eCyberChina Holdings Limited

光訊控股集團有限公司

(incorporated in Hong Kong with limited liability) (Stock Code: 254)

2007 Annual Report

Contents

Corporate Information

BOARD OF DIRECTORS

HO Chi Wing – *Chairman*
LU Liang
NG Yan
TAO Wei Ming
LEE Tsung Hei, David Chris – *Chief Executive Officer (resigned on 14 August 2007)*
CHAN Sing Fai *(appointed on 21 August 2007)*
CHENG Kwong Choi, Alexander*
CHENG Sheung Hing*
LAW Tai Yan* – *Chairman of Audit Committee*

* *Independent Non-executive Directors and Audit Committee*

COMPANY SECRETARY

LO Kin Chung

REGISTERED OFFICE

Unit 2508, 25th Floor
Harbour Centre
No. 25 Harbour Road
Wanchai, Hong Kong

WEBSITE

http://www.ecyberchina.com

SOLICITORS

Angela Ho & Associates
Liu Chan and Lam

AUDITORS

Patrick Ng & Company

PRINCIPAL BANKERS

Jian Sing Bank Limited
Wing Lung Bank Limited
Bank of China (Hong Kong) Limited

SHARE REGISTRARS

Tricor Abacus Limited
26/F., Tesbury Centre
28 Queen's Road East
Hong Kong

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT an annual general meeting (the "Meeting") of eCyberChina Holdings Limited (the "Company") will be held at Plaza I – III, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Friday, 23 November 2007 at 10:00 a.m. for the following purposes:-

To receive and consider the audited consolidated financial statements of the Company and its subsidiaries and the reports of the directors (the "Directors") and independent auditors of the Company for the year ended 30 June 2007.

By Order of the Board
LO Kin Chung
Company Secretary

Hong Kong, 26 October 2007

Registered office:
Unit 2508, 25th Floor
Harbour Centre
No. 25 Harbour Road
Wanchai, Hong Kong

Notes:

(1) A member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.

(2) In order to be valid, the proxy form completed in accordance with the instructions set out therein, together with the power of attorney or other authority, if any, under which it is signed (or a notarially certified copy of that power or authority), must be deposited at the registered office of the Company situated at Unit 2508, 25th Floor, Harbour Centre, No. 25 Harbour Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for the Meeting or any adjournment thereof.

(3) This form of proxy must be signed by you or your attorney duly authorised in writing or, in the case of a corporation, must be under its seal or under the hand of an officer or attorney duly authorised.

(4) In the case of joint holders, the vote of the sender who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose, seniority will be determined by the order in which the names stand in the register in respect of the joint holding.

(5) The proxy need not be a member of the Company but must attend the Meeting and at any adjournment thereof in person to represent you.

Chairman's Statement

On behalf of the board of directors (the "Board"), I am pleased to present to the shareholders the annual report of eCyberChina Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 30 June 2007.

RESULTS

During the year under review, the Group's turnover was HK$11 million, representing a decrease of 75% compared to the turnover of last year of HK$43.3 million. However, loss attributable to the shareholders was improved and reduced to HK$11.9 million (2006: loss of HK$24 million).

DIVIDEND

The Board resolved not to declare any dividend for the year ended 30 June 2007. (2006: Nil).

BUSINESS REVIEW

During the past year, our management has put its best efforts in exploring new opportunities in property investment and property related business which will generate steady income to the Group.

The Company signed a sale and purchase agreement in March 2007 acquiring a shopping arcade in Inner Mongolia. The transaction was completed on 30 June 2007. The guaranteed revenue and profit generated from this shopping arcade will be reflected in the financial year 2007/08.

Resumption of Trading

The trading of Company stocks on the Stock Exchange of Hong Kong Limited (the "HKEX") was resumed on 5 October 2007 and an announcement was made on the same day. I would like to express my appreciation to the professional lawyers, financial advisors, accountants and underwriters for the valuable services they provided to fulfill the conditions set by the Listing Appeal Committee.

Chairman's Statement

FUTURE PROSPECT

The Company has successfully and completely raised HK$100 million, and fulfilled one of the conditions set by the Listing Appeal Committee. The management intends to apply the net proceeds (i) HK$45 million for the balance payment of Inner Mongolia properties; (ii) HK$14 million for the debt repayment; and (iii) HK$41 million as general working capital of the Group which includes HK$27 million to support the costs of the property development projects in PRC.

The Company is of the view that the PRC will remain to be the fastest growing economic region in the world within the next few decades. More and more business opportunities relevant to the Company's existing operation and investment are envisaged. Given the rising average personal income in PRC, the Board expects that the demand for good quality dwellings will rise rapidly in the next several years. The Company will focus its resources and look for business partners in developing residential housing projects in PRC. The management expects that following this direction, it will bring greater revenue and profits to the Company for the coming few years.

APPRECIATION

I would to take this opportunity to express my sincerest thanks and appreciation to our staff for their loyalty and support to the Group during the past year and for their hard work which resulted in the successful resumption of the trading of the Company stock on the Stock Exchange.

On behalf of the Board

Ho Chi Wing
Chairman

Hong Kong, 26 October 2007

Management Discussion and Analysis

BUSINESS REVIEW

During the year under review, the Group was mainly engaged in property investment.

TURNOVER

The total revenue for the year was approximately HK$11 million, 100% contributed from the property segment.

NET LOSS

The Group's net loss for the year was approximately HK$11.9 million (2006: HK$24 million).

EXPENSES

Administrative and other operating expenses amounted to approximately HK$11.9 million (2006: HK$14 million).

Total finance costs amounted to approximately HK$5 million (2006: HK$10 million).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2007, the Group had current assets amounted to approximately HK$16.8 million and current liabilities amounted to approximately HK$21.6 million. The gearing ratio, which was computed on the basis of the aggregate borrowings divided by the amount of total assets, was 100% (2006: 48%). This situation has been improved when the Group successfully raised funds of approximately HK$100 million from the issue of new shares under an open offer in early October 2007.

As at 30 June 2007, the Group had short-term loan amounted to approximately HK$17 million (2006: HK$1.5 million) and long-term borrowings amounted to approximately HK$13.4 million (2006: HK$21.4 million). The loans were charged with interests at prevailing commercial lending rates.

CHARGE ON GROUP ASSETS

As at 30 June 2007, the Group had pledged the shares of one subsidiary and the interest of an investment property to be acquired for the purpose of obtaining an interest bearing loan.

WORKING CAPITAL

The Company had successfully raised capital of HK$100 million in October 2007. The funds are sufficient for the Group's development projects and to meet its working capital requirements.

STAFF POLICY

There was no change on the staff policy during the year under review. A comprehensive and competitive remuneration retirement scheme and benefits package has been provided to its employees. Discretionary bonus is offered to the Group's staff depending on their performance. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contribution. The Group has adopted a provident fund scheme, as required under the Mandatory Provident Fund Schemes Ordinance, for its employees in Hong Kong.

Directors' Report

The Directors are pleased to present the annual report and the audited financial statements of the Group for the year ended 30 June 2007.

PRINCIPAL ACTIVITIES OF THE GROUP'S SUBSIDIARIES

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 38 to the financial statements.

RESULTS

The results of the Group for the year ended 30 June 2007 are set out in the consolidated income statement on page 20.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 72.

PROPERTY, PLANT AND EQUIPMENT

Movements in the property, plant and equipment of the Group during the year are set out in note 16 to the financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 29 to the financial statements.

DIRECTORS

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

Executive Directors

Mr. Lu Liang
Mr. Ng Yan
Mr. Tao Wei Ming
Mr. Ho Chi Wing *(Chairman)*
Mr. Lee Tsung Hei, David Chris *(resigned on 14 August 2007)*
Mr. Chan Sing Fai *(appointed on 21 August 2007)*

Independent Non-Executive Directors

Mr. Cheng Sheung Hing
Mr. Cheng Kwong Choi, Alexander
Mr. Law Tai Yan

Directors' Report

DIRECTORS (cont'd)

In accordance with Articles 94 and 102 (A) of the Company's Articles of Association, Messrs. Lu Liang, Ng Yan, Ho Chi Wing, Chan Sing Fai, Tao Wei Ming, Cheng Sheung Hing and Cheng Kwong Choi, Alexander and Law Tai Yan shall retire at the 2007 annual general meeting held on Friday, 23 November 2007 (AGM) and shall be re-elected as directors of the Company at the AGM.

The terms of office of the independent non-executive directors are subject to retirement by rotation in accordance with the Company's Articles of Association.

Except Mr. Ho Chi Wing and Chan Sing Fai, other directors had no service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

SHARE OPTIONS

Under the Company's share options schemes, details of which are set out in note 31 to the financial statements, a director of the Company has personal interests in share options to subscribe for the shares of the Company and details of movements during the year are as follows:

				Number of options			
Participants	**Exercise price** HK$	**Exercisable period**	**Date of grant**	**Outstanding at 1 July 2005**	**Outstanding at 30 June 2006 and 1 July 2006**	**Cancelled during the year**	**Outstanding at 30 June 2007**
Directors	0.202	24 May 2002 to 23 May 2012	24 May 2002	25,835,000	25,835,000	(25,835,000)	–
				25,835,000	25,835,000	(25,835,000)	–

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed under section "Share Options", at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' Report

DIRECTORS' INTERESTS IN SHARES

Save as disclosed under section "Share Options", none of the directors, chief executives nor their associates, had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporation as at 30 June 2007.

SUBSTANTIAL SHAREHOLDERS

As at the latest practicable date, according to the disclosure of interest section in the website of HKEx. The register of substantial shareholders maintained by the Company under Part XV of the Securities and Futures Ordinance showed that the following persons had an interest of 5% or more in the Company's issued share capital:

		Number of ordinary shares of the Company held		
Name of shareholder	*Notes*	**Direct interest**	**Deemed interest**	**Percentage of shareholding**
Lau Chi Yuen, Joseph	*1*	262,536,900	–	29.53%
Win Today Limited	*1*	100,000,000	–	11.25%
Big Good Management Limited	*1*	88,800,000	–	9.99%

Notes:

1. The shareholders record filed in the disclosure of interest section in the website of HKEx on 4 October 2007.

Remarks:

Reference is made to the announcement of the Company dated 2 October 2007 in relation to the clarification of shareholding structure of the Company. The Company would like to further state that the shareholder of:

(1) Ambang and Angkasa are wholly-owned subsidiaries of Amsteel which is deemed to be interested in those shares of the Company beneficially owned by Ambang and Angkasa respectively. The shareholding figure related to that applied before Capital Reorganization. The Company did not receive the statement of interest or any related information of the shareholding or the updated information from the disclosure of interest section in the website of HKEx after Capital Reorganization up till now.

(2) Global Treasure Investments Limited, which is directly interested in the Company's shares, is a wholly owned subsidiary of KGI Limited. KGI International Holdings Limited is a controlling shareholder of KGI Limited. KG Investments Holdings Limited is a controlling shareholder of KGI International Holdings Limited. KG Investments Holdings Limited is a wholly owned subsidiary of Richpoint Company Limited. Richpoint Company Limited is a wholly owned subsidiary of KGI Securities Co Ltd. KGI Securities Co Ltd is indirectly interested in the Company's shares who have submitted to the Company the latest statement of interest after Capital Reorganization and filed to the disclosure of interest section in the website of HKEx on 9 October 2007.

Save as disclosed above, the Company has not been notified of any other interests representing 5% or more of the issued share capital of the Company at 30 June 2007.

Directors' Report

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

At 30 June 2007, none of the Directors had any interests in competing business of the Group which was required to be disclosed pursuant to Rule 8.10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

There was no purchase, sale or redemption by the Company or its subsidiaries, of the Company's listed securities during the year ended 30 June 2007.

AUDITORS

The Company's financial statements for the year ended 30 June 2007 were audited by Patrick Ng & Company who retire and offer themselves for re-appointment in the name of NCN CPA Limited which was incorporated to carry on the office of Patrick Ng & Company.

On behalf of the Board

Ho Chi Wing
Chairman

Hong Kong, 26 October 2007

Biographical Details of Directors

EXECUTIVE DIRECTORS

HO Chi Wing, aged 61, is the Chairman of the Company and is holding a master degree in Business Administration. Mr. Ho has over 35 years of extensive working experiences major in finance, internal control and management, and his last 22 years up to December 2001 were with PCCW. During this period of time, he had taken up several key positions in its subsidiaries and was responsible for the finance, human resources and administration functions. He was appointed a Director on 16 February 2005.

LU Liang, aged 45, was appointed a Director on 11 June 2002. Mr. Lu attained a Bachelor of Science in Computer Science from the Harbin University of Science and Technology and a Master's Degree in Management of Information System from the Harbin Institute of Technology. He had worked in China Great Wall Industry Corporation, an affiliate of China National Space Administration in the PRC. He has over 14 years of extensive experience in an information technology field in the PRC, specialising in development of information technology and telecommunication network. Mr. Lu has participated in property development projects in PRC, including planning and design, construction, sales and marketing, and property management. He has accumulated over more than 10 years valuable experience in property development and management business.

NG Yan, aged 65, was appointed a Director on 20 May 2003. Mr. Ng had been a lecturer in Shanghai Engineering College for 11 years. Since 1990, Mr. Ng has been specialised in import and export business and investment including property development business.

TAO Wei Ming, aged 50, was appointed a Director on 20 May 2003. Mr. Tao has over 9 years of extensive experience in investments in the PRC.

CHAN Sing Fai, (appointed on 21 August 2007) aged 51, has about 26 years experience in property development, management and listed company in Hong Kong. He obtained a BA Degree (major in Economics) in 1979 and a Master Degree in Business Administration in 1981 from the Chinese University of Hong Kong. He has worked in Jones Lang Wooten as an International Partner for over 16 years. He is an Independent non-executive Director of Sino Prosper Holdings Limited (#766) since 2002 and Glory Future Group Limited (#8071) on 2 April 2007.

Biographical Details of Directors

INDEPENDENT NON-EXECUTIVE DIRECTORS

LAW Tai Yan, aged 40, has been appointed as an independent non-executive Director and Chairman of the Audit Committee on 20 April 2005. He has over 17 years relevant experience in accounting and auditing field. He is a fellow member of ACCA and an associate member of ICSA, HKICS and HKICPA.

CHENG Sheung Hing, aged 59, was appointed an independent non-executive Director on 31 December 2003. Mr. Cheng was awarded a Bachelor Degree in Economic by the Beijing Economic College. He specialised in the field of foreign exchange in the PRC for over 11 years and his authorities on economic and foreign exchange was fully recognised when he had been appointed the Head of Inspection of the PRC Foreign Exchange Management Bureau in 1994.

CHENG Kwong Choi, Alexander, aged 60, was appointed as an independent non-executive Director on 31 December 2003. He is the Business Development Manager of New York Life Insurance Worldwide Limited. He had been appointed the Managing Director of Sky Fortune Travel and the Assistant Manager-Japan Project of Hong Kong Tourist Association.

SENIOR MANAGEMENT

Only the executive directors are considered as senior management of the Company.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

Pursuant to the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), an audit committee was established by the Company in 2004 to review and supervise the Group's financial reporting process and internal controls. The current members of the Audit Committee are the three independent non-executive directors, Mr. Cheng Sheung Hing, Mr. Cheng Kwong Choi, Alexander and Mr. Law Tai Yan. The annual results for the year ended 30 June 2007 have been reviewed by the Audit Committee.

MODE CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all Directors of the Company have confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 30 June 2007.

BOARD OF DIRECTORS

The board of directors (the "Board") currently comprises eight directors, including five executive Directors, and three independent non-executive Directors. The Company has three independent non-executive Directors representing more than one-third of the Board. At least one of the independent non-executive Directors has appropriate professional qualifications, or accounting or related financial management expertise. Biographical details of the Directors are set out on pages 11 to 12 of this annual report.

The principal duty of the Board is to ensure that the Company is properly managed in the interest of shareholders. The Board, led by the Chairman, is responsible for the formulation of strategies and policies, including an oversight of the management. Management is responsible for the day-to day operations of the Group under the leadership of the executive Directors.

Corporate Governance Report

BOARD OF DIRECTORS (cont'd)

The attendance of individual members of the Board and other Board Committees meeting during 2007 is set out in the following table:

	Attended/Eligible to Attend		
Directors	Regular Board Meeting(2)	Special Board Meeting(3)	Independent Board Committee Meeting(4)
Executive Directors			
Mr. Ho, Chi Wing *(Chairman)*	7/7	5/5	
Mr. Lee, Tsung Hei David Chris *(Chief Executive Officer)*(1)	0/7	0/5	
Mr. Tao, Wei Ming	3/7	0/5	
Mr. Ng, Yan	4/7	2/5	
Mr. Lu, Liang	7/7	5/5	
Independent Non-Executive Directors			
Mr. Law, Tai Yan		3/5	2/2
Mr. Cheung, Sheung Hing		4/5	2/2
Mr. Cheong, Kwong Choi Alexander		4/5	2/2

Notes:

(1) Appointed as an Executive Director and Chief Executive Officer on 3 April 2006 and resigned on 14 August 2007.

(2) Regular Board Meetings were attended by a majority of the Directors in person.

(3) Special Board Meetings were convened from time to time for the Board to discuss major matters that require the Board's timely attention. Since the Special Board Meetings were concerned with the day-to-day management of the Company which often requires prompt decisions, usually only the executive Directors attended.

(4) The Board established an independent board committee on 18 May 2007 for the purpose of approval the transaction on the proposed open offer and to advise shareholders as to whether the terms of the said transaction are fair and reasonable or arrangement is in the interests of the issuer and its shareholders as a whole and to advise shareholders on how to vote, taking into account the recommendation of the independent financial adviser appointed under rule 13.39(6)(b) of the Listing Rules.

Corporate Governance Report

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The positions of the Chairman (held by Mr. Ho Chi Wing) and the Chief Executive Officer (held by Lee Tsung Hei, David Chris) are held by separate individuals with a view to maintaining an effective segregation of duties in respect of the management of the Board and the day-to-day management of the Group's business.

NON-EXECUTIVE DIRECTORS' TERM OF OFFICE

Code provision A.4.1 of the Code stipulates that non-executive Directors should be appointed for a specific term, subject to re-election. None of the existing non-executive Director and independent non-executive Directors of the Company are appointed for a specific term. However, in accordance with the Company's Bye-Laws, at each annual general meeting, one-third of the Directors shall retire from office by rotation and become eligible for re-election. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

REMUNERATION COMMITTEE

The Remuneration Committee was established by the Company on 20 December 2005, in accordance with the requirement of the Code. The Remuneration Committee, comprising an executive director, Mr. Ho Chi Wing and two independent non-executive directors, namely, Mr. Cheng Kwong Choi, Alexander and Mr. Law Tai Yan is held at least once a year. The principal responsibilities of the Remuneration Committee include formulation of the remuneration policy, review and recommending to the Board the annual remuneration policy, and determination of the remuneration of the executive director and members of the Senior Management. Remuneration and the employment contracts of newly appointed directors have to be reviewed and approved by the Remuneration Committee. Compensation, removal or dismissal of directors has to be reviewed and approved by the Remuneration Committee in accordance with relevant contractual terms and any compensation payment is otherwise reasonable and appropriate.

Name of member	**Attended/ Eligible to Attend**
Mr. Ho Chi Wing *(Executive Director) (Chairman of Remuneration Committee)*	2/2
Mr. Cheng Kwong Choi Alexander *(Independent Non-executive Director)*	2/2
Mr. Law Tai Yan *(Independent Non-executive Director)*	2/2

During the year, the Remuneration Committee reviewed and made recommendation to the Board on the remuneration policies of the Group, reviewed the existing benefits package of the Group, compared with the market of the same industry and made recommendation to the Board on the remuneration policies.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

There was no purchase, sale or redemption by the Company or its subsidiaries, of the Company's listed securities during the year ended 30 June 2007.

Corporate Governance Report

COMPLIANCE WITH CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules throughout the reporting period, except for the following deviations:

The independent non-executive directors of the Company were not appointed for specific terms as required by the Code, but were subject to retirement by rotation in accordance with the Company's articles of association. (Code Provision A.4.1)

After the resignation of Mr. Lee Tsung Hei, David Chris on 14 August 2007, the Company does not have a chief executive officer and the functions normally carried out by such officer temporarily assumed by the executive directors other than the Chairman collectively.

AUDITORS' REMUNERATION

The amount of fees charged by the external auditors generally depends on the scope and volume of the auditors' work. For the year ended 30 June 2007, the external auditors' remuneration for audit service amounted to approximately HK$280,000.

AUDIT COMMITTEE

In accordance with the Appendix 14 of the Listing Rules, an Audit Committee has been established since 2004 and the Audit Committee currently comprises three independent non-executive directors. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group, and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim financial statements.

Name of member	**Attended/ Eligible to Attend**
Mr. Law Tai Yan *(Independent Non-executive Director) (Chairman of Audit Committee)*	2/2
Mr. Cheng Sheung Hing *(Non-executive Director)*	2/2
Mr. Cheng Kwong Choi, Alexander *(Independent Non-executive Director)*	2/2

INTERNAL CONTROL

Internal control system, being an integral part of the Group's operations, is a process effected by the Board and management team to provide reasonable assurance on the effectiveness and efficiency of operations in achieving the established corporate objectives, safeguarding assets of the Group, providing reliable financial reporting, and complying with applicable laws and regulations.

The Board is responsible for making appropriate assertions on the adequacy of internal controls over financial reporting and the effectiveness of disclosure controls and procedures.

Corporate Governance Report

DIRECTORS' RESPONSIBILITY FOR PREPARING FINANCIAL STATEMENTS

The directors acknowledge their responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group.

AUDITORS' REPORTING RESPONSIBILITIES

The reporting responsibilities of Patrick Ng & Company, the Auditors, are stated in the Independent Auditors' Report on page 18 to 19 of the annual report.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Company has established a range of communication channels between itself and its shareholders, investors and other shareholders. These include the annual general meeting, the annual and interim reports, notices, announcements and circulars, the Company's website at www.ecyberchina.com and meetings with investors and analysts.

Independent Auditors' Report

TO THE SHAREHOLDERS OF
eCyberChina Holdings Limited
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of eCyberChina Holdings Limited set out on pages 20 to 71, which comprise the consolidated and company balance sheets as at 30 June 2007, 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' RESPONSIBILITY FOR THE 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 Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of 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.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of the report.

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 and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

Independent Auditors' Report

AUDITORS' RESPONSIBILITY (cont'd)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2007 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PATRICK NG & COMPANY
Certified Public Accountants
20/F., Hong Kong Trade Centre,
161-167 Des Voeux Road,
Central, Hong Kong,
Hong Kong S.A.R., China

26 October 2007

Consolidated Income Statement

For the year ended 30 June 2007

	Notes	2007 HK$'000	2006 HK$'000
CONTINUING OPERATIONS			
Turnover	*5*	**11,224**	43,337
Direct costs		**(9,549)**	(41,183)
Gross profit		**1,675**	2,154
Other income	*5*	**4,143**	3,567
Reversal of write-down of properties held for sale		**414**	5,206
Loss from properties held for sale written off		**–**	(23,905)
Loss on disposal of investment property		**–**	(4,000)
Administrative and general expenses		**(11,947)**	(13,978)
Loss from operations		**(5,715)**	(30,956)
Finance costs	*6*	**(5,057)**	(10,092)
Gain on disposal of subsidiaries	*11(b)*	**–**	54
Gain/(loss) on disposal of associate	*12*	**–**	–
Reversal of provisions			
– guarantee related to former related company		**–**	5,000
– indemnity related to former subsidiary		**–**	5,800
Loss before tax	*7*	**(10,772)**	(30,194)
Income tax	*8*	**(1,097)**	(938)
Loss for the year from continuing operations		**(11,869)**	(31,132)
DISCONTINUED OPERATION			
Profit for the year from discontinued operation	*10*	**–**	7,137
LOSS FOR THE YEAR		**(11,869)**	(23,995)
Loss attributable to equity holders of the Company		**(11,869)**	(23,995)
		HK cents	HK cents
Loss per share:			
From continuing and discontinued operations			
– Basic	*13*	**(0.4)**	(0.8)
From continuing operations			
– Basic	*13*	**(0.4)**	(1.1)

Consolidated Balance Sheet

As at 30 June 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*16*	**222**	318
Investment property	*17*	**–**	–
Deposit paid for purchase of investment property	*18*	**13,371**	–
		13,593	318
CURRENT ASSETS			
Properties held for sale	*21*	**9,586**	18,450
Financial assets	*22*	**–**	10,978
Trade and other receivables	*23*	**3,032**	482
Cash and bank deposits	*24*	**4,195**	17,263
		16,813	47,173
CURRENT LIABILITIES			
Financial liabilities	*22*	**–**	871
Trade and other payables	*25*	**4,563**	4,605
Obligations under finance leases	*26*	**–**	7
Borrowings	*27*	**17,057**	1,523
		(21,620)	(7,006)
NET CURRENT ASSETS/(LIABILITIES)		**(4,807)**	40,167
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,786**	40,485
NON-CURRENT LIABILITIES			
Other payables	*25*	**–**	11,781
Borrowings	*27*	**13,371**	21,420
		(13,371)	(33,201)
NET ASSETS/(LIABILITIES)		**(4,585)**	7,284
CAPITAL AND RESERVES			
Share capital	*29*	**573,500**	573,500
Reserves	*30*	**(578,085)**	(566,216)
EQUITY/(DEFICIT)		**(4,585)**	7,284

Approved and authorised for issue by the board of directors on 26 October 2007.

Ho Chi Wing
Director

Chan Sing Fai
Director

Balance Sheet

As at 30 June 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**21**	26
Investment in subsidiaries	19	**–**	–
Amount due from subsidiaries	20	**52,707**	55,969
		52,728	55,995
CURRENT ASSETS			
Trade and other receivables	23	**304**	321
Cash and bank deposits	24	**121**	40
		425	361
CURRENT LIABILITIES			
Trade and other payables	25	**2,978**	3,284
Borrowings	27	**1,523**	1,523
		4,501	(4,807)
NET CURRENT LIABILITIES		**(4,076)**	(4,446)
NET ASSETS		**48,652**	51,549
CAPITAL AND RESERVES			
Share capital	29	**573,500**	573,500
Reserves	30	**(524,848)**	(521,951)
EQUITY		**48,652**	51,549

Approved and authorised for issue by the board of directors on 26 October 2007.

Ho Chi Wing
Director

Chan Sing Fai
Director

Consolidated Statement of Changes in Equity

For the year ended 30 June 2007

	Share capital HK$'000	Share premium HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 July 2005	573,500	103,257	(645,478)	16,071
Loss for the year	–	–	(23,995)	(23,995)
At 30 June 2006 and 1 July 2006	573,500	103,257	(669,473)	7,284
Loss for the year	–	–	(11,869)	(11,869)
At 30 June 2007	**573,500**	**103,257**	**(681,342)**	**(4,585)**

Consolidated Cash Flow Statement

For the year ended 30 June 2007

	Notes	2007 HK$'000	2006 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the year		**(11,869)**	(23,995)
Adjustments for:–			
Accruals reversed		**(1,558)**	(3,280)
Dividend income		**(1)**	–
Gain on disposal of property, plant and equipment		**–**	(687)
Impairment losses for trade receivables reversed		**–**	(1,425)
Write-down of properties held for sale reversed		**–**	(5,206)
Loss on disposal of investment property		**–**	4,000
Depreciation		**97**	93
Finance costs	*6*	**5,057**	10,206
Income tax	*8*	**1,097**	938
Gain on disposal of discontinued operation	*10*	**–**	(4,936)
Gain on disposal of other subsidiaries	*11(b)*	**–**	(54)
Provision for loss arising from guarantee related to former related company reversed		**–**	(5,000)
Provision for loss arising from indemnity related to former subsidiary reversed		**–**	(5,800)
Operating cash flows before changes in working capital		**(7,177)**	(35,146)
Decrease in inventories		**–**	183
Decrease in properties held for sale		**8,864**	64,985
Increase in trade and other receivables		**(2,550)**	(1,188)
Decrease in deposit received on disposal of properties held for sale		**–**	(25,757)
Increase/(decrease) in trade and other payables		**1,516**	(14,965)
Cash generated from/(used in) operations		**653**	(11,888)
Interests and charges paid on bank and other loans		**(5,056)**	(10,204)
Taxes paid		**(1,097)**	(938)
Net cash used in operating activities		**(5,500)**	(23,030)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		**–**	1,157
Proceeds from disposal of investment property		**–**	104,000
Payment of deposit for purchase of investment property		**(13,371)**	–
Payment to purchase property, plant and equipment		**(1)**	(326)
Dividend received		**1**	–
Disposal of discontinued operation	*11(a)*	**–**	(232)
Disposal of other subsidiaries	*11(b)*	**–**	–
Net cash generated from/(used in) investing activities		**(13,371)**	104,599

Consolidated Cash Flow Statement

For the year ended 30 June 2007

	Notes	**2007 HK$'000**	2006 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		**13,371**	1,047
Repayment of borrowings		**(17,667)**	(55,678)
Payment of finance lease liabilities		**(8)**	(23)
Net cash used in financing activities		**(4,304)**	(54,654)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(23,175)**	26,915
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**27,370**	455
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**4,195**	27,370
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Cash and bank deposits		**4,195**	17,263
Financial assets		**–**	10,978
Financial liabilities		**–**	(871)
		4,195	27,370

Notes to the Financial Statements

For the year ended 30 June 2007

1. GENERAL INFORMATION

The Company is a public listed company incorporated in Hong Kong with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The trading of the Company's shares on the Stock Exchange has been suspended since 30 June 2003 and resumed on 5 October 2007. During the period of suspension of trading of the Company's shares on the Stock Exchange, the Company was subjected to delisting procedures which were eventually released by the Stock Exchange.

The addresses of the registered office and principal place of business of the Company are located at Room 2508, 25th Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong.

The principal activities of the Company and its subsidiaries (the "Group") during the year were investments in properties in the People's Republic of China for leasing and trading.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all of the new and revised standards, amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants (''HKICPA'') that are relevant to its operations and effective for annual reporting periods beginning on 1 July 2006. The adoption of these new and revised standards, amendments and interpretations did not result in substantial effects on the Group's accounting policies nor have materially affected the amounts reported for the current or prior years.

The Group has not early applied the following new and/or revised standards, amendment or interpretations that have been issued but are not yet effective. The directors anticipate that the application of these new standards, amendment or interpretations will have no significant impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital Disclosures[(1)]
HKAS 23 (Revised)	Borrowing Costs[(2)]
HKFRS 7	Financial Instruments: Disclosures[(1)]
HKFRS 8	Operating Segments[(2)]
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment[(3)]
HK(IFRIC)-Int 11	HKFRS 2-Group and Treasury Share Transactions[(4)]
HK(IFRIC)-Int 12	Service Concession Arrangements[(5)]

(1) Effective for annual periods beginning on or after 1 January 2007
(2) Effective for annual periods beginning on or after 1 January 2009
(3) Effective for annual periods beginning on or after 1 November 2006
(4) Effective for annual periods beginning on or after 1 March 2007
(5) Effective for annual periods beginning on or after 1 January 2008

Notes to the Financial Statements

For the year ended 30 June 2007

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (''HKFRSs''), which include collectively all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the The Stock Exchange of Hong Kong Limited.

(b) Basis of preparation of the financial statements

The financial statements have been prepared using the historical cost convention, except for financial instruments which are measured at fair value, on a going concern basis although a deficit was appeared as at 30 June 2007 because the Group had subsequently raised funds to strengthen its financial position under an open offer for the Company's shares as mentioned in note 29.

(c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries for the year made up to 30 June 2007.

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.

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

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) 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 are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale, 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.

(e) Investment in subsidiaries

A subsidiary, in accordance with the Hong Kong Companies Ordinance, is a company in which the Company, directly or indirectly, holds more than half of the issued share capital or controls more than half the voting power or controls the composition of the board of directors. Subsidiaries are considered to be controlled if the Company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

In the Company's balance sheet, investment in subsidiaries is stated at cost less any impairment losses, unless the investment is classified as held for sale, in which case it is accounted for under HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Notes to the Financial Statements

For the year ended 30 June 2007

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(f) Investment in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over the investee's activities.

The Group's share of results and net assets of associates are incorporated in the financial statements using the equity method, except when the investment is classified as held for sale, in which case it is accounted for under HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations.* Under the equity method, interest in associates is carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any impairment in the value of individual investment. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interest that, in substance, forms part of the Group's net investment in the associate) are not recognised.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

(g) Interest in joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control, that is when the strategic financial and operating policy decisions relating to the activity requires the unanimous consent of the parties sharing control.

Where a group entity undertakes its activities under joint venture arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognised in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interest in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amounts can be measured reliably.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Interest in joint ventures (cont'd)

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The Group reports its interest in jointly controlled entities using equity method, except when the investment is classified as held for sale, in which case it is accounted for under HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. The Group's share of the assets, liabilities, income and expenses of jointly controlled entities are combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising on business combinations.

Where a group entity transacts with a jointly controlled entity of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture.

(h) Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary, associate or jointly controlled entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill on acquisition of subsidiary or jointly controlled entity is presented separately.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the acquisition. Cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit, and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Impairment loss for goodwill is recognised immediately in profit or loss and is not reversed in subsequent periods.

On subsequent disposal of subsidiary, associate or jointly controlled entity, the carrying amount of attributable goodwill is included in the determination of the gain or loss on disposal.

Notes to the Financial Statements

For the year ended 30 June 2007

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and is measured at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes, on the following bases:

(i) Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

(ii) Income from sales of properties is recognised when title has passed.

(iii) Income from sales of financial instruments is recognised when title has passed on completion of transfer of risks and rewards of ownership to the transferee.

(iv) Income arising from sales of goods is recognised when goods are delivered and title has passed.

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

(vi) Dividend income is recognised when the shareholder's right to receive payment is established.

(j) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Notes to the Financial Statements

For the year ended 30 June 2007

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements are presented in Hong Kong dollar, which is the functional currency of the Company.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded using the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated using the rates of exchange prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated using the rates of exchange 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 retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period. Exchange differences arising on the retranslation of other non-monetary items are recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Hong Kong dollars using exchange rates prevailing at the balance sheet date. Goodwill arising on the consolidation of a foreign operation is translated using the exchange rate prevailing at the balance sheet date. Income and expenses are translated using the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised as translation reserve in equity. Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

(l) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(m) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is included in profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(n) 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 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.

Notes to the Financial Statements

For the year ended 30 June 2007

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(n) Taxation (cont'd)

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates and interest in joint ventures, 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.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the balance sheet date. 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.

(o) Property, plant and equipment

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

Depreciation is provided to write off the cost of property, plant and equipment, after taking into account of their estimated residual value, if any, using the straight-line method over their estimated useful lives at the following rates:–

Buildings situated on leasehold land	5% per annum or over the unexpired lease terms, if higher
Leasehold improvement	10% per annum or over the unexpired lease terms, if higher
Furniture, fixtures and office equipment	9% to 20% per annum
Motor vehicles	9% to 20% per annum
Computer equipment	9% to 20% per annum

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(o) Property, plant and equipment (cont'd)

Assets held under finance leases are depreciated over their estimated useful lives on the same basis as assets owned by the Group.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is recognised in profit or loss for the period in which the asset is derecognised.

(p) Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is stated at its fair value at the balance sheet date. Gains or losses arising from changes in the fair value or from the retirement or disposal of investment property are included in profit or loss for the period in which they arise.

(q) Impairment of tangible and intangible assets other than goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Notes to the Financial Statements

For the year ended 30 June 2007

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(r) Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost includes all development expenditure and other direct costs attributable to bring the properties to their present location and condition. Net realisable value represents the estimated sales proceeds, based on prevailing market conditions, less any further costs expected to be incurred on disposal.

(s) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in first-out method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

(t) Financial instruments

Financial assets and financial liabilities are when the Group becomes a party to the contractual provisions of the instrument.

(i) Loans and receivables

Loans and receivables are measured at amortised cost using the effective interest method, less any impairment loss recognised to reflect irrecoverable amounts, at each balance sheet date.

(ii) Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

Debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost using the effective interest method, less any impairment loss recognised to reflect irrecoverable amounts, at each balance sheet date.

Investments other than held-to-maturity debt securities are classified either as investments held for trading or as available-for-sale, and are measured at each balance sheet date at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit or loss for the period.

Notes to the Financial Statements

For the year ended 30 June 2007

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(t) Financial instruments (cont'd)

(iii) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(iv) Borrowings

Borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

(v) Convertible loan notes

Convertible loan notes that consist of a liability and an equity components are regarded as compound instruments. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible loan notes and the fair value assigned to the liability component, representing the embedded option for the holder to convert the loan note into equity of the Group, is included in equity.

Issue costs are allocated and charged to the liability and equity components of the convertible loan notes in proportion to the allocation of the proceeds at the date of issue.

Interest expense on the liability component is calculated by applying the prevailing market interest rate for similar non-convertible debt to the liability component of the instrument. The difference between this amount and the interest paid is added to the carrying amount of the liability component of the convertible loan notes.

(vi) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost, using the effective interest method.

(vii) Equity instruments

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

Notes to the Financial Statements

For the year ended 30 June 2007

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(t) Financial instruments (cont'd)

(viii) Derivative financial instruments

Derivative financial instruments are measured at fair value. Changes in fair value of derivative financial instruments are recognised in profit or loss when they arise.

(u) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount 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 non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(v) Related parties

A party is considered to be related to the Group if:–

(i) The party, directly or indirectly through one or more intermediaries, (1) controls, is controlled by, or is under common control with, the Group; (2) has an interest in the Group that gives it significant influence over the Group; or (3) has joint control over the Group;

(ii) The party is an associate;

(iii) The party is a jointly controlled entity;

(iv) The party is a member of the key management personnel of the Group or its parent;

(v) The party is a close member of the family of any individual referred to in (i) or (iv); or

(vi) The party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides, with directly or indirectly, any individual referred to in (iv) or (v).

Notes to the Financial Statements

For the year ended 30 June 2007

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(w) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

4. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

(a) Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations as discussed below, which have the most significant effect on the amounts recognised in the financial statements.

(i) Impairment of assets

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the Group has to exercise judgment in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may effect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

(ii) Income taxes

Deferred tax is provided using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for unused tax losses carried forward to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilised, based on all available evidence. Recognition primarily involves judgment regarding the future performance of the particular legal entity or tax group in which the deferred tax asset has been recognised. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that all or part of the deferred tax assets will ultimately be realised, such as the existence of taxable temporary differences, tax planning strategies and the periods in which estimated tax losses can be utilised. The carrying amount of deferred tax assets and related financial models and budgets are reviewed at each balance sheet date and to the extent that there is insufficient convincing evidence that sufficient taxable profits will be available within the utilisation periods to allow utilisation of the carry forward tax losses, the asset balance will be reduced and charged to the income statement.

Notes to the Financial Statements

For the year ended 30 June 2007

4. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES (cont'd)

(b) Estimation uncertainty

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 the Group's assets and liabilities within the next financial year are discussed below.

(i) Impairment test of assets

The Group determines whether an asset is impaired at least on an annual basis or where an indication of impairment exists. This requires an estimation of the value in use of the asset. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the assets and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(ii) Income taxes

The Group reviews the carrying amount of deferred tax assets at each balance sheet date and reduces the amount to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised. This requires an estimation of the future taxable profits. Estimating the future taxable profits requires the Group to make an estimate of the expected future earnings from the Group and also to choose a suitable discount rate in order to calculate the present value of the earnings.

(iii) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account of their estimated residual value. The determination of the useful lives and residual values involve management's estimation. The Group assesses annually the residual value and the useful life of the property, plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the year the estimate is changed and the future period.

Notes to the Financial Statements

For the year ended 30 June 2007

5. REVENUE

(a) An analysis of the Group's turnover for the year is as follows:–

	2007 HK$'000	2006 HK$'000
Continuing operations:		
Sales of properties	**10,099**	39,370
Property rental income	**1,125**	3,967
	11,224	43,337
Discontinued operation:		
Sales of equipment and accessories for broadband and cable television	**–**	2,136
	11,224	45,473

(b) An analysis of the Group's other income for the year is as follows:–

	2007 HK$'000	2006 HK$'000
Accruals reversed	**1,558**	3,280
Bank interest income	**63**	47
Dividend income	**1**	–
Gain on disposal of property, plant and equipment	**90**	–
Net investment gain from dealing in financial instruments	**62**	107
Net investment gain from dealing in foreign currencies	**1**	–
Other interest income	**1,438**	22
Sundry income	**930**	111
	4,143	3,567

Notes to the Financial Statements

For the year ended 30 June 2007

6. FINANCE COSTS

	Continuing operations		Discontinued operation		Total	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Interest on other loans and advances	**5,048**	8,499	**–**	–	**5,048**	8,499
Interest and charges on bank loans and advances	**8**	1,591	**–**	114	**8**	1,705
Interest on finance leases	**1**	2	**–**	–	**1**	2
	5,057	10,092	**–**	114	**5,057**	10,206

7. LOSS BEFORE TAX

Loss before tax has been arrived at after charging/(crediting):–

	2007	2006
	HK$'000	HK$'000
Inventories recognised as expenses:		
Carrying amount of inventories sold	**–**	1,107
Write-down of obsolete inventories	**–**	49
	–	1,156
Properties held for sale recognised as expenses/(income):		
Carrying amount of properties sold	**9,549**	41,080
Carrying amount of properties written off	**–**	23,905
Reversal of write-down of properties	**(414)**	(5,206)
Staff costs, including directors' remuneration:		
Salaries and other benefits	**1,240**	1,252
Retirement scheme contributions	**30**	51
	1,270	1,303
Auditors' remuneration	**440**	397
Depreciation	**97**	93
Net investment loss from dealing in financial instruments	**1,281**	–
Net investment loss from dealing in foreign currencies	**–**	65
Operating lease charges for land and buildings	**395**	631

8. INCOME TAX

	Continuing operations		Discontinued operation		Total	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Current tax:						
Hong Kong	**–**	–	**–**	–	**–**	–
Other jurisdictions	**1,097**	938	**–**	–	**1,097**	938
	1,097	938	**–**	–	**1,097**	938
Deferred tax *(note 28)*	**–**	–	**–**	–	**–**	–
Income tax expense for the year	**1,097**	938	**–**	–	**1,097**	938

Hong Kong profits tax is calculated at 17.5% (2006: 17.5%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Notes to the Financial Statements

For the year ended 30 June 2007

8. INCOME TAX (cont'd)

The total charge for the year can be reconciled to the accounting profit/(loss) as follows:–

	2007		2006	
	HK$'000	%	HK$'000	%
Profit/(loss) before tax:				
Continuing operations	(10,772)		(30,194)	
Discontinued operation	–		7,137	
	(10,772)		(23,057)	
Tax at the domestic income tax rate of 17.5% (2006: 17.5%)	(1,885)	(17.5)	(4,034)	(17.5)
Tax effect of income not assessable in determining taxable profit	(354)	(3.3)	(1,022)	(4.4)
Tax effect of expenses not deductible in determining taxable profit	1,319	12.3	2,525	11.1
Tax effect of utilisation of tax losses not previously recognised	–	–	(2,302)	(10.0)
Tax effect of other temporary differences not recognised	(1)	(0.1)	(8)	(0.1)
Tax effect of additional tax losses not recognised	1,017	9.5	795	3.4
Tax effect of loss not allowance	22	0.2	4,046	17.5
Effect of different tax rates of subsidiaries operating in other jurisdictions	979	9.1	938	4.1
Tax expense and effective tax rate for the year	1,097	10.2	938	4.1

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(i) Directors' emoluments

The directors' emoluments paid or payable to each of the 8 (2006: 8) directors are as follows:–

2007

	Fees HK$'000	Salaries and other benefits HK$'000	Share-based payments HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive directors:					
Ho Chi Wing	–	180	–	8	188
Lu Liang	–	–	–	–	–
Ng Yan	52	–	–	–	52
Tao Wei Ming	30	–	–	–	30
Lee Tsung Hei, David Chris	200	–	–	–	200
Independent non-executive directors:					
Cheng Sheung Hing	–	–	–	–	–
Cheng Kwong Choi, Alexander	36	–	–	–	36
Law Tai Yan	36	–	–	–	36
	354	180	–	8	542

2006

	Fees HK$'000	Salaries and other benefits HK$'000	Share-based payments HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive directors:					
Ho Chi Wing	–	96	–	4	100
Lu Liang	–	–	–	–	–
Ng Yan	38	–	–	–	38
Tao Wei Ming	17	–	–	–	17
Lee Tsung Hei, David Chris	–	–	–	–	–
Independent non-executive directors:					
Cheng Sheung Hing	–	–	–	–	–
Cheng Kwong Choi, Alexander	36	–	–	–	36
Law Tai Yan	39	–	–	–	39
	130	96	–	4	230

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (cont'd)

(ii) Employees' emoluments

The 5 highest paid individuals included 2 (2006: 1) director(s), details of whose emoluments are set out above. The emoluments of the remaining highest paid individual are as follows:

	2007 HK$'000	2006 HK$'000
Salaries and other benefits	**435**	598
Share-based payments	**–**	–
Retirement scheme contributions	**16**	23
	451	621

The emoluments of the non-director highest paid individuals fell within the following band:–

	Number of individuals	
	2007	2006
HK$ 0 to HK$1,000,000	**3**	4

Notes to the Financial Statements

For the year ended 30 June 2007

10. DISCONTINUED OPERATION

During the previous year, the Group disposed of Grandright Technology Limited, which carried out the Group's manufacturing and trading activities in respect of equipment and accessories for broadband and cable television. The disposal was effected in order to cut down the Group's continuing liabilities incurred from the deficit and unforeseeable prospect of the business.

The profit from the discontinued operation for the previous year is analysed as follows:–

	2006 HK$'000
Revenue	4,787
Direct costs	(1,156)
Distribution costs	(317)
Administrative expenses	(999)
Finance costs	(114)
Profit of manufacturing and trading operation in respect of equipment and accessories for broadband and cable television	2,201
Gain on disposal of manufacturing and trading operation in respect of equipment and accessories for broadband and cable television *(note 11(a))*	4,936
	7,137

No tax charge or credit arose on gain on disposal of manufacturing and trading operation in respect of equipment and accessories for broadband and cable television.

11. DISPOSAL OF SUBSIDIARIES

(a) As referred to in note 10, the Group discontinued its operation in respect of the manufacturing and trading of equipment and accessories for broadband and cable television at the time of the disposal of its subsidiary, Grandright Technology Limited, during the previous year.

The results of disposal of Grandright Technology Limited are analysed as follows:–

	2006 HK$'000
Property, plant and equipment	108
Prepaid lease payments	–
Inventories	159
Trade and other receivables	3,367
Cash and bank deposits	233
Trade and other payables	(1,266)
Bank and other loans	(7,536)
Consolidated net liabilities disposed of	(4,935)
Gain on disposal	4,936
Total consideration, satisfied by cash	1
Net cash inflow/(outflow) arising on disposal:	
Cash consideration received	1
Cash and cash equivalents disposed of	(233)
	(232)

(b) During the previous year, the Group disposed of some other subsidiaries without operations. The results of disposal of those subsidiaries are analysed as follows:–

	2006 HK$'000
Trade and other payables	(54)
Gain on disposal of other subsidiaries	54
Total consideration	–
Net cash inflow/(outflow) arising on disposal	–

Notes to the Financial Statements

For the year ended 30 June 2007

12. DISPOSAL OF ASSOCIATE

During the previous year, the Group disposed of its interest in an inactive associate, CRED.net Limited 中國房地產網有限公司, which had been struck off from the BVI Government Register with effect from 1 November 2003. The results of disposal of that associate are analysed as follows:–

	2006 HK$'000
Share of net assets	–
Gain/(loss) on disposal	–
Total consideration	–
Net cash inflow/(outflow) arising on disposal	–

13. LOSS PER SHARE

The basis loss per share is calculated based on the loss attributable to equity holders of the Company of approximately HK$11,869,000 (2006: HK$23,995,000) and the weighted average number of 2,867,500,000 (2006: 2,867,500,000) ordinary shares in issue during the year.

The diluted loss per share for the years ended 30 June 2007 and 30 June 2006 has not been disclosed as the potential shares arising from the exercise of the Company's share options would decrease the loss per share of the Group for the years and is regarded as anti-dilutive.

14. DIVIDEND

No dividend has been paid or proposed for the year (2006: Nil).

Notes to the Financial Statements

For the year ended 30 June 2007

15. BUSINESS AND GEOGRAPHICAL SEGMENTS

(a) Business segments

The following continuing operations are the basis on which the Group reports its primary segment information. There are no sales or other transactions between the business segments.

2007

Income statement

	Property investment HK$'000	Total for continuing operations HK$'000
Revenue	**11,224**	**11,224**
Segment results from continuing operations	**2,031**	**2,031**
Unallocated corporate income		**3,187**
Unallocated corporate expenses		**(10,933)**
Finance costs		**(5,057)**
Loss before tax		**(10,772)**
Income tax		**(1,097)**
Loss for the year		**(11,869)**

Other information

	Property investment HK$'000	Others HK$'000	Total HK$'000
Capital expenditure	**–**	**1**	**1**
Depreciation	**–**	**97**	**97**

Balance sheet

	Property investment HK$'000	Total HK$'000
Assets:		
Segment assets	**27,106**	**27,106**
Unallocated corporate assets		**3,300**
Total assets		**30,406**
Liabilities:		
Segment liabilities	**13,581**	**13,581**
Unallocated corporate liabilities		**21,410**
Total liabilities		**34,991**

15. BUSINESS AND GEOGRAPHICAL SEGMENTS (cont'd)

(a) Business segments (cont'd)

2006

Income statement

	Property investment HK$'000	Total for continuing operations HK$'000
Revenue	43,337	43,337
Segment results from continuing operations	(24,361)	(24,361)
Unallocated corporate income		14,421
Unallocated corporate expenses		(10,162)
Finance costs		(10,092)
Loss before tax		(30,194)
Income tax		(938)
Loss for the year		(31,132)

Other information

	Property investment HK$'000	Others HK$'000	Total HK$'000
Capital expenditure	–	326	326
Depreciation	–	93	93

Balance sheet

	Property investment HK$'000	Total for continuing operations HK$'000
Assets:		
Segment assets	18,612	18,612
Unallocated corporate assets		28,879
Total assets		47,491
Liabilities:		
Segment liabilities	320	320
Unallocated corporate liabilities		39,887
Total liabilities		40,207

Notes to the Financial Statements

For the year ended 30 June 2007

15. BUSINESS AND GEOGRAPHICAL SEGMENTS (cont'd)

(b) Geographical segments

The Group's operations are located in Hong Kong and elsewhere in the People's Republic of China ("PRC"). The Group's property investment is carried out in Hong Kong and the PRC. Manufacturing and trading of equipment and accessories for broardband and cable television was carried out in the PRC.

The following table provides an analysis of the Group's turnover by geographical market, irrespective of the origin of the goods/services.

	Turnover by geographical market					
	Continuing operations		Discontinued operation		Total	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Hong Kong	**–**	3,402	**–**	–	**–**	3,402
PRC, other than Hong Kong	**11,224**	39,935	**–**	2,136	**11,224**	42,071
	11,224	43,337	**–**	2,136	**11,224**	45,473

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located.

	Carrying amount of segment assets		Additions to property, plant and equipment and intangible assets	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**7,037**	28,879	**1**	326
PRC, other than Hong Kong	**23,369**	18,612	**–**	–
	30,406	47,491	**1**	326

16. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Leasehold improvements	Furnitures, fixtures and office equipment	Motor vehicles	Computer equipment	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost:						
At 1 July 2005	937	538	860	1,035	233	3,603
Additions	–	–	–	290	36	326
Disposal of subsidiaries	(937)	(538)	(708)	(213)	(226)	(2,622)
At 30 June 2006 and 1 July 2006	–	–	152	1,112	43	1,307
Additions	–	–	1	–	–	1
Disposals	–	–	–	(822)	–	(822)
At 30 June 2007	**–**	**–**	**153**	**290**	**43**	**486**
Accumulated depreciation and impairment losses:						
At 1 July 2005	731	475	723	1,030	188	3,147
Charges for the year	–	–	16	73	4	93
Eliminated on disposal of subsidiaries	(731)	(475)	(652)	(209)	(184)	(2,251)
At 30 June 2006 and 1 July 2006	–	–	87	894	8	989
Charges for the year	–	–	16	73	8	97
Eliminated on disposals	–	–	–	(822)	–	(822)
At 30 June 2007	**–**	**–**	**103**	**145**	**16**	**264**
Carrying amount:						
At 30 June 2007	**–**	**–**	**50**	**145**	**27**	**222**
At 30 June 2006	–	–	65	218	35	318

The carrying amount of the Group's furniture, fixtures and equipment as at 30 June 2006 included an amount of approximately HK$44,000 in respect of assets held under finance leases.

16. PROPERTY, PLANT AND EQUIPMENT (cont'd)

The Company

	Computer equipment HK$'000
Cost:	
At 1 July 2005	–
Additions	27
At 30 June 2006 and 1 July 2006	27
Additions	1
At 30 June 2007	**28**
Accumulated depreciation and impairment losses:	
At 1 July 2005	–
Charge for the year	1
At 30 June 2006 and 1 July 2006	1
Charge for the year	5
At 30 June 2007	**6**
Carrying amount:	
At 30 June 2007	**22**
At 30 June 2006	26

17. INVESTMENT PROPERTY

	The Group	
	2007	2006
	HK$'000	HK$'000
Fair value of investment property	**–**	–
At beginning of the year	**–**	108,000
Disposal	**–**	(108,000)
At end of the year	**–**	–

The Group's investment property comprised leasehold land and buildings in Hong Kong held under medium-term lease.

The Group had pledged its investment property to secure certain loans granted to the Group from a bank and other parties. Those loans were fully settled upon disposal of the investment property during the previous year.

The property rental income earned by the Group from its investment property, which was leased out under operating leases, and the direct operating expenses arising on the investment property for the previous year amounted to approximately HK$3,402,000 and HK$103,000 respectively.

18. DEPOSIT PAID FOR PURCHASE OF INVESTMENT PROPERTY

	The Group	
	2007	2006
	HK$'000	HK$'000
Deposit paid for acquisition of investment property in the People's Republic of China	**13,371**	–

During the year, the Group had entered into a sale and purchase agreement for the acquisition of an investment property situated at Inner Mongolia in the People's Republic of China at a total consideration of RMB58,000,000. The acquisition was approved by shareholders of the Company at an extraordinary general meeting held on 29 June 2007 and the Group took possession of the investment property on 1 July 2007. The consideration payable is disclosed as capital commitment in note 33(a).

19. INVESTMENT IN SUBSIDIARIES

	The Company	
	2007	2006
	HK$'000	HK$'000
Unlisted shares, at cost	**1**	1
Impairment losses recognised	**(1)**	(1)
	–	–

Details of principal subsidiaries as at 30 June 2007, which materially affected the Group's results or net assets, are set out in note 38.

20. AMOUNT DUE FROM SUBSIDIARIES

	The Company	
	2007	2006
	HK$'000	HK$'000
Amount due from subsidiaries	**183,627**	190,014
Impairment losses recognised	**(130,920)**	(134,045)
	52,707	55,969

The amount is unsecured and non-interest bearing. The Company has agreed not to demand repayment within 1 year after the balance sheet date and the amount is therefore classified as a non-current asset.

21. PROPERTIES HELD FOR SALE

	The Group	
	2007	2006
	HK$'000	HK$'000
Properties in the People's Republic of China held for sale, at net realisable value	**9,586**	18,450

The properties were purchased by Welchem Development Limited ("Welchem"), a subsidiary in the Group, from China Real Estate Development Group Huadong Properties Company Limited 中房集團華東置業股份有限公司 ("CRED"), a former jointly controlled entity of the Group. During the previous year, Welchem obtained legal title of certain properties with the assistance of an independent third party (the "Purchaser") who purchased certain properties from Welchem as per a supplementary agreement entered into on 16 August 2005. In previous year, the Group recorded a loss of approximately HK$4,861,000 arising from disposal of those properties to the Purchaser and a loss of approximately HK$23,905,000 arising from write-off of certain properties of which legal title could not be successfully obtained.

22. FINANCIAL ASSETS AND LIABILITIES

	The Group	
	2007	2006
	HK$'000	HK$'000
Financial assets, at fair value:		
Deposits with stockbroker – general	**–**	6,955
– options	**–**	4,023
	–	10,978

Options deposit as at 30 June 2006 of approximately HK$2,516,000 had been blocked as margin.

	The Group	
	2007	2006
	HK$'000	HK$'000
Financial liabilities, at fair value:		
Options	**–**	871

23. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**87**	–	**–**	–
Other receivables, deposits and prepayments	**2,945**	482	**304**	321
	3,032	482	**304**	321

The aging analysis of trade receivables is as follows:–

	The Group		The Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
0 – 3 months	**87**	–	**–**	–
Over 3 months	**–**	–	**–**	–
	87	–	**–**	–

24. CASH AND BANK DEPOSITS

Cash and bank deposits comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less.

Notes to the Financial Statements

For the year ended 30 June 2007

25. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Other payables, deposits and accruals	**4,563**	16,386	**2,978**	3,284
Amount due for payment:				
Within 1 year	**4,563**	4,605	**2,978**	3,284
After 1 year	**–**	11,781	**–**	–
	4,563	16,386	**2,978**	3,284

26. OBLIGATIONS UNDER FINANCE LEASES

At the balance sheet date, the Group's total future minimum lease payments under finance leases is as follows:–

		2007	
	Present value	**Finance charges**	**Total**
	HK$'000	**HK$'000**	**HK$'000**
Office equipment:			
Within 1 year	–	–	–

		2006	
	Present value	Finance charges	Total
	HK$'000	HK$'000	HK$'000
Office equipment:			
Within 1 year	7	1	8

27. BORROWINGS

	The Group		The Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Secured loans	**13,371**	–	**–**	–
Unsecured loans	**17,057**	22,943	**1,523**	1,523
	30,428	22,943	**1,523**	1,523
Amount due for payment:				
Within 1 year	**17,057**	1,523	**1,523**	1,523
After 1 year but within 5 years	**13,371**	21,420	**–**	–
	30,428	22,943	**1,523**	1,523

The loans, which bear interest at prevailing market rates, are borrowings from individual third parties. Loans amounting to approximately HK$13,371,000 as at 30 June 2007 are secured by the shares of a subsidiary, 北京光訊投資管理顧問有限公司 ("北京光訊"), and the interest in an investment property to be acquired by 北京光訊.

28. DEFERRED TAX

The Group

The major deferred tax assets/(liabilities) recognised by the Group and movements thereon during the current and previous years are summarised below:–

	Accelerated tax depreciation	**Tax losses**	**Total**
	HK$'000	HK$'000	HK$'000
At 1 July 2005	(3,580)	3,580	–
Credit/(charge) to income statement for the year	3,580	(3,580)	–
At 30 June 2006 and 1 July 2006	–	–	–
Credit/(charge) to income statement for the year	–	–	–
At 30 June 2007	**–**	**–**	**–**

28. DEFERRED TAX (cont'd)

The Group (cont'd)

The deferred tax assets/(liabilities) which have not been recognised by the Group due to insignificant temporary difference on accelerated tax depreciation and unpredictability of future profit streams to utilise the tax losses, are analysed as follows:–

	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Total HK$'000
At 30 June 2007	**(31)**	**12,271**	**12,240**
At 30 June 2006	(30)	11,529	11,499

The Company

No deferred tax assets and liabilities have been recognised by the Company due to insignificant temporary difference on accelerated tax depreciation and unpredictability of future profit stream to utilise the tax losses.

The unrecognised deferred tax assets/(liabilities) of the Company are analysed as follows:–

	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Total HK$'000
At 30 June 2007	**(2)**	**2,803**	**2,801**
At 30 June 2006	(2)	2,078	2,076

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For the year ended 30 June 2007

29. SHARE CAPITAL

	Number of shares		Amount	
	2007	2006	**2007**	2006
	'000	'000	**HK$'000**	HK$'000
Authorised:				
Ordinary shares of HK$0.2 each				
– At beginning and end of the year	**4,000,000**	4,000,000	**800,000**	800,000
Issued and fully paid:				
Ordinary shares of HK$0.2 each				
– At beginning and end of the year	**2,867,500**	2,867,500	**573,500**	573,500

During the year, the Company undertook a proposal for capital reorganisation to (i) consolidate every 100 issued and unissued shares of HK$0.2 each into one consolidated share of HK$20 each in the capital of the Company; (ii) cancel capital paid up to the extent of HK$19.99 per consolidated share in issue and to reduce the nominal value of all consolidated shares to HK$0.01 per share; and (iii) increase the authorised share capital, after reduction, from HK$400,000 to HK$200,000,000 by the creation of 19,960,000,000 new shares of HK$0.01 each. A special resolution was passed by shareholders of the Company at an extraordinary general meeting held on 25 June 2007 to approve the capital reorganisation which was then sanctioned by Court on 31 July 2007.

On 5 October 2007, 860,250,000 new shares of HK$0.01 each were issued at a price of HK$0.12 per share under an open offer from which a total fund of approximately HK$100 million was raised to strengthen the Company's financial position for future potential investments.

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For the year ended 30 June 2007

30. RESERVES

The Group

	Share premium HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 July 2005	103,257	(645,478)	(542,221)
Loss for the year	–	(23,995)	(23,995)
At 30 June 2006 and 1 July 2006	103,257	(669,473)	(566,216)
Loss for the year	–	(11,869)	(11,869)
At 30 June 2007	**103,257**	**(681,342)**	**(578,085)**

The Company

	Share premium HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 July 2005	103,257	(664,684)	(561,427)
Profit for the year	–	39,476	39,476
At 30 June 2006 and 1 July 2006	103,257	(625,208)	(521,951)
Loss for the year	–	(2,897)	(2,897)
At 30 June 2007	**103,257**	**(628,105)**	**(524,848)**

Notes to the Financial Statements

For the year ended 30 June 2007

31. SHARES OPTION SCHEMES

Share option scheme adopted in 1999

Pursuant to the share option scheme adopted by the Company on 19 July 1999 (the "1999 Scheme"), the board of directors of the Company may grant options to any directors, officers or employees of the Company or of any of its subsidiaries (the "Participants") to subscribe for shares in the Company at any price which is not less than the nominal value of the shares nor 80% of the average closing price of the shares of the Company on the Stock Exchange for the 5 trading days immediately preceding the date of the grant of the options. The maximum number of shares in respect of which options may be granted under the 1999 Scheme shall not exceed 10% of the issued share capital of the Company from time to time.

Details of the Company's share options held by the Participants under the 1999 Scheme and movements in such holdings during the year are as follows:–

				Number of options			
Participants	Exercise price HK$	Exercisable period	Date of grant	Outstanding at 1 July 2005	Outstanding at 30 June 2006 and 1 July 2006	Cancelled during the year	Outstanding at 30 June 2007
Employees	0.200	3 July 2001 to 2 July 2011	3 July 2001	100,000	100,000	(100,000)	–
Directors	0.202	24 May 2002 to 23 May 2012	24 May 2002	25,835,000	25,835,000	(25,835,000)	–
				25,935,000	25,935,000	(25,935,000)	–

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For the year ended 30 June 2007

31. SHARES OPTION SCHEMES (cont'd)

Share option scheme adopted in 2002

The share option scheme adopted by the Company on 19 July 1999 was terminated and a new share option scheme (the "2002 Scheme") was adopted pursuant to an ordinary resolution passed at an extraordinary general meeting of the Company held on 25 July 2002. In accordance with the 2002 Scheme, the board of directors of the Company may grant options to any employees, directors, shareholders, suppliers, customers of the Group and any other person or company who has contributed or may contribute to the development and growth of the Group to subscribe for shares in the Company at any price which is at least the highest of (i) the closing price of the shares of the Company on the date of the grant of the options; (ii) the average closing price of the shares of the Company on the Stock Exchange for the 5 trading days immediately preceding the date of the grant of the options; and (iii) the nominal value of the shares of the Company. The maximum number of shares in respect of which options may be granted under the 2002 Scheme shall not exceed 10% of the shares in issue as at the adoption date of the 2002 Scheme or the date of approval by the shareholders in general meeting where the limit is refreshed. The total number of shares issued and to be issued upon exercise of the options granted to each eligible person under the 2002 Scheme in any 12 months period must not exceed 1% of the shares in issue at the date of such grant unless approved by the shareholders in general meeting.

No option has been granted since the adoption of the 2002 Scheme.

32. CONTINGENT LIABILITIES

At the balance sheet date, the Group and the Company had contingent liabilities as follows:–

	The Group		The Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
(a) Possible claims arising from:				
Guarantee related to former related company	**5,000**	5,000	**5,000**	5,000
Indemnity related to former subsidiary *(note 36(b))*	**5,800**	5,800	**5,800**	5,800
	10,800	10,800	**10,800**	10,800

32. CONTINGENT LIABILITIES (cont'd)

(b) The Hong Kong Inland Revenue Department had carried out a review in respect of the deductibility of management fees paid by a subsidiary, First Union Limited ("First Union"), to the Company during the years of assessment 2000/01 to 2004/05 in the sum of HK$30,247,000 and was of the opinion that the management fees paid were excessive. First Union was asked to propose a basis for adding back excessive management fees and adjust the tax computations. Assessable profits would be arisen if the total amount of management fees being considered as excessive was greater than the current balance of First Union's unused tax losses of approximately HK$4,984,000 and Hong Kong profits tax will be charged at the rate of 17.5%. No provision has been made in the financial statements as the directors of First Union are contesting the Hong Kong Inland Revenue Department's opinion and the result cannot be reasonably estimated at this stage.

33. COMMITMENTS

(a) Capital commitments

At the balance sheet date, the capital commitment outstanding not provided for in the financial statements are as follows:–

	The Group		The Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Acquisition of investment property	**59,334**	–	**–**	–

(b) Operating lease commitments

At the balance sheet date, the total future minimum lease payments under non-cancelable operating leases are as follows:–

	The Group		The Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Properties:				
Within 1 year	**552**	884	**300**	392
After 1 year but within 5 years	**–**	540	**–**	300
	552	1,424	**300**	692

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For the year ended 30 June 2007

34. RETIREMENT BENEFIT SCHEMES

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of an independent trustee.

Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions at HK$1,000 or 5% of the relevant payroll costs, whichever is the lower, to the scheme. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme.

The employees of the Group's subsidiary in the People's Republic of China are members of a state-managed retirement benefit scheme operated by the local government. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total contributions payable to the retirement benefit schemes by the Group at rates specified in the rules of the schemes and charged to profit or loss for the year amounted to approximately HK$30,000 (2006: HK$51,000).

35. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

The Group had no material transactions with other related parties during both years.

36. LITIGATION

The Group had the following material claims:–

(a) In September 2004, a Writ of Summons was served on the Company by an individual third party demanding immediate repayment of borrowings of approximately HK$1.6 million together with the interest thereon. As the Company had never borrowed money from that individual third party, the directors were of the opinion that the Company had no obligation to pay the demanded amount. In January 2005, an Amended Writ of Summons was served on the Company by the lender of the Group (the "2nd Plaintiff") to clarify that the individual third party acted as an agent of the 2nd Plaintiff. The directors have instructed the lawyer of the Company to handle this matter. The loan advanced by the 2nd Plaintiff has been fully accrued in the financial statements. As at 30 June 2007, the amount has not yet been settled.

(b) According to an agreement entered into by the Company, two of its subsidiaries and two independent third parties in February 2003, the Group had disposed of a subsidiary, World Giant Limited ("World Giant"), a company engaged in property investment in the People's Republic of China ("PRC"). In this connection, the Company has undertaken to indemnify World Giant for, among others, any increase in the liabilities of World Giant as a result of any claim for taxation arising from any transactions effected on or before the completion date of the above disposal. In October 2004, World Giant received a payment request from the PRC tax authority in respect of PRC property taxes relating to the property held by World Giant in the aggregate amount of approximately HK$8 million, including the late payment surcharge levied by the tax authority, of which approximately HK$5.8 million was related to transactions on or before the completion date. The existing management of World Giant had indicated to the directors that the amount in respect of transactions on or before the completion date should be paid by the Company. In February 2005, a Writ of Summons was served on the Company demanding the payment of approximately HK$5.8 million. However, such amounts are covered by the amount accrued in the accounts of World Giant at the time of disposal. Accordingly, in the opinion of the directors and having obtained an opinion from the Company's lawyer, the Group or the Company has no obligation to pay the above taxes. Because of the uncertainty of the outcome of this matter, the amount involved has been shown as contingent liabilities in note 32.

Notes to the Financial Statements

For the year ended 30 June 2007

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which result from its operating and investing activities.

Management regularly manages the financial risks of the Group. Because of the simplicity of the financial structure and the current operation of the Group, no major hedging activities are undertaken by management.

The most significant financial risks to which the Group is exposed to are as follows:–

(a) Market risk

(i) Currency risk

The Group has adopted the Hong Kong dollar as its functional and presentation currency. The Group has subsidiaries operated in the People's Republic of China ("PRC") and is therefore exposed to currency risk because of changes in foreign exchange rates. In view of the stable currency policies adopted by the PRC government, the directors consider that the Group's exposure to currency risk due to fluctuation in foreign exchange rates is insignificant.

The Group currently does not have a foreign exchange rate hedging policy in respect of commercial transactions denominated in foreign currencies. However, the directors monitor exchange rate exposure and will consider hedging significant exchange rate exposure should the need arise.

(ii) Fair value interest rate risk

The Group only places surplus funds in bank deposits with maturity of not more than three months. The directors consider that the Group's exposure to fair value interest rate risk is not significant.

(iii) Price risk

The investments in financial instruments expose the Group to price risk. The directors closely monitor the price fluctuation and will dispose of the financial instruments in case of significant decrease in returns in foreseen.

(b) Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables. In order to minimise credit risk, management monitors the collection of receivables and reviews the recoverable amount of each individual debt regularly. In this regard, management considers that the Group's exposure to credit risk is significantly reduced.

At the balance sheet date, the Group had no significant concentration of credit risk.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(c) Liquidity risk

The directors manage the Group's funds conservatively by maintaining a comfortable level of cash and cash equivalents in order to meet continuous operational need.

(d) Cash flow interest rate risk

The Group's exposure to cash flow interest rate risk is mainly on its interest-bearing borrowings. The directors manage the cash flow interest rate risk and will repay the corresponding borrowings when the Group has surplus funds.

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Company at 30 June 2007 are as follows:–

	Place of incorporation/ operation	Issued and paid up capital	Class of shares	Attributable percentage of shares held Directly	Indirectly	Principal activities
First Union Limited 壹聯有限公司	Hong Kong	HK$2	Ordinary	100%	–	Property investment
Noble City (Asia) Limited 港匯（亞洲）有限公司	Hong Kong	HK$2	Ordinary	100%	–	Investment holding
Welchem Development Limited 華綽發展有限公司	Hong Kong/ The People's Republic of China	HK$2	Ordinary	–	100%	Property investment
World Joy Limited 華緻有限公司	Hong Kong/ The People's Republic of China	HK$2	Ordinary	–	100%	Property investment
Konmate Investments Limited 廣美投資有限公司	Hong Kong	HK$2	Ordinary	100%	–	Inactive
Konwide Development Limited 廣偉發展有限公司	Hong Kong	HK$2	Ordinary	100%	–	Inactive
北京光訊投資管理顧問有限公司	The People's Republic of China	–	Registered	–	100%	Property investment

Summary of Financial Information

The summarised consolidated results, assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements of the Group, are set out below:–

RESULTS

	For the year ended 30 June				
	2003	2004	2005	2006	**2007**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Turnover	13,217	6,445	3,600	43,337	**11,224**
Profit/(loss) attributable to equity holders of the Company	(41,991)	(5,213)	15,208	(23,995)	**(11,869)**

ASSETS AND LIABILITIES

	At 30 June				
	2003	2004	2005	2006	**2007**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	139,691	153,541	188,925	47,491	**30,406**
Total liabilities	(118,407)	(137,470)	(157,646)	(40,207)	**(34,991)**
Net assets	21,284	16,071	31,279	7,284	**(4,585)**