMB'000	Salaries, allowances and benefits in kind RMB'000	Share-based payment RMB'000	Contributions to defined contribution plan RMB'000	Total 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 director					
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
	748	2,590	1,861	15	5,214

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

12. DIRECTORS' REMUNERATION *(Continued)*

For the year ended 30 June 2007

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Share-based payment RMB'000	Contributions to defined contribution plan RMB'000	Total 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
	970	1,726	–	41	2,737

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 **RMB'000**	2007 RMB'000
Salaries and other emoluments	**1,269**	1,562
Contributions to defined contribution plan	**7**	11
	1,276	1,573

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	**–**	1

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

14. INCOME TAX *(Continued)*

(a) Income tax charge in the consolidated income statement *(Continued)*

(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.

14. INCOME TAX *(Continued)*

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

	2008 RMB'000	2007 RMB'000
(Loss) profit before tax	(112,355)	7,866
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	(676)	(5,757)
Income tax charge	267	2

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	Buildings in the PRC under medium-term leases	Leasehold improvements	Equipment	Furniture	Motor vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	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.

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

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 seizured 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)
At end of the year	**175,768**	166,693

* 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
	175,768	166,693

17. INVESTMENT PROPERTIES *(Continued)*

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 seizured 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)
At 30 June 2007 and 1 July 2007	–	285	285
Transfer from investment properties (note 17)	18,207	–	18,207
At 30 June 2008	**18,207**	**285**	**18,492**
ACCUMULATED AMORTISATION			
At 1 July 2006	–	41	41
Amortisation for the year	–	41	41
Transfer to investment properties (note 17)	–	(70)	(70)
At 30 June 2007 and 1 July 2007	–	12	12
Amortisation for the year	103	6	109
Exchange difference	(6)	–	(6)
At 30 June 2008	**97**	**18**	**115**
NET CARRYING VALUES			
At 30 June 2008	**18,110**	**267**	**18,377**
At 30 June 2007	–	273	273

18. PREPAID LEASE PAYMENTS *(Continued)*

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	2007
	RMB'000	RMB'000
Current assets	**391**	6
Non-current assets	**17,986**	267
	18,377	273

19. INTERESTS IN ASSOCIATES

	2008	2007
	RMB'000	RMB'000
Share of net assets	**–**	–
Amount due from an associate	**–**	10,726
	–	10,726

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.

19. INTERESTS IN ASSOCIATES *(Continued)*

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

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

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

19. INTERESTS IN ASSOCIATES *(Continued)*

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

20. AVAILABLE-FOR-SALE SECURITIES

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

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 entired 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)	–
	24,139	58,168

Customers are normally required to settle the debts within one to two months upon issue of invoices, except for certain well established customers where the terms are extended to two to three months. However, for provision of project and technical service, the customers are required to pay by instalments in accordance with the relevant contracts with the last instalment being made within 9 months upon generation of electricity.

In the review of the recoverability of trade receivables at each balance sheet date, the directors made their judgement based on factors such as the age of the amount due and the extent of settlements received subsequent to the balance sheet date.

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

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

22. TRADE RECEIVABLES *(Continued)*

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

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

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

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

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

22. TRADE RECEIVABLES *(Continued)*

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	2007
	’000	’000
United States dollars	**2,215**	3,767

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

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

24. HELD-TO-MATURITY SECURITIES

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

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

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	2007
	RMB'000	RMB'000
Equity securities listed in Hong Kong at fair value	**420**	1,210

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 (note (a))	1,017	–
Time deposits, pledged (note (a))	11,272	12,099
	12,289	12,099

	2008 RMB'000	2007 RMB'000
Cash and bank balances		
Time deposits, unpledged (note (b))	–	38,428
Cash at bank and on hand (note (c))	14,422	7,024
	14,422	45,452

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 '000	2007 '000
United States dollars	US$1,566	US$934
Hong Kong dollars	HK$12	HK$3
Rupiah Indonesian Rupiah	IDR20,320	Nil

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

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 **'000**	2007 '000
United States dollars	**US$1,795**	US$2,887

28. PROVISION FOR CLAIMS

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

28. PROVISION FOR CLAIMS *(Continued)*

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
	RMB'000	RMB'000
Bank loans, secured	**44,223**	51,286
Overdue bank loan, unsecured	**80,734**	88,234
	124,957	139,520

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	2007
	RMB'000	RMB'000
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**	–
	124,957	139,520
Less: Amount due within one year shown under current liabilities	**(112,397)**	(139,520)
Amount due after one year	**12,560**	–

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

29. BANK OVERDRAFT AND BANK BORROWINGS *(Continued)*

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	2007
	'000	'000
Hong Kong dollars	**36,812**	40,926

30. ORDINARY SHARE CAPITAL

	No. of shares '000	HK$'000	Equivalent to RMB'000
Authorised:			
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 (note (a))	2,000,000	200,000	175,070
At 30 June 2008	**3,000,000**	**300,000**	**281,070**
Issued and fully paid:			
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 (note (b))	70,000	7,000	6,127
Issue of shares upon exercise of share options (note (c))	8,680	868	760
At 30 June 2008	**428,680**	**42,868**	**43,987**

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 Number of shares '000	**2008** Amount RMB'000	2007 Number of shares '000	2007 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	**460,000**	**184,653**	460,000	184,653
Represented by:				
Convertible redeemable preference shares (note (a))	**350,000**	**142,406**	350,000	142,406
Convertible redeemable preference A shares (note (b))	**110,000**	**42,247**	110,000	42,247
	460,000	**184,653**	460,000	184,653

(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.

31. CONVERTIBLE REDEEMABLE PREFERENCE SHARES *(Continued)*

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

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:

	RMB'000
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	(9,602)
Net assets acquired	2,468
Total purchase consideration, net of shareholder's loan acquired	1,130
Excess of fair value of identified net assets acquired over purchase consideration recognised in consolidated income statement (note 9)	1,338
Cash and cash equivalents of the subsidiary acquired	525
Net cash inflow from acquisition of the subsidiary	525

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

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

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:

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

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.

34. DISPOSAL OF SUBSIDIARIES AND ASSOCIATES *(Continued)*

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:

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

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.

35. SHARE OPTIONS *(Continued)*

Category of participant	Date of grant of share options	Number of share options: At 1 July 2006 and 30 June 2007 '000	Granted during the year '000	Exercise during the year '000	At 30 June 2008 '000	Exercise period	Exercise price of share option HK$
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.

37. OPERATING LEASE COMMITMENTS *(Continued)*

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
	RMB'000	RMB'000
Within one year	**7,475**	8,389
Between two and five years	**3,339**	6,442
	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
	RMB'000	RMB'000
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

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 Directly	Indirectly	Principal activities
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 RMB'000	2007 RMB'000
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
	10,529	171,365
Current liabilities		
Accruals	273	636
Amounts due to subsidiaries	7,267	17,400
	7,540	18,036
Net current assets	2,989	153,329
Net assets	4,119	222,098
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	4,119	222,098

45. COMPARATIVE FIGURES

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

SCHEDULE OF THE PROPERTIES HELD AS INVESTMENT PROPERTIES/PROPERTIES FOR OWN USE

At 30 June 2008

A. PROPERTIES IN PRC

Location	Usage	Area	Lease term	Group's interest
Land Parcel No. T205-0035 located at Hi-tech Industrial Park, Nanshan District, Shenzhen City, Guangdong Province,The PRC	Office premises and car parking spaces	Site area – approximately 8,159 sq. m. Gross floor area – approximately 17,500 sq. m.	Medium	100%

B. PROPERTIES IN HONG KONG

Location	Usage	Approximate saleable area	Lease term	Group's interest
Suite 1501, 15th Floor, Tower 1, Silvercord, 30 Canton Road, Tsimshatsui, Kowloon.	Office premises – Own use	2,605 sq. ft.	–	100%
Unit 302,3/F., Lippo Sun Plaza, No. 28 Canton Road, Kowloon.	Office premises	79.06 sq. m.	Medium	100%
Unit 702,7/F., Lippo Sun Plaza, No. 28 Canton Road, Kowloon.	Office premises	79.06 sq. m.	Medium	100%
Unit 520,5/F., East Ocean Centre, 98 Granville Road, Kowloon.	Office premises	53.51 sq. m.	Medium	100%
Units 708 & 709,7/F., East Ocean Centre, 98 Granville Road, Kowloon.	Office premises	107.02 sq. m.	Medium	100%
Unit 711,7/F., East Ocean Centre, 98 Granville Road, Kowloon.	Office premises	53.51 sq. m.	Medium	100%
Unit 713,7/F., East Ocean Centre, 98 Granville Road, Kowloon.	Office premises	53.51 sq. m.	Medium	100%