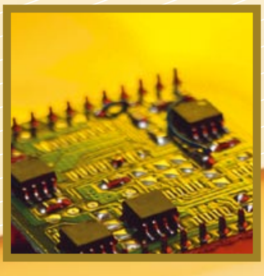
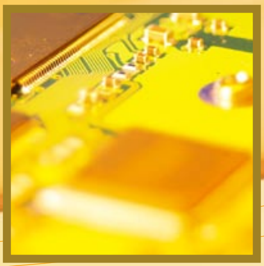
Goldmond Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8190)





Annual Report

2008

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Li Jiahui

Mr. Huang Boqi

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Ngai Sang, Kenny

Mr. Xing Fengbing

Mr. Chan Kin Sang

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 3605, 36/F., Tower One

Lippo Centre

89 Queensway

Hong Kong

REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Mr. Lee Man To, CPA, FCCA

AUTHORISED REPRESENTATIVES

Mr. Li Jiahui

Mr. Lee Man To

COMPLIANCE OFFICER

Mr. Li Jiahui

AUDITORS

Grant Thornton

Certified Public Accountants

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

Bank of Communications

Industrial and Commercial Bank of China

Nanchang Commercial Bank

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Bermuda (Cayman) Limited

P.O. Box 513 G.T.

Strathvale House, North Church Street

George Town

Grand Cayman

Cayman Islands

British West Indies

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited

46th Floor, Hopewell Centre

183 Queen's Road East

Hong Kong

AUDIT COMMITTEE

Mr. Chan Ngai Sang, Kenny

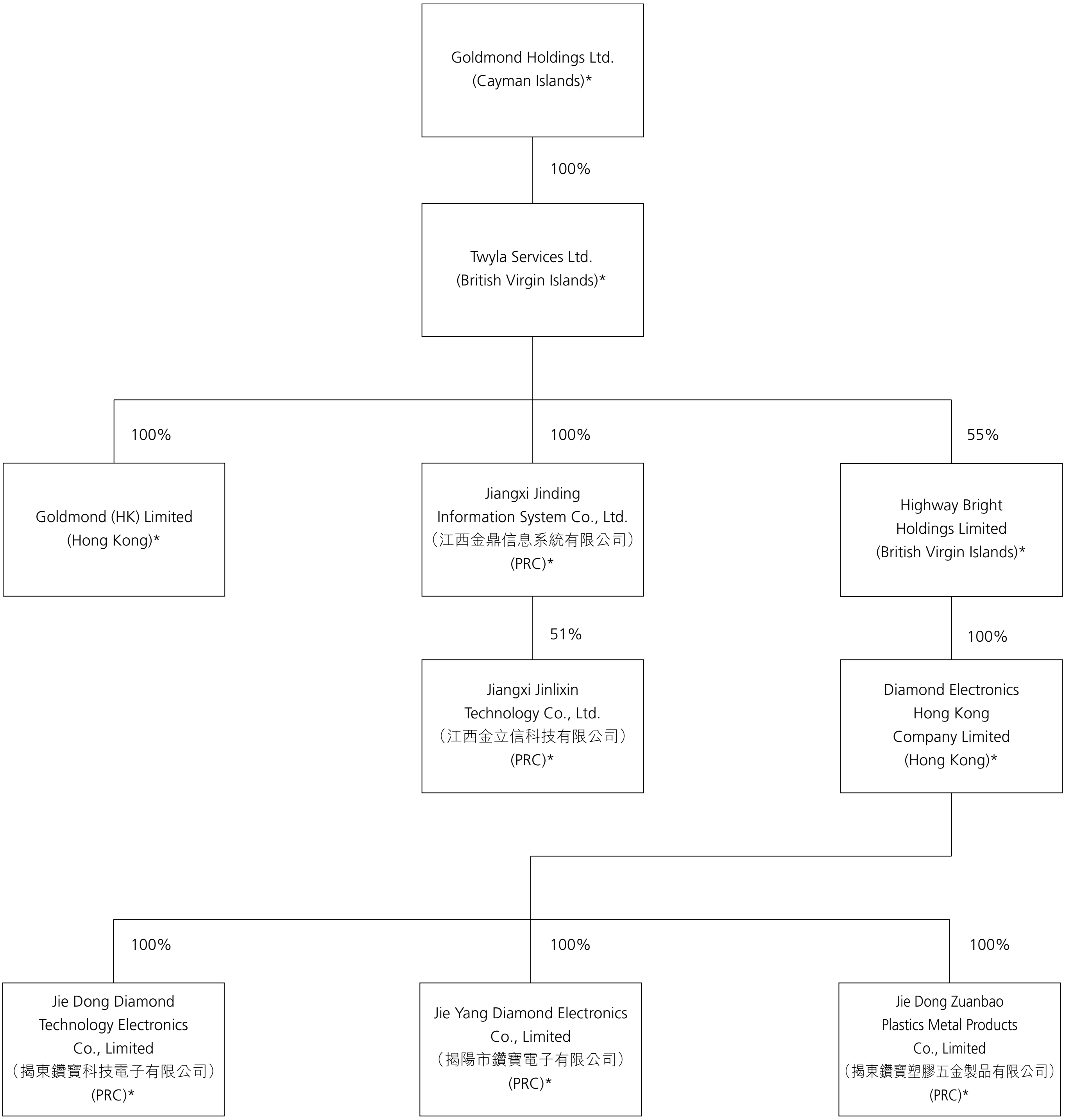
Mr. Xing Fengbing

Mr. Chan Kin Sang

STOCK CODE

8190

The following chart sets out the structure of the Company and its principal subsidiaries:



* *place of incorporation*

CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board") of Goldmond Holdings Limited, I hereby present to our shareholders the annual report of the Company and its subsidiaries (collectively the "Group") for the year ended 30 June 2008.

RESULTS

The financial and business highlights of the Group for the year ended 30 June 2008 are presented as follows:

	Continuing operations		**Discontinued operations**		**Total**	
	2008	2007	**2008**	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Revenue	**450,389**	5,459	**432**	26,917	**450,821**	32,376
Profit/(Loss) attributable to equity holders of the Company	**13,069**	(3,179)	**13**	(3,807)	**13,082**	(6,986)
Earnings/(Loss) per share						
– basic	**0.67 cent**	(0.26 cent)	**–**	(0.32 cent)	**0.67 cent**	(0.58 cent)
– diluted	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A

On 30 June 2007, the Group terminated the system solutions segment and the results of this segment for the years ended 30 June 2007 and 2008 are presented as discontinued operations in this report.

No dividends has been paid or declared by the Company during the years ended 30 June 2008 and 2007.

PROSPECTS AND APPRECIATION

Although we are facing with the high competition in the IT industry in China, we are optimistic of the business opportunities in the area. Looking forward, we will continue to focus on our resources in the China market and pursue high-profit margin software development projects in order to improve our performance.

The Directors wish to inform shareholders that in November 2007, the Group has acquired 55% equity interest in Highway Bright Holdings Limited ("Highway Bright") which is principally engaged in the manufacture and sale of consumer electronic products and components and satellite communications products. In June 2008, the EGM of the Company has approved to spin-off the Highway Bright and its subsidiaries (collectively, the "Highway Bright Group") to be listed in Catalist Board of the Singapore Exchange Securities Trading Limited. We believe that the Group will benefit from such spin-off as it would enhance our business potential and the shareholders' value.

Finally, on behalf of the Board, I would like to express my gratitude to the management and staff of the Group for their effort and dedication particularly in the harsh economic environment. I would also like to thank our shareholders, business associates, customers and suppliers for their continuous support. The management and staff will continue to work diligently to improve the performance.

Li Jiahui
Chairman

Hong Kong
25 August 2008

At 30 June 2007, the Group ceased its system solutions segment and the results of this segment for the years ended 30 June 2007 and 2008 are recorded as discontinued operations in this report.

The following sections provide a detailed review and analysis of the results and segmental performance of the Group for the financial year ended 30 June 2008.

FINANCIAL REVIEW

Revenue and gross profit

Continuing operations

Continuing operations comprise of three business segments (i) ODM, (ii) proprietary packaged software, and (iii) consumer electronic products and components, and satellite communications products.

In the continuing operations, the Group generated revenue of RMB450,389,000, representing an increase of approximately 8,150% as compared to that in previous year. This was mainly attributable to the operation of the Highway Bright Group. The gross profit margin ratio for the year ended 30 June 2008 was 18.8% while it was 62.5% in previous year. The decrease in gross profit margin was mainly due to the inclusion of the results of the Highway Bright Group whose gross profit margin is relatively lower as it is a manufacturing business.

The selling and distribution costs for the year were RMB6,405,000, representing an increase of approximately 732% from last year. The increase was mainly due to the consolidation of the selling and distribution costs of the Highway Bright Group which was acquired in November 2007.

The administrative expenses for the year were RMB23,020,000, representing an increase of approximately 346%. The increase was mainly due to the consolidation of the administrative expenses of the Highway Bright Group which was acquired in November 2007.

Other operating expenses for the year were RMB12,186,000, representing an increase of 687% from the last financial year. The increase was mainly due to the inclusion of other operating expenses of the Highway Bright Group and loss on fair value change of the asset components of convertible bonds.

Finance costs for the year were RMB8,534,000 (2007: RMBNil). The increase was mainly due to the imputed interest expense incurred in the liability components of convertible bonds.

Discontinued operations

Discontinued operations comprise of system solutions segment.

In the discontinued operations, the Group generated revenue of RMB432,000, representing a decrease of approximately 98.4% as compared to that in previous year. This was mainly attributable to the decrease in sales of computer hardware. The gross loss margin ratio for the year ended 30 June 2008 was 24.1% while the gross loss margin was 8.5% in previous year. The gross loss margin in this year was mainly due to the sales of computer hardware at a lower price than their cost upon the cessation of systems solutions business.

The selling and distribution costs for the year were RMB22,000, representing a decrease of approximately 92.3% from last year. The decrease was mainly due to the cessation systems solutions business.

The administrative expenses for the year were RMB194,000, representing a decrease of approximately 60.2%. The decrease was mainly due to a decrease in staff costs resulting from the decrease in the number of administrative staff.

Other operating expenses for the year were RMBNil (2007: RMB1,155,000). The decrease was mainly due to the cessation of systems solutions business.

Liquidity and financial resources

The Group generally finances its operation with internally generated cash flow. As at 30 June 2008, the cash and bank balances of the Group amounting to RMB92,648,000 (2007: RMB17,646,000) and the net current assets of the Group amounted to RMB42,664,000 (2007: RMB14,105,000). With such resources, the Company has adequate financial resources for its operations.

Charges on the Group's asset

As at 30 June 2008, certain of the Group's assets of approximately RMB128 million in total have been pledged to banks for the general banking facilities and bank loans granted to the Group (30 June 2007: None).

Gearing Ratio

The Group expresses its gearing ratio (if any) as a percentage of bank borrowings and long term debts (excluding convertible bonds) over total assets. As at 30 June 2008, the gearing ratio as a percentage of bank borrowings and overdraft over total assets was approximately 7.6% (30 June 2007: Nil).

Material acquisition and disposals of subsidiaries and affiliated companies

The Group completed its acquisition of a 55% equity interest in Highway Bright on 21 November 2007. In addition, with reference to the Company's announcement on 10 April 2008 and 12 June 2008, the Company is contemplating a separate listing of the Highway Bright Group's principal business on the Catalist Board of the Singapare Exchange Securities Trading Ltd. Except for the above, the Group had no material acquisitions or disposal of subsidiaries and affiliated companies during the year ended 30 June 2008 and 2007.

Treasury policies and capital structure

Any surplus fund derived from operating activities will be placed in savings accounts and short term time deposits with original maturity of less than three months which secures the Group's liquidity position in meeting its daily operating needs.

Exposure to Exchange Rate Risks

For the year ended 30 June 2008, the Group's business in manufacturing of electronic products and banks borrowings were transacted in HK$, US dollar and RMB. The Directors consider that the Group did not have significant exposure to foreign exchange fluctuation as the management monitors the related foreign currency closely and will consider hedging significant foreign currency exposure.

Contingent liabilities

As at 30 June 2008, the Group and the Company did not have any significant contingent liabilities.

Employee information

For the year ended 30 June 2008, the staff cost, excluding directors' remuneration, amounted to RMB26,767,000 (including RMB26,625,000 and RMB142,000 from continuing and discontinued operations respectively) (2007: RMB3,715,000, including RMB3,362,000 and RMB353,000 from continuing and discontinued operations respectively) while the directors' remuneration amounted to approximately RMB1,098,000 (2007: RMB1,131,000). The directors' emolument was determined on the basis comparable with other GEM listed companies in similar size and business industry. The employee remuneration was commensurate with individual performance and experience and subject to the periodic review of the senior management of the Company.

In order to maintain the standard of the Group's services and for purpose of staff development, the Group provided comprehensive training programs for its staff.

The Group had adopted a share option scheme whereby certain employees may be granted options to acquire the shares of the Company. No options have been granted or agreed to be granted under the Scheme since its effective date on 24 January 2002.

BUSINESS REVIEW

Continuing operations

We are principally engaged in three business segments, in the continuing operations namely (i) provision of original design manufacturing ("ODM") software; (ii) proprietary packaged software and (iii) manufacture of consumer electronic products and components, and satellite communications products. The current status of our business segments is shown as follows:

Provision of ODM and proprietary packaged softwares

This segment mainly consists of the e-government projects.

Software outsourcing continues to be a trend in the development of global software market, and the ODM software market in the PRC has continued to grow over the past years. Accordingly, our core strategy is to establish and maintain long-term relationship with international technology vendors and constantly improve our product quality and standard in order to keep abreast of the latest software development trend.

The packaged software market in the PRC encountered intense competition. This strongly affected our sales of proprietary packaged software. To improve our competitiveness in the software industry, we have upgraded our existing packaged software and developed innovative package software for different customers.

Manufacture and sale of consumer electronic products and components, and satellite communications products

On 21 November 2007, the Group completed its acquisition of a 55% equity interest in Highway Bright Group whose products include three categories: (1) ODM for consumer electronic products, (2) OEM consumer electronic products, and (3) satellite communications products.

1. ODM for consumer electronic products include main structure parts for electronic products' console and high frequent modular for consumer electronic products.

2. OEM consumer electronic products include RS connectors, transmitters for consumer electronic products.

3. Satellite communications products include low-noise block converters, transceivers and digital video broadcasting decoders which are used in satellite broadcasting, satellite telephone, satellite monitoring and GPS.

Discontinued operations:

Provision of systems solutions

This segment is comprised of the e-business solutions. At 30 June 2007, the Group decided to cease the operation of this segment. The sale of stale inventories and expenses incurred in this segment are recorded under the discontinued operations.

Sales and marketing

ODM and proprietary package software segment

During the year, the Group maintained the ISO9001:2000 Certification. The success in the compliance of ISO9001:2000 standard in the Group's quality management system verifies its dedication to continuous improvement on product quality and standard.

The Group has been actively participating in bidding for the e-government projects in Jiangxi Province, the PRC. The Group has been recognised as "Jiangxi, Provincial Enterprise Information Advanced Work Unit"（江西省企業信息化先進單位）for the past three years.

The Group proactively carries out various marketing activities. The Group has participated in certain trade shows including the International ICT Expo in Hong Kong and other shows in the PRC. These trade shows provide the avenue for the Group to meet with existing and potential customers, and to launch its latest products.

The Group also advertised in major IT magazines, issued press releases and arranged products training for authorized agents and alliance partners to increase publicity. The Group has also arranged visits of well-known persons to the Group's R&D centre in Nanchang City, the PRC, in order to promote its public awareness.

Consumer electronic products and components, and satellite communications products

For the consumer electronic products and components, and satellite communications products segment, the Group will continue to concentrate on the manufacture of several high-tech products such as antenna and microwave equipment.

The Group will continue to partner with several OEM leaders on design and supply of key parts/products. We are also developing the China market through working with several organizations such as China Mobile, China Academy of Space Technology and China Aerospace Science and Technology Corporation. For example, we are participating in the 3G and Direct-to-Home (DTH) project, and providing key parts to them.

RESEARCH AND DEVELOPMENT

We are planning to upgrade our operations and manufacturing processes of our satellite communications products.

As at 30 June 2008, we have a pool of 25 IT professionals serving our PRC customers and 50 technical staff engaged in the Highway Bright Group (30 June 2007: 28 IT staff).

OUTLOOK

During the year, the Group completed its acquisition of a 55% equity interest in Highway Bright which is principally engaged in the manufacture and sale of consumer electronic products and components, and satellite communications products. We believe that the Group will benefit from such acquisition as it is expected to enhance our business potential, generate additional revenues and significantly increase our profitability.

EXECUTIVE DIRECTORS

Mr. Li Jiahui (李佳輝), aged 48, is the chairman of the board of Directors of the Company, an executive Director and one of the founders of the Group. Mr. Li is responsible for the overall strategic planning and development of the Group. Mr. Li graduated from Wuhan Technical Institute (武漢工學院) with a university diploma in machinery design and manufacturing in 1982 and has also pursued studies in Japan. Mr. Li has substantial working experience in business planning and development and the IT industry. Mr. Li was appointed as an executive Director in September 2001.

Mr. Huang Boqi (黃伯麒), aged 43, is an executive Director of the Company and is the general manager of Jiangxi Jinding Information System Co., Ltd. He is responsible for the general administration of the Group and the overseas management of the development and marketing of the Group's IT products and services. Mr. Huang joined the Group in October 1998 and has over 12 years of experience in corporate management including international sales and marketing. Mr. Huang holds a bachelor degree in engineering from South China Technical Institute (華南工學院) and a master degree in economics from Jiangxi University of Finance and Economics (江西財經大學) in the PRC. Mr. Huang was designated by the Jiangxi Provincial People's Government (江西省人民政府) and Jiangxi Provincial Young Entrepreneurs Association (江西省青年企業協會) as an Elite Young Entrepreneur of Jiangxi Province (江西省傑出青年企業家) in 2000. Mr. Huang was appointed as an executive Director on 6 February 2005.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Ngai Sang, Kenny (陳毅生), aged 43, is an independent non-executive Director of the Company. He is presently a partner and founder of Kenny Chan & Co.. He has more than 15 years of experience in accounting, tax, auditing and corporate finance and has participated in a number of mergers and acquisitions and public flotation assignments. Mr. Chan holds a bachelor degree in commerce from the University of New South Wales in Australia and is a member of the Institute of Chartered Accountants of New Zealand, Australia CPA, Hong Kong Institute of Certified Public Accountants and Taxation Institute of Hong Kong. Mr. Chan was appointed as an independent non-executive Director in January 2002.

Mr. Xing Fengbing (邢鳳炳), aged 68, is an independent non-executive Director of the Company. Mr. Xing has substantial experience in journalism in Hong Kong and the PRC and has worked in The People's Daily (人民日報), Shenzhen Special Zone Daily (深圳特區報) and Hong Kong Commercial Daily. He holds a bachelor degree in journalism from Qinan University (暨南大學) in the PRC. Mr. Xing was appointed as an independent non-executive Director in January 2002.

Mr. Chan Kin Sang (陳健生), aged 56, is an independent non-executive Director of the Company and is currently a sole proprietor of Messrs. Peter K. S. Chan & Co., Solicitors and Notaries. Mr. Chan has been a practising solicitor in Hong Kong since 1982. Mr. Chan graduated from the University of Hong Kong with a Bachelor of Laws degree in 1979. Mr. Chan was admitted as a Notary Public in 1997 and a China-appointed Attesting Officer in 2000. Mr. Chan is a fellow of Institute of Directors and acts as an independent non-executive director in several listed companies in Hong Kong and Singapore. Mr. Chan was appointed as an independent non-executive Director in September 2004.

SENIOR MANAGEMENT

Mr. Lee Man To,（李敏滔）, aged 35, is the financial controller, qualified accountant and company secretary of the Company. Mr. Lee joined the Group in June 2008. Mr. Lee is responsible for the overall financial control, accounting and company secretarial matters of the Group. Mr. Lee has over twelve years of experience in auditing, accounting and finance. Mr. Lee graduated in the Hong Kong Polytechnic University with Bachelor degree in accountancy in 1995. Mr. Lee is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

Yong Kee Poh, **（楊紀寶）**, aged 48, is our Executive Director and Chief Operating Officer of Highway Bright Group. He is responsible for the overall management of our operations and sales, and assists our Chief Executive Officer in setting strategic directions for our businesses. He has been the Chief Operating Officer for Diamond Hong Kong and Jiedong Diamond since September 2005. Prior to that, he was Operations Manager at Jabil Circuit Hong Kong Ltd from September 2003 to August 2005, having been seconded to Jabil by Philips Electronics (S) Pte Ltd ("Philips Singapore") since November 2002. Prior to that, he was employed from 2000 to 2002 as Operations Manager at Contract Manufacturing Services HK Ltd (a subsidiary in the same group of companies as Philips Singapore), and from 1986 to 2000 by Philips Singapore where he last held the post of senior production manager, having started his career with Philips Singapore as a trainee engineer in 1986. He graduated from the National University of Singapore in 1986 with a B. Eng. (Mech.) Hons.

Wei Qi, **（衛祺）**, aged 37, is our General Manager (Operations) of Highway Bright Group. He is responsible for our plant's operations and reports to Kee Poh Yong. He has worked with a subsidiary of our Group since 1999 and was promoted to his current position of General Manager for Operations in 2005. He has more than 15 years of experience in the field of automation systems and the manufacture of electronic components. Prior to joining us, he was a quality assurance manager and product safety director with Aiwa in its plant located in Chang An Town, Dongguan, Guangdong Province, PRC from 1997 to 1999, and assistant technical manager with Funai in its plant located in Da Ling Shan Town, Dongguan, Guangdong Province, PRC, where he was employed from 1994 to 1996. Prior to that, he had worked at the Shaanxi Province Chemical Company as a project manager from 1992 to 1994. He graduated in 1992 from the Nanjing Dynamic College with a diploma in Automation Engineering.

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are in three business segments, (i) the provision of original design manufacturing ("ODM") software, and (ii) the sale of proprietary packaged and (iii) manufacture of consumer electronic products and components and satellite communications products.

On 21 November 2007, the Group completed the acquisition of 55% equity interest in Highway Bright. Highway Bright Group is engaged in manufacture and sale of consumer electronic products and components and satellite communications products. The result of Highway Bright Group from the date of acquisition to 30 June 2008 has been included in this report.

RESULTS AND DIVIDENDS

The results of the Group for the year and the state of affairs of the Company and of the Group as at that date are set out in the financial statements on pages 25 to 89.

The Directors did not recommend the payment of any dividend in respect of the year ended 30 June 2008 (2007: nil).

SUMMARY FINANCIAL INFORMATION

A summary of the published results, assets and liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and restated as appropriate, is set out on page 90. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 18 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 28 to the financial statements.

On 21 November 2007, HK$182,017,500 zero coupon convertible bonds were issued by the Company at a conversion price of HK$0.25 per share at the following conditions:

Maturity date	Fifth anniversary of the date of issue of the convertible bonds
Interest	Zero coupon
Conversion period	Bondholders may exercise their conversion right at any time during the period commencing from the expiry of the sixth month from the date of issue of the convertible bonds up to the date falling 7 days before the maturity date

Redemption at option of the Company	At any time prior to the maturity date, the Company may, having given a notice of not less than 30 days but not more than 60 days to the bondholders, redeem, from time to time, all or some only of the convertible bonds at a redemption price equal to 115% of the outstanding amount of the relevant part of the convertible bonds

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands (being the jurisdiction in which the Company was incorporated), which would oblige the Company to offer new shares on a pro rata basis to its existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 30 to the financial statements and in the consolidated statement of changes in equity, respectively. Details of the distributable reserves of the Company are set out in note 30 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

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

	Percentage of the Group's total %
The largest customer	47.1%
Five largest customers in aggregate	91.1%
The largest supplier	39.9%
Five largest suppliers in aggregate	69.1%

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

DIRECTORS

The Directors of the Company during the year were:

Executive directors:

Mr. Li Jiahui
Mr. Huang Boqi

Independent non-executive directors:

Mr. Xing Fengbing
Mr. Chan Ngai Sang, Kenny
Mr. Chan Kin Sang

In accordance with article 108(A) of the Company's articles of association, Mr. Li Jiahui and Mr. Chan Kin Sang, will retire by rotation and, being eligible, will offer themselves for reelection at the forthcoming annual general meeting.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 9 to 10 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Mr. Li Jiahui has entered into a service contract as an executive Director on 24 February 2002 with the Company for an initial term of three years commencing from 7 February 2002, which will continue thereafter until terminated by either party giving not less than three month's notice in writing to the other. The service contract has been renewed for a period of one year from 6 February 2008 which will continue thereafter until terminated by either party giving not less than three months notice in writing to the other.

Mr. Huang Boqi has entered into a service contract as an executive Director with the Company for an initial term of one year commencing from 6 February 2005, which will continue thereafter until terminated by either party giving not less than two month's notice in writing to the other.

Mr. Chan Ngai Sang, Kenny and Mr. Xing Fengbing were appointed as independent non-executive Directors for a term of one year expiring on 5 February 2007. Each of the two Directors has renewed a service agreement with the Company for a period commencing from 6 February 2008 to 5 February 2009.

Mr. Chan Kin Sang was appointed as an independent non-executive Director for an initial a term of one year expiring on 27 September 2005 and has renewed a service agreement with the Company for one year expiring on 27 September 2008.

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

DIRECTORS' INTERESTS IN CONTRACTS

Except for those disclosed in note 33 to the financial statements, no Director had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party subsisted at the end of the year or at any time during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2008, the interests and short position of the Directors and chief executives in the securities of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or as recorded in the register to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Stock Exchange and the Company pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules were as follows:

Long position in shares of the Company

Director	**Total number and class of securities held**	**Capacity**	**Approximate percentage shareholding**
Mr. Li Jiahui	189,000,000 ordinary shares	Beneficial owner	7.82%
Mr. Huang Boqi	10,030,000 ordinary shares	Beneficial owner	0.42%

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSON'S INTERESTS AND SHORT POSITION IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as is known to the Company at 30 June 2008, the persons, other than a Director or chief executive of the Company, who had interests or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO and who were, directly or indirectly, interested in 10% or more of the shares were as follows:

Long position in shares of the Company

Name	**Number and class of securities**	**Capacity**	**Approximate percentage to the issued share capital of the Company**
Cytech Investment Limited ("Cytech Investment") *(Note 1)*	664,500,000 ordinary shares	Beneficial owner	27.50%
Benep Management Limited ("Benep") *(Note 1)*	664,500,000 ordinary shares	Interest of controlled corporation	27.50%
Chinasing Investment Holdings Limited ("Chinasing") *(Note 1)*	664,500,000 ordinary shares	Interest of controlled corporation	27.50%

Name	Number and class of securities	Capacity	Approximate percentage to the issued share capital of the Company
Pioneer Idea Finance Limited ("Pioneer") *(Note 2)*	664,500,000 ordinary shares	Interest of controlled corporation	27.50%
Mr. Huang Quan ("Mr. Huang") *(Note 2)*	664,500,000 ordinary shares	Interest of controlled corporation	27.50%
Dream Star International Ltd ("Dream Star") *(Note 3)*	474,285,714 ordinary shares	Beneficial owner	19.62%
Mr. Hong Yupeng ("Mr. Hong") *(Note 3)*	474,285,714 ordinary shares	Interest of controlled corporation	19.62%

Notes:

1. The 664,500,000 shares are registered in the name of Cytech Investment. Cytech Investment is a wholly-owned subsidiary of Benep, which is in turn a wholly-owned subsidiary of Chinasing, a company whose shares are listed on the Main Board of the Singapore Exchange Securities Trading Limited. Accordingly, each of Chinasing and Benep is deemed to be interested in all the shares in which Cytech Investment is interested pursuant to the SFO.

2. The issued share capital of Chinasing is owned as to approximately 21.25% and 36.52% by Hebe Finance Limited and Pioneer respectively. The issued share capital of Hebe Finance Limited and Pioneer are wholly-owned by Mr. Huang. Accordingly, each of Pioneer and Mr. Huang is deemed to be interested in all the shares in which Chinasing is interested pursuant to the SFO.

3. The 474,285,714 shares are registered in the name of Dream Star which is wholly owned by Mr. Hong. Accordingly, Mr. Hong is deemed to be interested in all the shares in which Dream Star is interested pursuant to the SFO.

OTHER PERSONS WHOSE INTERESTS ARE RECORDED IN THE REGISTER REQUIRED TO BE KEPT UNDER SECTION 336 OF THE SFO

As at 30 June 2008, the Company has not been notified of any other person (other than a Director or the chief executive of the Company) having an interest or short position in the shares or the underlying shares of Company representing 5% or more of the issued share capital of the Company save as below:

Name	**Number and class of securities** *(Note 1)*	**Capacity**	**Approximately percentage to the issued share capital of the Company**
Brow Crow International Limited ("Brow Crow")	200,000,000 ordinary shares	Beneficial owner *(Note 2)*	8.28%
Mr. Qian Shiyu ("Mr. Qian")	200,000,000 ordinary shares	Interest of controlled corporation *(Note 2)*	8.28%
Mr. Cheng Chun Shing ("Mr. Cheng")	189,714,286 ordinary shares	Interest of controlled corporation *(Note 3)*	7.85%

Notes:

1. It represents the interests in the shares or the underlying shares of the Company.

2. The 200,000,000 shares are registered in the name of Brow Crow, which is wholly owned by Mr. Qian. Accordingly, Mr. Qian is deemed to be interested in all the shares in which Brow Crow is interested pursuant to the SFO.

3. The 150,000,000 and the 39,714,286 shares were registered in the name of Shing Lee Holdings Limited ("Shing Lee") and Diamond Highway Limited ("Diamond Highway"), respectively. Shing Lee and Diamond Highway are wholly owned by Mr. Cheng. Accordingly, Mr. Cheng is deemed to be interested in all the shares in which each of Shing Lee and Diamond Highway is interested pursuant to the SFO.

COMPETING INTERESTS

During the year, neither the Directors, the management shareholders or substantial shareholders of the Company (as defined in the GEM Listing Rules) or any of their respective associates had any interest in a business which competes or may compete with the businesses of the Group, or had any other conflict of interests with the Group.

CONNECTED TRANSACTIONS

During the year, Twyla Services Limited, a subsidiary of the Company, (i) made operating lease payments of HK$420,000 (equivalent to RMB384,000) in respect of the Group's office premises in Hong Kong to Chinasing Investment Advisory Limited ("Chinasing Investment"), which is a wholly-owned subsidiary of Chinasing, a substantial shareholder of the Company; (ii) received rental income totally HK$120,000 (equivalent to RMB110,000) from Joinn Strategic Holdings Limited in which Mr. Huang Quan is a shareholder. The independent non-executive Directors have confirmed that the transaction was entered into in the ordinary and usual course of business of the Company. The monthly rentals were calculated by reference to the prevailing open market rentals for similar premises; (iii) a fund advance to and repayment from Mr. Hong Yupeng, a director of a subsidiary of the company, were created during the year; and (iv) purchased a motor vehicle from Chinasing Investment at approximately RMB1,000. Further details of the transaction are set out in note 33 to the financial statements.

Those transactions are de minimis transactions pursuant to Rule 20.31 of the GEM Listing Rules, which is exempted from the reporting, announcement and shareholders' approval requirements.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on page 18 to 22 of the annual report.

AUDITORS

The financial statements of the Company for the year ended 30 June 2008 were audited by Messrs. Grant Thornton. There have been no change in auditors of the Company in any of the preceding three years. A resolution to reappoint the retiring auditors, Messrs. Grant Thornton, will be put at the forthcoming annual general meeting of the Company.

By Order of the Board
Goldmond Holdings Limited

Li Jiahui
Chairman

Hong Kong
25 August 2008

OVERVIEW

Corporate governance has always been a key concern and thus is essential to the success of the Company. The Company believes that improvement of corporate governance not only can help monitor and regulate its business activities effectively, but also can attract more institutional investors to invest in the Company, and thus shareholders' interests will be protected.

CORPORATE GOVERNANCE PRACTICES

The following documents form the framework for the code of corporate governance practice of the Company:

1. Code on the Corporate Governance;
2. Code of Conduct for Securities Transactions by Directors of the Company;
3. Duties of the Board of Directors (the "Board");
4. Segregation of Duties between the Chairman and the Chief Executive Officer;
5. Disciplinary Rules of the Company;
6. Term of Reference on the Audit Committee;
7. Term of Reference on the Remuneration Committee; and
8. Written guidelines for relevant employees in respect of their dealings in the securities of the Company.

The Company has complied with all the code provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 15 to the GEM Listing Rules during the year ended 30 June 2008.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a Code of Conduct for Securities Transactions by Directors of the Company ("Code of Conduct") on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries, all the Directors have confirmed that they have complied with such Code of Conduct regarding securities transaction by the Directors throughout the year ended 30 June 2008.

Specific employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to compliance with the same Code of Conduct. No incident of noncompliance was noted by the Company for the year ended 30 June 2008.

THE BOARD

Composition of the Board

The Company's Board of Directors is responsible for leadership and control of the Company. The Directors are collectively responsible for promoting the success of the Company by directing and supervising the Company's affairs.

The second session of the Board currently comprises of two executive Directors and three independent non-executive Directors and all Directors served for the year ended 30 June 2008. Their terms of office are disclosed in the Director's Report on page 13. The biographical details of the Directors are set out on page 9 of this annual report.

During the year, Eleven Board meetings were held and the attendance record of the Board meeting is set out below:

	Attendance/ Number of meetings
Executive Directors	
Li Jiahui *(Chairman)*	11/11
Huang Boqi *(Chief Executive Officer)*	11/11
Independent non-executive Directors	
Chan Kin Sang	11/11
Chan Ngai Sang, Kenny	11/11
Xing Fengbing	10/11

In compliance with Rules 5.01 and 5.02 of the GEM Listing Rules, the Company has three independent non-executive Directors (the "INED(s)"), namely Mr. Chan Kin Sang, Mr. Chan Ngai Sang, Kenny and Mr. Xing Fengbing. These INEDs can help the management to formulate the Group's development strategies, ensure the Board prepares its financial and other mandatory reports in strict compliance with required standards, and ensure the Company maintains appropriate system to protect the interests of the Company and its shareholders. The Board has received the annual confirmation in respect of their independence from each of the INEDs, and believes that their independence is in compliance with the GEM Listing Rules as at the date of this annual report.

The Board has established two sub-committees: Audit Committee and Remuneration Committee. Both have terms of reference which accord with the principles set out in the CG Code. More details of these two sub-committees are set out in separate sections in this report.

OPERATION OF THE BOARD

Matters that need to be determined or considered by the Board include overall group strategies, substantial acquisitions, annual, interim and quarterly results, recommendations on the appointment or re-election of Directors, distribution of dividends and other substantial operating and financial matters. General daily and routine operating decision-makings are handled by the management.

The Board meets regularly at least four times a year at approximately quarterly intervals. Such regular meetings will normally involve the active participation, either in person or through other electronic means of communication, of a majority of Directors entitled to be present.

Notice of a regular Board meeting is usually given at least 14 days in advance to give all Directors an opportunity to attend. An agenda for each Board Meeting will be prepared and normally distributed to the Directors together with necessary Board materials papers at least 4 days before the Board Meeting. Directors are free to add items on the agenda as they may think fit. The Company Secretary is responsible for recording the matters considered and decisions reached by the Board including any concerns or dissenting views expressed raised by Directors. Minutes of Board Meetings and the Board Committed Meetings will be sent to all Directors for their comments and records as soon as after the Board meeting.

Before each Board meeting, the Directors are provided with a detailed agenda, sufficient relevant information and a reasonable notice period by the Company, so as to enable the Directors to attend the Board meeting and make appropriate decision in relation to the matters to be discussed. All Directors are entitled to include matters of their concern in the agenda of a Board meeting.

Minutes of Board Meetings and meetings of Board Committees are kept by the Company Secretary and such minutes are open for inspection within reasonable advance notice.

If a substantial shareholder or a director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will not be dealt with by way of written resolutions or by a committee (except an appropriate Board Committee set up for that purpose pursuant to a resolution passed in a Board Meeting) but will be resolved in a Board Meeting. Directors who, and whose associates, have no material interest in the transaction will be present at such Board meetings.

All Directors are free to access all the corporate information for the purpose of discharging their duties and responsibilities as Directors. The Directors may seek independent professional advice, if it is deemed necessary, at the Company's expenses. In addition, all Directors may have unrestricted access to the senior management of the Company.

Chairman and Chief Executive Officer

The posts of Chairman and Chief Executive Officer were held by different persons during the year. Mr. Li Jiahui served as an executive director and the Chairman of the Board, and Mr. Huang Boqi served as an executive director and the Chief Executive Officer. The separation of the roles and functions of the Chairman and Chief Executive Officer ensures a clear distinction in the Chairman's responsibility to manage the Board and the responsibility of the Chief Executive Officer to manage the Company's business activities.

Nomination of Directors

The Board has not established a nomination committee at the moment. The appointment of new director is therefore a matter for consideration and decision by the shareholders' meeting. The shareholder(s) considers that the new director is expected to have expertise in relevant area to make contribution to the Company and to have sufficient time to participate in the decision making process of the Company.

AUDIT COMMITTEE

The Company's audit committee (the "Audit Committee") has terms of reference in compliance with Rules 5.28 and 5.33 of the GEM Listing Rules. The primary duties of the Audit Committee include review and supervision of the financial reporting process and internal control and corporate governance issues of the Company and make relevant recommendations to the Board.

The Audit Committee comprises three members, Mr. Chan Kin Sang, Mr. Chan Ngai Sang, Kenny and Mr. Xing Fengbing, all are independent non-executive Directors. Mr. Chan Ngai Sang, Kenny has the appropriate financial and accounting experience required by the GEM Listing Rules and acts as the chairman of the Audit Committee.

During the year ended 30 June 2008, the Audit Committee held a total of five meetings, at which it reviewed the internal and external audit findings, the accounting principles and practices adopted by the Group, the listing and statutory compliance, and discussed the audit and internal control system, risk management and financial reporting matters (such as recommendations made to the Board to approve the quarterly, interim and annual results for the year).

The Audit Committee reports to the Board after each meeting and suggests the matters which need close attention of the Board, and reports any matter which it considers an action or improvement is needed and makes relevant recommendations.

The attendance record of the Audit Committee for the year is set out below:

Committee members	**Attendance/ No. of meetings**
Mr. Chan Ngai Sang, Kenny	5/5
Mr. Chan Kin Sang	5/5
Mr. Xing Fengbing	4/5

REMUNERATION COMMITTEE

During the year, the remuneration committee of the Company (the "Remuneration Committee") was established with effective from 1 July 2005, which is mainly responsible for making recommendations to the Board in respect of the remuneration policy and structure of all Directors' and senior management. It annually reviews the existing remuneration policy and recommend to the Board changes to the Company's remuneration policy and structure.

The Remuneration Committee comprises three members. The Chairman of the Remuneration Committee is Mr. Chan Ngai Sang, Kenny, an independent non-executive Director, and the other members are Mr. Chan Kin Sang and Mr. Xing Fengbing, both of them being independent non-executive Directors.

During the year ended 30 June 2008, the Remuneration Committee held one meeting in which matters concerning the determination of remuneration of the Directors and senior management were discussed.

The attendance record of the Remuneration Committee for the year is set out below:

Committee members	**Attendance/ No. of meetings**
Mr. Chan Ngai Sang, Kenny	1/1
Mr. Chan Kin Sang	1/1
Mr. Xing Fengbing	1/1

REMUNERATION OF THE AUDITORS

For the year ended 30 June 2008, the Audit Committee of the Company had reviewed the performance of Grant Thornton as the external auditors of the Company and proposed to re-appoint Grant Thornton as the external auditors. For the year ended 30 June 2008, the Company agreed auditing fees of HK$950,000 (equivalent to RMB869,000) payable to Grant Thornton. Grant Thornton also charged non-audit fees in total of HK$2,568,000 (equivalent to RMB2,349,000) for acting as the reporting accountants in respect of the acquisition, disposal and proposed spin-off of Highway Bright Group during the year.

RESPONSIBILITY FOR PREPARATION OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company and of the Group which give a true and fair view of the state of affairs of the Company and the Group on a going concern basis. As at 30 June 2008, the Directors were not aware of any material uncertainties or events which may have a significant impact on the Company's ability to operate as an on-going concern. Accordingly, the Directors have prepared the financial statements of the Company on an on-going concern basis.

INTERNAL CONTROL

The Board recognises that a sound and effective internal control system will contribute to the effectiveness and efficiency of operations, the reliability of financial reporting and the Group's compliance with applicable laws and regulations.

Management has established the Group's Internal Control Policies and Guidance for monitoring the internal control system.

The Board has delegated to management the implementation of such systems of internal controls as well as the review of relevant financial, operational and compliance controls and risk management procedures. Qualified personnel and individual business unit head throughout the Group maintain and monitor the compliance to these controls on an ongoing basis and report variance to senior management.

Based on the assessment and review made by the board and senior management on the effectiveness of the internal control system, the Audit Committee is satisfied that:

- The internal controls and accounting systems of the Group are designed to provide reasonable assurance that material assets are protected, business risks attributable to the Group are identified and monitored, material transactions are executed in accordance with management's authorisation and the accounts are reliable for publication; and

- There is an ongoing process in place for identifying, evaluating and managing the significant risks faced by the Group.

INVESTOR RELATIONS

The Company has disclosed all necessary information to the shareholders in compliance with GEM Listing Rules. Updated and key information of the Group is also available on the Company's website. The Company also replied the enquires from shareholders timely. The Directors host the annual general meeting each year to meet the shareholders and answer their enquiries.

Grant Thornton
均富

Member of Grant Thornton International Ltd

To the members of Goldmond Holdings Limited
(Formerly known as Golding Soft Limited)
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Goldmond Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 25 to 89, which comprise the consolidated and company balance sheets as at 30 June 2008 and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of 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 financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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 2008 and of the Group's profit 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 disclosure requirements of the Hong Kong Companies Ordinance.

Grant Thornton
Certified Public Accountants
13th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

25 August 2008

CONSOLIDATED INCOME STATEMENT

for the year ended 30 June 2008

	Notes	2008 RMB'000	2007 RMB'000
Continuing operations:			
Revenue	5	**450,389**	5,459
Cost of sales		**(365,524)**	(2,046)
Gross profit		**84,865**	3,413
Other income	5	**11,491**	888
Selling and distribution costs		**(6,405)**	(770)
Administrative expenses		**(23,020)**	(5,162)
Other operating expenses		**(12,186)**	(1,548)
Operating profit/(loss)		**54,745**	(3,179)
Finance costs	7	**(8,534)**	–
Profit/(Loss) before income tax	8	**46,211**	(3,179)
Income tax expenses	9	**(7,091)**	–
Profit/(Loss) after income tax from continuing operations		**39,120**	(3,179)
Discontinued operations:			
Profit /(Loss) for the year from discontinued operations	11	**26**	(3,968)
Profit/(Loss) for the year		**39,146**	(7,147)
Attributable to:			
Equity holders of the Company		**13,082**	(6,986)
Minority interests		**26,064**	(161)
Profit/(Loss) for the year		**39,146**	(7,147)
Earnings/(Loss) per share for profit/(loss) attributable to the equity holders of the Company	13		
– Basic			
From continuing and discontinued operations		**0.67 cent**	(0.58) cent
From continuing operations		**0.67 cent**	(0.26) cent
– Diluted		**N/A**	N/A

CONSOLIDATED BALANCE SHEET

as at 30 June 2008

	Notes	2008 RMB'000	2007 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**112,768**	2,238
Land use rights	15	**47,950**	1,484
Investment properties	16	**12,600**	–
Goodwill	17	**291,436**	–
		464,754	3,722
Current assets			
Financial assets at fair value through profit or loss	19	**15,702**	–
Inventories	20	**50,100**	–
Trade receivables	21	**130,772**	1,743
Due from a related company	22	**53**	234
Prepayments, deposits and other receivables		**40,564**	80
Pledged time deposits	23	**2,986**	–
Cash and cash equivalents	23	**92,648**	17,646
		332,825	19,703
Current liabilities			
Taxes payable		**4,543**	–
Trade and bills payables	24	**155,825**	312
Other payables, deposits and accruals		**26,667**	3,936
Due to a director of a subsidiary	25	**38,957**	–
Due to a minority shareholder	25	**17,956**	–
Due to related companies	26	**489**	1,350
Bank borrowings	27	**45,724**	–
		290,161	5,598
Net current assets		**42,664**	14,105
Total assets less current liabilities		**507,418**	17,827

	Notes	2008 RMB'000	2007 RMB'000
Non-current liabilities			
Bank borrowings	27	**15,236**	–
Convertible bonds	35	**111,663**	–
Deferred tax liabilities	36	**18,942**	–
		145,841	–
Net assets		**361,577**	17,827
EQUITY			
Equity attributable to Company's equity holders			
Share capital	28	**23,992**	12,600
Reserves	30	**281,800**	5,227
		305,792	17,827
Minority interests		**55,785**	–
Total equity		**361,577**	17,827

Li Jiahui
Director

Huang Boqi
Director

BALANCE SHEET

as at 30 June 2008

	Notes	2008 RMB'000	2007 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Investments in subsidiaries	18	**210**	210
Current assets			
Financial assets at fair value through profit or loss	19	**15,700**	–
Due from subsidiaries	18	**357,044**	17,743
		372,744	17,743
Current liabilities			
Other payables and accruals		**3,011**	1,883
Net current assets		**369,733**	15,860
Total assets less current liabilities		**369,943**	16,070
Non-current liabilities			
Convertible bonds	35	**111,663**	–
Deferred tax liabilities	36	**7,865**	–
		119,528	–
Net assets		**250,415**	16,070
EQUITY			
Share capital	28	**23,992**	12,600
Reserves	30	**226,423**	3,470
Total equity		**250,415**	16,070

Li Jiahui
Director

Huang Boqi
Director

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 30 June 2008

	2008 RMB'000	2007 RMB'000
Cash flows from operating activities		
Profit/(Loss) before income tax	**46,237**	(7,142)
Adjustment for:		
Amortisation of land use rights	**733**	143
Depreciation	**5,013**	1,870
Interest expense	**2,926**	1
Interest income	**(844)**	(693)
Loss on disposal of property, plant and equipment	**56**	69
Provision for impairment of trade receivables	**913**	845
Provision for impairment of other receivables	**1,288**	157
Provision for impairment of property, plant and equipment	**–**	27
Imputed interest on convertible bonds	**5,608**	–
Reversal of provision for impairment of trade receivables	**(57)**	–
Change in fair value of convertible bonds	**8,009**	–
Change in fair value of investment properties	**224**	–
Write-down of inventories to net realisable value	**101**	126
Operating profit/(loss) before working capital changes	**70,207**	(4,597)
(Increase)/decrease in inventories	**(31,429)**	2,341
Increase in trade receivables	**(8,856)**	(551)
(Increase)/decrease in prepayments, deposits and other receivables	**(16,029)**	50
Decrease/(increase) in amount due from a related company	**181**	(108)
Decrease in amount due to a director of a subsidiary	**(22,924)**	–
Increase/(decrease) in trade and bills payables	**65,583**	(264)
Decrease in other payables, deposits and accruals	**(3,206)**	(917)
Decrease in amounts due to related companies	**(861)**	(413)
Increase in amount due to a minority shareholder	**3,483**	–
Net cash inflow/(outflow) from operations	**56,149**	(4,459)
Interest received	**844**	693
Income taxes paid	**(8,592)**	(5)
Net cash generated from/(used in) operating activities	**48,401**	(3,771)
Cash flows from investing activities		
Purchases of property, plant and equipment	**(3,985)**	(8)
Acquisition of subsidiaries, net of cash acquired *(note 34)*	**(93,486)**	–
Decrease in pledged time deposits	**2,393**	–
Proceeds from disposal of property, plant and equipment	**239**	17
Net cash (used in)/generated from investing activities	**(94,839)**	9

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 30 June 2008

	2008 RMB'000	2007 RMB'000
Cash flows from financing activities		
Proceeds from issue of convertible bonds	**58,988**	–
Proceeds from issue of new shares for acquisition of subsidiaries, net of issue expenses	**32,179**	–
Proceeds from issue of new shares for private placement, net of share issue expenses	**45,215**	–
Proceeds from bank borrowings	**30,000**	–
Repayment of bank borrowings	**(44,006)**	–
Capital element of finance lease payments	**(2,696)**	–
Interest paid	**(2,926)**	(1)
Net cash generated from/(used in) financing activities	**116,754**	(1)
Net increase/(decrease) in cash and cash equivalents	**70,316**	(3,763)
Cash and cash equivalents at beginning of year	**17,646**	22,758
Effect of foreign exchange rate changed, on cash held	**4,686**	(1,349)
Cash and cash equivalents at end of year	**92,648**	17,646
Analysis of balances of cash and cash equivalents		
Cash and bank balances	**68,701**	2,213
Time deposits with original maturity of less than three months when acquired	**23,947**	15,433
	92,648	17,646

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2008

	Equity attributable to equity holders of the Company								
	Share capital	**Share premium***	**Statutory reserves*** *(note 30)*	**Exchange fluctuation reserve***	**Convertible bond equity reserve*** *(note 35)*	**Accumulated losses***	**Total**	**Minority interests**	**Total equity**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 July 2006	12,600	40,745	477	–	–	(27,660)	26,162	161	26,323
Exchange realignment	–	–	–	(1,349)	–	–	(1,349)	–	(1,349)
Total income and expenses for the year recognised directly in equity	–	–	–	(1,349)	–	–	(1,349)	–	(1,349)
Loss for the year	–	–	–	–	–	(6,986)	(6,986)	(161)	(7,147)
Total recognised income and expenses for the year	–	–	–	(1,349)	–	(6,986)	(8,335)	(161)	(8,496)
Balance at 30 June 2007 and 1 July 2007	12,600	40,745	477	(1,349)	–	(34,646)	17,827	–	17,827
Exchange realignment	–	–	–	7,301	–	–	7,301	3,674	10,975
Total income and expenses for the year recognised directly in equity	–	–	–	7,301	–	–	7,301	3,674	10,975
Profit for the year	–	–	–	–	–	13,082	13,082	26,064	39,146
Total recognised income and expenses for the year	–	–	–	7,301	–	13,082	20,383	29,738	50,121
Acquisition of non-wholly owned subsidiary	–	–	–	–	–	–	–	26,047	26,047
Transfer to reserves	–	–	8,561	–	–	(8,561)	–	–	–
Issue of convertible bonds	–	–	–	–	72,040	–	72,040	–	72,040
Issue of new shares	11,392	188,243	–	–	–	–	199,635	–	199,635
Share issue expenses	–	(4,093)	–	–	–	–	(4,093)	–	(4,093)
Balance at 30 June 2008	**23,992**	**224,895**	**9,038**	**5,952**	**72,040**	**(30,125)**	**305,792**	**55,785**	**361,577**

* *These reserve accounts comprise the consolidated reserves of approximately RMB281,800,000 (2007: approximately RMB5,227,000) in the consolidated balance sheet.*

1. GENERAL INFORMATION

Goldmond Holdings Limited (the "Company") is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 28 August 2001 and its shares are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "SEHK"). The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 18 to the financial statements.

The financial statements on pages 25 to 89 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the SEHK.

The financial statements for the year ended 30 June 2008 were approved for issue by the board of directors on 25 August 2008.

2. ADOPTION OF NEW OR AMENDED HKFRSs

2.1 In the current year, the Company and its subsidiaries (collectively referred to as the "Group") has applied, for the first time, the following new standards, amendment and interpretations issued by the HKICPA, which are relevant and effective for the Group's financial periods beginning on 1 July 2007:

HKAS 1 (Amendment)	Presentation of Financial Statements – Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK (IFRIC) – Interpretation 8	Scope of HKFRS 2

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior periods have been prepared and presented. Accordingly, no prior period adjustment is required.

2.2 HKAS 1 (Amendment) – Presentation of Financial Statements – Capital Disclosures

In accordance with HKAS 1 (Amendment) – Presentation of Financial Statements – Capital Disclosures, the Group now reports on its capital management objectives, policies and procedures in each annual financial report. The new disclosures that become necessary due to this change in HKAS 1 are detailed in note 38.

2. ADOPTION OF NEW OR AMENDED HKFRSs (Continued)

2.3 HKFRS 7 – Financial Instruments: Disclosures

HKFRS 7 Financial Instruments: Disclosures is mandatory for reporting period on or after 1 January 2007 or later. The new standard replaces and amends the disclosure requirements previously set out in HKAS 32 Financial Instruments: Presentation and Disclosures and has been adopted by the Group in its consolidated financial statements for the year ended 30 June 2008. All disclosures relating to financial instruments including all comparative information have been updated to reflect the new requirements. In particular, the Group's financial statements now feature:

- a sensitivity analysis, to explain the Group's market risk exposure in regards to its financial instruments, and
- a maturity analysis that shows the remaining contractual maturities of financial liabilities,

each as at the balance sheet date. The first-time application of HKFRS 7, however, has not resulted in any prior-period adjustments of cash-flows, net income or balance sheet line items.

2.4 New or amended HKFRSs that have been issued but are not yet effective

The Group has not early adopted the following HKFRSs that have been issued but are not yet effective for the year ended 30 June 2008.

HKAS 1 (Revised)	Presentation of Financial Statements [1]
HKAS 23 (Revised)	Borrowing Costs [1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements – Consequential amendments arising from amendments to HKFRS 3 [2]
HKAS 28 (Amendments)	Investment in Associates – Consequential amendments arising from amendments to HKFRS 3 [2]
HKAS 31 (Amendments)	Investment in Joint Ventures – Consequential amendments arising from amendments to HKFRS 3 [2]
HKAS 32 (Amendments)	Financial instruments: Presentation – Amendments relating to puttable financial instruments and obligations arising on liquidation [1]
HKAS 39 (Amendments)	Financial instruments: Recognition and measurement – Amendments relating to puttable financial instruments and obligations arising on liquidation [1]
HKFRS 2 (Amendments)	Share-based Payment – Amendments relating to vesting conditions and cancellations [1]
HKFRS 3 (Revised)	Business Combinations – Comprehensive revision on applying the acquisition method [2]
HKFRS 7 (Amendments)	Financial instruments: Disclosures – Amendments relating to puttable financial instruments and obligations arising on liquidation [1]
HKFRS 8	Operating Segments [1]
HK(IFRIC) -Interpretation12	Service Concession Arrangements [3]
HK(IFRIC) -Interpretation13	Customer Loyalty Programmes [4]
HK(IFRIC) -Interpretation14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction [3]

2. ADOPTION OF NEW OR AMENDED HKFRSs (Continued)

2.4 New or amended HKFRSs that have been issued but are not yet effective (Continued)

Notes:

[1] Effective for annual periods beginning on or after 1 January 2009

[2] Effective for annual periods beginning on or after 1 July 2009

[3] Effective for annual periods beginning on or after 1 January 2008

[4] Effective for annual periods beginning on or after 1 July 2008

Among these new HKFRSs, HKAS 1 (Revised) is expected to be relevant to the Group's financial statements. This amendment affects the presentation of owner changes in equity and introduces a statement of comprehensive income. Preparers will have the option of presenting items of income and expense and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of other comprehensive income). This amendment does not affect the financial position or results of the Group but may give rise to additional disclosures.

The directors of the Company are currently assessing the impact of other new or amended HKFRSs but are not yet in a position to state whether they would have material financial impact on the Group's consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

The financial statements are prepared under the historical cost convention except for investment properties and financial assets at fair value through profit or loss which are stated at fair values. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

3.2 Basis of consolidation

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Subsidiaries

Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

Business combinations are accounted for by applying the purchase method. This involves the revaluation at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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

Minority interests represent the portion of the profit or loss and net assets of a subsidiary attributable to equity interest that are not owned by the Group and are not the Group's financial liabilities.

Minority interests are presented in the consolidated balance sheet within equity, separately from the equity attributable to the equity holders of the Company. Profit or loss attributable to the minority interests are presented separately in the consolidated income statement as an allocation of the Group's results. Where losses applicable to the minority exceed the minority interests in the subsidiary's equity, the excess and further losses applicable to the minority are allocated against the minority interests to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. Otherwise, the losses are charged against the Group's interests. If the subsidiary subsequently reports profits, such profits are allocated to the minority interests only after the minority's share of losses previously absorbed by the Group has been recovered.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Foreign currency translation

The financial statements are presented in Renminbi ("RMB"). The functional currency of the Company is Hong Kong Dollars ("HK$") as most of the underlying transactions of the Company are denominated in HK$.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the balance sheet date retranslation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rate are recognised in the income statement.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations originally presented in a currency different from the Group's presentation currency, have been converted into RMB. Assets and liabilities have been translated into RMB at the closing rate at the balance sheet date. Income and expenses have been converted into RMB at the exchange rate ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been dealt with separately in the exchange fluctuation reserve in equity.

3.5 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods, rendering of services and the use by others of the Group's assets yielding interest, royalties and dividends, net of rebates and discount. Provided it is probable that the economic benefit will flow to the Group and the revenue and costs, if applicable, can be reliably measured, revenue is recognised as follows:

From the sale of goods

Revenue is recognised upon the significant risks and rewards of ownership have passed to the customer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.

From the rendering of services

Revenue is recognised, based on the stage of completion of contract, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The stage of completion of a contract is established by reference to physical completion of a particular phase of the contract.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Revenue recognition (Continued)

Interest income

Revenue is recognised on a time-proportion basis, taking into account the principal outstanding, using the effective interest rate applicable.

Rental income

Revenue is recognised on a time proportion basis over lease terms.

3.6 Research and development costs

Costs associated with research activities are expensed in the income statement as they occur. Costs that are directly attributable to the development phase are recognised as intangible assets provided they meet the following recognition requirements:

(i) demonstration of technical feasibility of the prospective product for internal use or sale;

(ii) the intention to complete the intangible asset and use or sell it;

(iii) the ability to use or sell the intangible asset;

(iv) how the intangible asset will generate probable economic benefits;

(v) the availability of sufficient technical, financial and other resources to complete the development and to use or sell the intangible asset; and

(vi) the ability to measure reliably the expenditure attributable to the intangible asset during its development.

3.7 Property, plant and equipment

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Property, plant and equipment (Continued)

Depreciation is calculated on the straight-line method to write off the cost of property, plant and equipment, less any estimated residual values, over the following estimated useful lives:

Leasehold buildings	20-35 years
Leasehold improvements	Over the lease terms or estimated useful life of 5 years whichever is shorter
Computer equipment	20%
Plant and machinery	10%-33%
Furniture, fixtures and office equipment	10%-33%
Motor vehicles	10%-25%

The gain or loss arising on disposal or retirement of an item of property, plant and equipment recognised in the income statement is the difference between the net sales proceeds and the carrying amount of the relevant asset.

The asset's residual values, estimated useful lives and depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

3.8 Land use rights

Land use rights represent up-front payments to acquire long term interests in the usage of land. They are stated at cost less accumulated amortisation and impairment losses, if any. The up-front payments are amortised over the respective lease terms on a straight-line method and the amortisation is charged to the income statement.

3.9 Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use.

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease. On initial recognition, investment property is measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is stated at fair value. Fair value is determined by external professional valuers, with sufficient experience with respect to both the location and the nature of the investment property. The carrying amounts recognised in the balance sheet reflect the prevailing market conditions at the balance sheet date.

Gain or losses arising from changes in the fair value of an investment property is included in the income statement for the period in which they arise.

For a transfer from investment properties carried at fair value to owner-occupied property and land use rights, the property's and land use rights' deemed cost for subsequent accounting shall be their fair value at the date of change in use.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Impairment of assets

Goodwill arising on an acquisition of subsidiaries, property, plant and equipment, land use rights and the Company's investments in subsidiaries are subject to impairment testing.

Goodwill is tested for impairment at least annually, irrespective of whether there is any indication that it is impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions 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 assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

Impairment losses recognised for cash-generating units is charged pro rata to the assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

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, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss bee 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.

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount of an asset and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior year.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the weighted average method, and in the case of work in progress and finished goods, comprise direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is the estimated selling prices in the ordinary course of business less the estimated cost of completion and any applicable selling expenses.

3.12 Financial assets

The Group classifies its financial assets into the following categories: Loans and receivables and financial assets at fair value through profit or loss.

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade date, that is, the date that the Group commits to purchase or sell the asset. When financial assets are recognised initially, they are measured at fair value, plus directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the receivables/investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. At each balance sheet date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any of such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are subsequently measured at amortised cost using the effective interest rate method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivative are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12 Financial assets (Continued)

Financial assets at fair value through profit or loss (Continued)

Where a contract contains one or more embedded derivative, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets may be designated at initial recognition as at fair value through profit or loss if the following criteria are met:

– the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a difference basis; or

– the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy and information about the group of financial assets is provided internally on that basis to the key management personnel; or

– the financial asset contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in income statement.

3.13 Income taxes

Income tax for the year comprises current and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, tax authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of income tax expense in the income statement.

Deferred tax is calculated using the liability method on temporary differences at the balance sheet date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Income taxes (Continued)

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

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised in the income statement, or in equity if they relate to items that are charged or credited directly to equity.

3.14 Employee benefits

(i) Retirement benefits scheme

Pursuant to the relevant regulations of the government in the People's Republic of China (the "PRC"), the subsidiaries operating in the PRC have participated in local municipal government retirement benefits scheme (the "Schemes"), whereby the PRC subsidiaries are required to contribute a certain percentage of the basic salaries of their employees to the Schemes to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the PRC subsidiaries. The only obligation of the Group with respect to the Schemes is to pay the ongoing required contributions under the Schemes mentioned above. Contributions under the Schemes are charged to the income statement as incurred. There are no provisions under the Schemes whereby forfeited contributions may be used to reduce future contributions.

The Group has participated in a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") for its employees in Hong Kong who are eligible to participate in the MPF Scheme, in accordance with the Mandatory Provident Fund Schemes Ordinance. Contributions are made based on a percentage of the employee's basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

(ii) Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Non-accumulating compensated absences are not recognised until the time of leave.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Leases

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

– property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property, is accounted for as if held under a finance lease *(see note 3.9)*.

(ii) Assets acquired under finance lease

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligation under finance leases.

Subsequent accounting for assets held under finance lease agreements corresponds to those applied to comparable acquired assets. The corresponding finance lease ability is reduced by lease payments less finance charges.

Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

(iii) Operating lease charges as the lessee

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to the income statement on a straight-line method over the lease terms except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rental are charged to the income statement in the accounting period in which they are incurred.

(iv) Assets leased out under operating leases as the lessor

Assets leased out under operating leases are measured and presented according to the nature of the assets. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the rental income.

Rental income receivable from operating leases is recognised in the income statement on a straight-line method over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in the income statement as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.16 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and 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.

All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

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 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 of more future events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3.17 Financial liabilities

The Group's financial liabilities include trade and bills payables, other payables and accruals, due to related companies/a director of a subsidiary/a minority shareholder, bank borrowings and convertible bonds.

Financial liabilities are recognised when the Group becomes a party to the contractual provision of the instrument. All interest related charges are recognised as an expense in financial costs in the income statement. A financial liability is derecognised when the obligation under the liability is discharges or cancelled or expires.

(i) Bank borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Financial liabilities are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method.

(ii) Trade and bills payables, other payables and accruals, due to related companies/a director of a subsidiary/a minority shareholder

These are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest rate method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.17 Financial liabilities (Continued)

(iii) Convertible bonds contains liability and equity components, and early redemption options derivative

Convertible bonds issued by the Company that containing liability, conversion option and early redemption option (which is not closely related to the host liability component) are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument. At the date of issue, both liability and early redemption option components are measured at fair value. The difference between the gross proceeds of the issue of the convertible bonds and the fair values assigned to the liability and early redemption option components respectively, representing the conversion option for the holder to convert the bonds into equity, is included in convertible bond equity reserve.

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest rate method. The early redemption option is measured at fair value with changes in fair value recognised in the income statement.

The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in the convertible bond equity reserve until the embedded conversion option is exercised (in which case the balance stated in the convertible bond equity reserve will be transferred to share premium). Where the conversion option remains unexercised at the expiry date, the balance stated in convertible bond equity reserve will be released to the retained profit. No gain or loss is recognised in the income statement upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability, equity and early redemption option components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the early redemption option are charged to income statement immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest rate method.

3.18 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and in hand, time deposit with original maturity of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in values, less bank overdrafts which are repayable in demand and form an integral part of the Group's cash management.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.19 Related parties

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

(a) directly, or indirectly through one or more intermediaries, the party (i) controls, is controlled by, or is under common control with, the Company/Group; (ii) has an interest in the Company that gives it significant influence over the Company/Group; or (iii) has joint control over the Company/Group;

(b) the party is an associate or a jointly-controlled entity of the Company/Group;

(c) the party is a member of the key management personnel of the Company or its parent;

(d) the party is a close member of the family of any individual referred to in (a) or (c);

(e) 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 (c) or (d); or

(f) the party is a post-employment benefit plan for the benefit of employees of the Company/Group, or of any entity that is a related party of the Company/Group.

3.20 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issue of shares are deducted from share premium reserve to the extent that they are incremental costs directly attributable to the equity transaction.

3.21 Borrowing costs

Borrowing costs are recognised as expenses in the income statement in the period in which they are incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.22 Impairment of financial assets

At each balance sheet date, financial assets carried at amortised cost are reviewed to determine whether there is any objective evidence of impairment. A provision for impairment of loans and receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in income statement of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the income statement of the period in which the reversal occurs.

3.23 Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

In respect of business segments reporting, unallocated costs represent corporate expenses. Segment assets consist primarily of land use rights, property, plant and equipment, inventories, receivables and operating cash, and mainly exclude investment properties and financial assets at fair value through profit or loss. Segment liabilities comprise operating liabilities and exclude items such as tax payables and certain corporate borrowings.

Capital expenditure comprises additions to property, plant and equipment, land use rights and investment properties, including additions resulting from acquisitions through purchases of subsidiaries.

In respect of geographical segment reporting, revenue is based on the country in which the customer is located and total assets and capital expenditure are where the assets are located.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.24 Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations.

Classification as a discontinued operation occurs upon disposal. It also occurs when the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the income statement, which comprises the post-tax profit or loss of the discontinued operations.

3.25 Goodwill

Goodwill represents the excess of the cost of a business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. The cost of the business combination is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assume, and equity instruments issued by the Group, plus any costs directly attributable to the business combination.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination is recognised immediately in profit or loss.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of gain or loss on disposal.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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 assets and liabilities within the next financial year, are discussed below:

(i) Impairment of receivables

The Group's management determines impairment of receivables on a regular basis. This estimate is based on the credit history of its customers/borrowers and current market conditions. Management reassess the impairment of receivables at the balance sheet date.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Estimation uncertainty (Continued)

(ii) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. Management will reassess the estimations at the balance sheet date.

(iii) Estimated impairment of goodwill

The Group tests on annual basis whether goodwill is impaired in accordance with the accounting policy stated in note 17. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(iv) Income taxes

The Group is subject to income taxes in the PRC. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provision in the period in which such determination is made.

(v) Valuation of convertible bonds

The directors use their judgement in selecting an appropriate valuation technique for the Group's convertible bonds which are not quoted in the active market. Valuation techniques commonly used by market practitioners are applied. The fair value of convertible bonds is estimated by independent professional valuer based on actual transactions of the financial instruments in the market or transactions of similar financial instruments which generally represent the best estimate of the market value. Details of the key inputs into the model are disclosed in note 35. The fair value of convertible bonds varies with different variables of certain subjective assumptions. Any change in these variables so adopted may materially affect the estimation of the fair value of convertible bonds.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Judgements

In the process of applying the Group's accounting policies, management had made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statement:

Estimated useful lives of property, plant and equipment

In assessing the estimated useful lives of the property, plant and equipment, the Group takes into account factors like the expected usage of the assets by the Group based on past experience, the expected physical wear and tear and technical obsolescence arising from changes or improvements in production or from a change in the market demand for the products. The estimation of the useful lives is a matter of judgement based on the experience of the Group.

5. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold and services rendered, after allowances for return and trade discounts during the year.

An analysis of the Group's revenue and other income is as follows:

	Continuing operations		**Discontinued operations**		**Consolidated**	
	2008	2007	**2008**	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Revenue						
Sales of goods	**448,608**	–	**432**	26,917	**449,040**	26,917
Rendering of services	**1,781**	5,459	**–**	–	**1,781**	5,459
	450,389	5,459	**432**	26,917	**450,821**	32,376
Other Income:						
Gross rental income from investment properties	**801**	117	**–**	–	**801**	117
Bank interest income	**843**	676	**1**	17	**844**	693
Sales of scrap materials	**9,501**	–	**–**	–	**9,501**	–
Others	**346**	95	**345**	234	**691**	329
	11,491	888	**346**	251	**11,837**	1,139

6. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(a) the ODM segment engages in the design and development of ODM software for various business enterprises and government authorities, including software development key research and study, business consultancy, system design, coding, system testing and installation;

(b) the proprietary packaged software segment includes the research and development of proprietary packaged software for various business applications such as business management, financial management, office automation and e-commerce;

(c) the consumer electronic products and components, and satellite communications products segment includes the manufacturing and sale of consumer electronic products and components, and satellite communications products; and

(d) the system solutions segment provides total information technology solutions, including the distribution of computer hardware, strategic consultancy, the design and development of software, system networking and system integration for business management and the provision of maintenance and upgrading services.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of assets.

There were no inter-segment sales and transfers during the year (2007: Nil).

6. SEGMENT INFORMATION (Continued)

(a) Business segments

The following table presents revenue and results for the year ended 30 June 2008 and certain asset, liability and expenditure information for the Group's business segments.

	Continuing operations								Discontinued operations			
	ODM		Proprietary packaged software		Consumer electronic products and components, and satellite communications products		Total		System solutions		Consolidated	
	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
Segment revenue												
Sales to external customer	1,592	3,848	189	1,611	448,608	–	450,389	5,459	432	26,917	450,821	32,376
Segment results	484	2,406	58	1,007	68,603	–	69,145	3,413	26	(2,284)	69,171	1,129
Interest income and unallocated gains											1,990	1,139
Unallocated expenses											(16,390)	(9,409)
Operating profit/(loss)											54,771	(7,141)
Finance costs											(8,534)	(1)
Profit/(Loss) before income tax											46,237	(7,142)
Income tax expenses											(7,091)	(5)
Profit/(Loss) for the year											39,146	(7,147)
Segment assets	183	1,592	52	150	670,355	–	670,590	1,742	3	45	670,593	1,787
Unallocated assets											126,986	21,638
Total assets											797,579	23,425
Segment liabilities	–	–	–	–	234,187	–	234,187	–	1,237	1,017	235,424	1,017
Unallocated liabilities											200,578	4,581
Total liabilities											436,002	5,598
Other segment information												
Amortisation of land use rights	91	101	11	42	631	–	733	143	–	–	733	143
Depreciation	589	1,311	70	548	4,354	–	5,013	1,859	–	11	5,013	1,870
Loss on disposals of property, plant and equipment	–	49	–	20	56	–	56	69	–	–	56	69
Provision for impairment of trade receivables	772	–	141	–	–	–	913	–	–	845	913	845
Provision for impairment of other receivables	–	–	–	–	1,288	–	1,288	–	–	157	1,288	157
Provision for impairment of property, plant and equipment	–	–	–	–	–	–	–	–	–	27	–	27
Write-down of inventories to net realisable value	–	–	–	–	101	–	101	–	–	126	101	126
Capital expenditure incurred during the year	3	8	–	–	176,207	–	176,210	8	–	–	176,210	8

6. SEGMENT INFORMATION (Continued)

(b) Geographical segments

The Group's main operation are located in the PRC. The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods and services.

	2008	2007
	RMB'000	RMB'000
Sales revenue by geographical markets:		
The PRC	**193,991**	32,376
Hong Kong	**222,072**	–
Japan	**5,125**	–
Europe	**21,325**	–
The United States	**8,308**	–
	450,821	32,376

An analysis of the segment assets and capital expenditure by the geographical areas in which the assets are located is as follows:

	Segment assets		**Capital expenditure**	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
The PRC	**342,232**	6,282	**169,975**	8
Hong Kong	**455,200**	17,143	**6,183**	–
Other countries (principally Singapore and Malaysia)	**147**	–	**52**	–
	797,579	23,425	**176,210**	8

7. FINANCE COSTS

	Continuing operations		**Discontinued operations**		**Consolidated**	
	2008	2007	**2008**	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Interest on bank loans and overdrafts wholly repayable within five years	**2,817**	–	**–**	1	**2,817**	1
Interest on finance leases	**109**	–	**–**	–	**109**	–
Imputed interest on convertible bonds *(note 35)*	**5,608**	–	**–**	–	**5,608**	–
Total interest on financial liabilities stated at amortised cost	**8,534**	–	**–**	1	**8,534**	1

8. PROFIT/(LOSS) BEFORE INCOME TAX

	Continuing operations		Discontinued operations		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Profit/(Loss) before income tax is arrived at after charging:						
Cost of inventories sold	**337,475**	–	**536**	29,201	**338,011**	29,201
– including write-off of inventories	**101**	–	**–**	126	**101**	126
Cost of services provided	**1,240**	2,046	**–**	–	**1,240**	2,046
Auditors' remuneration	**869**	370	**–**	–	**869**	370
Amortisation of land use rights	**733**	143	**–**	–	**733**	143
Depreciation						
– Leased asset	**216**	–	**–**	–	**216**	–
– Owned asset	**4,797**	1,859	**–**	11	**4,797**	1,870
	5,013	1,859	**–**	11	**5,013**	1,870
Change in fair value of investment properties*	**224**	–	**–**	–	**224**	–
Exchange losses, net*	**955**	–	**–**	–	**955**	–
Loss on disposal of property, plant and equipment*	**56**	69	**–**	–	**56**	69
Operating lease charges in respect of office premises, retail shops and warehouse	**716**	409	**22**	84	**738**	493
Provision for impairment of trade receivables*	**913**	–	**–**	845	**913**	845
Provision for impairment of other receivables*	**1,288**	–	**–**	157	**1,288**	157
Provision for impairment of property, plant and equipment*	**–**	–	**–**	27	**–**	27
Research costs*	**642**	1,478	**–**	–	**642**	1,478
Loss on fair value change in respect of redemption option*	**8,009**	–	**–**	–	**8,009**	–
Staff costs (excluding directors' remuneration *(note 32(a))*)						
– Salaries and wages	**26,566**	3,124	**137**	342	**26,703**	3,466
– Pension scheme contribution	**59**	238	**5**	11	**64**	249
	26,625	3,362	**142**	353	**26,767**	3,715

* *These items are included in other operating expenses on the face of the consolidated income statement.*

9. INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Continuing operations		**Discontinued operations**		**Consolidated**	
	2008	2007	**2008**	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Hong Kong profits tax						
– current year	**466**	–	**–**	–	**466**	–
Deferred tax *(note 36)*	**(1,574)**	–	**–**	–	**(1,574)**	–
Income tax credit	**(1,108)**	–	**–**	–	**(1,108)**	–
PRC income tax						
– current year	**8,199**	–	**–**	–	**8,199**	–
– underprovision in prior year *(note 11)*	**–**	–	**–**	5	**–**	5
Income tax expenses	**8,199**	–	**–**	5	**8,199**	5
Total income tax expenses	**7,091**	–	**–**	5	**7,091**	5

A reconciliation between income tax expenses applicable to profit/(loss) before income tax using the statutory rates for the tax jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expenses at the effective tax rates are as follows:

	Group	
	2008	2007
	RMB'000	RMB'000
Profit/(Loss) before income tax:		
– Continuing operations	**46,211**	(3,179)
– Discontinued operations	**26**	(3,963)
	46,237	(7,142)
Tax on profit/(loss) before income tax, calculated at the rates applicable in the tax jurisdictions concerned	**12,766**	(1,431)
Tax effect of tax loss not recognised	**427**	832
Tax holiday of wholly foreign-owned enterprises ("WOFE")	**(9,186)**	–
Tax effect of non-deductible expenses	**3,220**	787
Tax effect of non-taxable income	**(136)**	(188)
Underprovision in prior year	**–**	5
Income tax expense at the Group's effective rate	**7,091**	5

10. PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Of the consolidated profit attributable to equity holders of the Company for the year ended 30 June 2008 included a loss of approximately RMB15,592,000 (2007: RMB7,825,000) has been dealt with in the financial statements of the Company *(note 30)*.

11. DISCONTINUED OPERATIONS

On 30 June 2007, the Group resolved to cease the operations of Jiangxi Jinlixin, an indirect subsidiary of Jiangxi Jinding. Jiangxi Jinding held 51% equity interest in Jiangxi Jinlixin, which was principally engaged in sale of computer hardware and accessories, office equipment and electronics and provision of system solutions.

An analysis of the results and cash flows of the discontinued operations included in the consolidated income statement and the consolidated cash flow statement is as follows:

	2008 **RMB'000**	2007 RMB'000
Revenue	**432**	26,917
Cost of sales	**(536)**	(29,201)
Gross loss	**(104)**	(2,284)
Other income	**346**	251
Selling and distribution costs	**(22)**	(287)
Administrative expenses	**(194)**	(487)
Other operating expenses	**–**	(1,155)
Operating profit/(loss)	**26**	(3,962)
Finance costs	**–**	(1)
Profit/(Loss) before income tax	**26**	(3,963)
Income tax expenses *(note 9)*	**–**	(5)
Profit/(Loss) for the year from discontinued operations	**26**	(3,968)
Operating cash flows	**(42)**	(333)
Financing cash flows	**–**	(1)
Net decrease in cash flows	**(42)**	(334)

12. DIVIDENDS

No dividend has been paid or declared by the Company during the years presented in these financial statements.

13. EARNINGS/(LOSS) PER SHARE

(1) From continuing and discontinued operations

The calculation of the basic earnings/(loss) per share from continuing and discontinued operations attributable to the equity holders of the Company is based on the following data:

	2008	2007
	RMB'000	RMB'000
Profit/(Loss) attributable to the equity holders of the Company	**13,082**	(6,986)

	No of shares	No of shares
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation	**1,953,769,126**	1,200,000,000

(2) From continuing operations

The calculation of basic earnings/(loss) per share from continuing operations attributable to the equity holders of the Company is based on the following data:

	2008	2007
	RMB'000	RMB'000
Profit/(Loss) for the year attributable to the equity holders of the Company	**13,082**	(6,986)
Less: (Profit)/Loss for the year from discontinued operations excluding (profit)/loss shared by minority interests	**(13)**	3,807
Profit/(Loss) for the year for the purpose of basic earnings/(loss) per share from continuing operations	**13,069**	(3,179)

The denominators used are the same as those detailed above for basic earnings/(loss) per share from continuing and discontinued operations.

(3) From discontinued operations

Basic earnings per share from the discontinued operations is RMB0.001 cents per share (2007: loss per share of RMB0.32 cent per share) which was calculated based on the profit for the year from discontinued operations of approximately RMB13,000 (2007: loss of approximately RMB3,807,000). The denominators used are the same as those detailed above for basic earnings/(loss) per share from continuing and discontinued operations.

No diluted earnings per share is presented for the year ended 30 June 2008 as the outstanding convertible bonds were anti-dilutive. Diluted earnings per share for the year ended 30 June 2007 was not presented as there is no potential ordinary share.

14. PROPERTY, PLANT AND EQUIPMENT – GROUP

	Leasehold buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Computer equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
At 1 July 2006							
Cost	1,847	4,016	–	1,161	8,418	463	15,905
Accumulated depreciation	(396)	(3,460)	–	(934)	(6,518)	(384)	(11,692)
Net book value	1,451	556	–	227	1,900	79	4,213
Year ended 30 June 2007							
Opening net book amount	1,451	556	–	227	1,900	79	4,213
Additions	–	–	–	7	1	–	8
Disposals	–	(4)	–	(10)	(72)	–	(86)
Depreciation	(89)	(552)	–	(146)	(1,020)	(63)	(1,870)
Impairment	–	–	–	(15)	–	(12)	(27)
Closing net book amount	1,362	–	–	63	809	4	2,238
At 30 June 2007 and 1 July 2007							
Cost	1,847	3,848	–	869	5,802	433	12,799
Accumulated depreciation and impairment	(485)	(3,848)	–	(806)	(4,993)	(429)	(10,561)
Net book value	1,362	–	–	63	809	4	2,238
Year ended 30 June 2008							
Opening net book amount	1,362	–	–	63	809	4	2,238
Additions from subsidiaries acquired *(note 34)*	71,299	181	34,072	476	2,701	2,504	111,233
Additions	–	33	3,381	30	64	477	3,985
Transfer from investment properties *(note 16)*	869	–	–	–	–	–	869
Disposals	–	(38)	–	(5)	–	(252)	(295)
Depreciation	(1,192)	(43)	(2,748)	(92)	(715)	(223)	(5,013)
Exchange differences	–	(8)	(54)	(16)	(115)	(56)	(249)
Closing net book amount	**72,338**	**125**	**34,651**	**456**	**2,744**	**2,454**	**112,768**
At 30 June 2008							
Cost	74,015	166	37,383	1,309	8,444	3,101	124,418
Accumulated depreciation and impairment	(1,677)	(41)	(2,732)	(853)	(5,700)	(647)	(11,650)
Net book value	**72,338**	**125**	**34,651**	**456**	**2,744**	**2,454**	**112,768**

14. PROPERTY, PLANT AND EQUIPMENT – GROUP (Continued)

All property, plant and equipment held by the Group are located in Hong Kong and the PRC.

The Group's leasehold buildings are held under medium term leases and located in the PRC and Hong Kong.

As at 30 June 2008, the Group's leasehold buildings and plant and machineries, with an aggregate carrying value of approximately RMB67,024,000 (2007: Nil) were pledged against the bank borrowings totally approximately RMB44,960,000 (2007: Nil) *(note 27)*.

During the year, the Group has early repaid the finance leases of motor vehicles and plant and machineries, there was no finance lease as at 30 June 2008 (2007: Nil).

15. LAND USE RIGHTS

	Group	
	2008	2007
	RMB'000	RMB'000
At the beginning of year		
Gross amount	**2,143**	2,143
Accumulated amortisation	**(659)**	(516)
Net book value	**1,484**	1,627
For the year		
Opening net book value	**1,484**	1,627
Acquisition of subsidiaries *(note 34)*	**46,400**	–
Transfer from investment properties *(note 16)*	**799**	–
Amortisation	**(733)**	(143)
Closing net book value	**47,950**	1,484
At the end of year		
Gross amount	**49,342**	2,143
Accumulated amortisation	**(1,392)**	(659)
Net book value	**47,950**	1,484

The land use rights of the Group are situated in the PRC and Hong Kong and held under a medium term lease.

As at 30 June 2008, the Group's land use rights with an aggregate carrying value of approximately RMB45,769,000 (2007: Nil) were pledged against the bank borrowings totally approximately RMB60,956,000 (2007: Nil) *(note 27)*.

16. INVESTMENT PROPERTIES – GROUP

	2008 RMB'000	2007 RMB'000
Carrying amount at beginning of the year	–	–
Additions from subsidiaries acquired *(note 34)*	14,592	–
Transfer to land use rights *(note 15)*	(799)	–
Transfer to property, plants and equipments *(note 14)*	(869)	–
Fair value adjustments	(224)	–
Exchange differences	(100)	–
Carrying amount at end of the year	12,600	–

The Group's PRC investment properties were revalued as at 30 June 2008 by Savills Valuation and Professional Services Limited ("Savills"), independent professional qualified valuers, at RMB12,600,000 on open market, existing use basis. These properties are held under medium term leases and are leased to third parties under operating leases.

As at 30 June 2008, the Group's investment properties (2007: Nil) were pledged against bank borrowings totally approximately RMB16,000,000 (2007: Nil).

17. GOODWILL

	Group	
	2008 RMB'000	2007 RMB'000
Opening net carrying amount	–	–
Acquisition of subsidiaries *(note 34)*	291,436	–
Impairment losses	–	–
Closing net carrying amount	291,436	–

17. GOODWILL (Continued)

Impairment testing of goodwill

Goodwill acquired through business combination for the year ended 30 June 2008 has been primarily allocated to the cash generating unit ("CGU") for impairment test, i.e. sale of consumer electronic products and components, and satellite communications products.

The recoverable amount of the CGU is determined based on value-in-use calculations. The calculation use cash flow projections based on financial budgets approved by management covering a three-year period. The annual discount rate applied to the cash flow projections was 18%. Cash flows beyond the three-year period are extrapolated using the estimated growth rate. The growth rate does not exceed the projected long-term average growth rate for electronic components. The key assumptions adopted include future operating revenue and expenditure will be in accordance with the capital expenditure projection provided by the Group, and its expectation for the projected business can be achieved with the effort of the management of the Company.

Management determined the cash flow projections based on experience and their expectation for market development. The budgeted gross margins are expected to be consistent for the year under review as management do not foresee any further significant raw material price inflation.

18. INVESTMENTS IN SUBSIDIARIES – COMPANY

The Company's investments in subsidiaries comprises:

	2008 **RMB'000**	2007 RMB'000
Unlisted shares, at cost	**210**	210
Due from subsidiaries	**376,066**	36,765
Less: Provision for impairment	**(19,022)**	(19,022)
	357,044	17,743

The amount due from subsidiaries included in the Company's current assets are interest-free, unsecured and repayable on demand.

18. INVESTMENTS IN SUBSIDIARIES – COMPANY (Continued)

At the date of this report, particular of principal subsidiaries are as follows:

Name	Place and date of incorporation and operations	Particulars of nominal value of issued share capital/ registered capital	Percentage of equity interest attributable to the Company		Principal activities
			Directly	Indirectly	
Twyla Services Limited ("Twlya Services")	22 May 1997 British Virgin Islands ("BVI")	100 ordinary shares of US$1 each	100	–	Investment holding
江西金鼎信息系統有限公司 Jiangxi Jinding Information System Co., Ltd. #	30 April 1999 PRC	Registered capital of US$1,000,000	–	100	Design, development and sale of computer software and systems, and the provision of computer consultancy services
Goldmond (HK) Limited (formerly known as "Golding Software (HK) Limited")	27 February 2002 Hong Kong	2 ordinary shares of HK$2 each	–	100	Software business
江西金立信科技有限公司 Jiangxi Jinlixin Technology Co., Ltd.#	26 May 2003 PRC	Registered capital of RMB1,150,000	–	51	Sale of computer hardware and accessories, office equipment and electronics, and provision of system solutions
Highway Bright Holdings Limited ("Highway Bright")	13 February 2007, BVI	10,000 ordinary shares of US$1 each	–	55	Investment holdings
Diamond Electronics Hong Kong Company Limited ("Diamond Electronics")	29 November 1994, Hong Kong	10,000 ordinary shares of HK$1 each	–	55	Trading of consumer electronic products and components, and satellite communications products

18. INVESTMENTS IN SUBSIDIARIES – COMPANY (Continued)

Name	Place and date of incorporation and operations	Particulars of nominal value of issued share capital/ registered capital	Percentage of equity interest attributable to the Company		Principal activities
			Directly	Indirectly	
揭東鑽寶科技電子有限公司 Jie Dong Diamond Technology Electronics Co., Ltd. #	21 June 2002, PRC	Registered capital of HK$130,005,901	–	55	Trading and manufacturing of consumer electronic products and components, and satellite communications products
揭陽市鑽寶電子有限公司 Jie Yang Diamond Electronics Co., Ltd. ("Jieyang Diamond")*#	27 March 1996, PRC	Registered capital of HK$21,174,151	–	55	Trading and manufacturing of consumer electronic products and components
揭東鑽寶塑膠五金制品有限公司 Jiedong Zuanbao Plastics Metal Products Co., Ltd. #	29 June 2006, PRC	Registered capital of US$3,380,600	–	55	Trading and manufacturing of consumer electronic products and components

\# *The unofficial English translation is for identification purpose only.*

* *Jieyang Diamond is a WOFE established by the Group in the PRC for an operating period of 20 years on 27 March 1996 with a registered capital of HK$21,800,000. As at 30 June 2008, HK$21,174,151 of its registered capital has been paid-up and the Group therefore had an outstanding investment of HK$625,849 in Jieyang Diamond.*

The above table lists the Group's subsidiaries which, in the opinion of the directors, principally affect the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Listed equity investments, at market value, in Hong Kong	**2**	–	**–**	–
Redemption option of convertible bonds *(note 35)*	**15,700**	–	**15,700**	–
	15,702	–	**15,700**	–

20. INVENTORIES – GROUP

	2008	2007
	RMB'000	RMB'000
Raw materials	**8,499**	–
Work in progress	**31,231**	–
Finished goods	**10,370**	–
	50,100	–

21. TRADE RECEIVABLES – GROUP

Aging analysis of the trade receivables as at the balance sheet date based on invoice date and net of provisions is as follows:

	2008	2007
	RMB'000	RMB'000
0-30 days	**63,755**	1,645
31-90 days	**55,265**	–
91-360 days	**11,565**	98
Over 360 days	**187**	–
	130,772	1,743

The Group allows a credit period from 30 to 90 days to its customers for the year ended 30 June 2008 and 2007.

The carrying value of trade receivables is considered as reasonable approximation of fair value. Impairment of trade receivable is established when there is objective evidence that the Group is not able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtors and default or delinquency in payments are considered indicator that the trade receivables are impaired. The impaired trade receivables are mostly due from customers in the Group business-to-business market that encounter financial difficulties.

21. TRADE RECEIVABLES – GROUP (Continued)

Movements in the provision for impairment of trade receivables during the year are as follows:

	2008 RMB'000	2007 RMB'000
At beginning of the year	909	64
Bad debt recoverable	(57)	–
Provision made	913	845
At end of the year	1,765	909

In addition, some of the unimpaired trade receivables are past due as at the reporting date. Aging analysis of trade receivables not impaired is as follows:

	2008 RMB'000	2007 RMB'000
Neither past due nor impaired	116,038	1,645
1 to 90 days past due	14,338	47
91 to 270 days past due	220	–
Over 270 days	176	51
Total trade receivables, net	130,772	1,743

The directors of the Company are of the opinion that no further impairment of trade receivables is necessary as there was no recent history of default in respect of these trade receivables.

Included in trade receivables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	2008 '000	2007 '000
US dollars ("US$")	US$9,574	–

22. DUE FROM A RELATED COMPANY – GROUP

	2008 RMB'000	Maximum balance RMB'000	2007 RMB'000
Joinn Strategic Holdings Limited ("Joinn Strategic")	**53**	**234**	234

Amount due from a related company is unsecured, interest-free and repayable on demand. The carrying amount approximates to the fair value at the balance sheet dates. The above balance was non-trade in nature, comprising mainly advance to a related company.

23. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS – GROUP

Cash and cash equivalents of the Group include the following:

	2008 RMB'000	2007 RMB'000
Cash and bank balances	**68,701**	2,212
Time deposits with original maturity of less than three months	**23,947**	15,434
	92,648	17,646
Pledged time deposits for general banking facilities	**2,986**	–
	95,634	17,646

The effective interest rate of short-term time deposits for the year was 1.6% (2007: 3.8%) per annum. These deposits have maturity periods of 30 days (2007: ranging from 14 to 30 days).

At the balance sheet date, the cash and bank balances of the Group denominated in RMB amounted to RMB14,958,000 (2007: RMB736,000). RMB is not freely convertible into other currencies. However, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

24. TRADE AND BILLS PAYABLES – GROUP

Aging analysis of the trade and bills payables as at the balance sheet date is as follows:

	2008 RMB'000	2007 RMB'000
0-30 days	70,897	261
31-90 days	50,925	47
91-360 days	33,708	–
Over 360 days	295	4
	155,825	312

Included in trade and bills payables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	2008 '000	2007 '000
US$	US$13,146	–

25. DUE TO A DIRECTOR OF A SUBSIDIARY/A MINORITY SHAREHOLDER – GROUP

Amounts due to a director of a subsidiary and a minority shareholder are unsecured, interest-free and repayable on demand. The director of a subsidiary and the minority shareholder have undertaken not to demand repayments of the balances until such time when repayments will not affect the abilities of Highway Bright and its subsidiaries (collectively, the "Highway Bright Group") to repay other creditors in the normal course of business. The carrying amounts approximate to their fair values as at 30 June 2008.

26. DUE TO RELATED COMPANIES – GROUP

	2008 RMB'000	2007 RMB'000
Chinasing Investment Advisory Limited (formerly known as Joinn Investment Advisory Limited) ("Chinasing Investment")	3	874
南昌金鼎軟件發展有限公司	486	476
At end of the year	489	1,350

Amounts due to related companies are unsecured, interest-free and repayable on demand.

27. BANK BORROWINGS – GROUP

	Effective interest rate per annum (%)	Maturity	2008 RMB'000	2007 RMB'000
Current				
Bank loans – secured	6.0%-8.4%	2008	**45,724**	–
Non-current				
Bank loans – secured	6.0%	2009-2011	**15,236**	–
Total borrowings			**60,960**	–

	2008 RMB'000	2007 RMB'000
Analysed of bank loans repayable:		
Within one year	**45,724**	–
In the second year	**10,387**	–
In the third to fifth years, inclusive	**4,849**	–
	60,960	–

The Group's bank loans as at 30 June 2008 are secured by the pledge of the Group's property, plant and equipment *(note 14)*, land use rights *(note 15)* and investment properties *(note 16)*.

The carrying amounts of the Group's borrowings approximate to their fair value at the balance sheet date.

The fair value of the borrowings is calculated by discounting the expected future cash flows at prevailing interest rates.

Other interest rate information:

	2008		2007	
	Fixed rate RMB'000	**Floating rate RMB'000**	Fixed rate RMB'000	Floating rate RMB'000
Bank loans – secured	**36,000**	**24,960**	–	–

28. SHARE CAPITAL

Group and Company

	2008 Number of shares '000	**2008** RMB'000	2007 Number of shares '000	2007 RMB'000
Authorised:				
Ordinary shares of HK$0.01 each	**20,000,000**	**210,000**	20,000,000	210,000
Issued and fully paid:				
Ordinary shares of HK$0.01 each				
At the beginning of the year	**1,200,000**	**12,600**	1,200,000	12,600
New shares issued for private placement *(note a)*	**200,000**	**1,873**	–	–
New shares issued for acquisition of subsidiaries *(note b)*	**1,016,500**	**9,519**	–	–
At the end of the year	**2,416,500**	**23,992**	1,200,000	12,600

Note:

a. On 29 October 2007, 200,000,000 new ordinary shares of HK$0.01 each were offered to various investors in connection with a private placement. The issued and paid-up share capital of the Company was then increased to RMB14,473,000 comprising of 1,400,000,000 ordinary shares of HK$0.01 each. The 200,000,000 new shares of HK$0.01 each rank pari passu in all respect with the existing issued shares of the Company. The net proceeds of approximately RMB45,215,000 are used as general working capital.

b. On 21 November 2007, 352,500,000 new shares which were issued to Cytech Investment Limited ("Cytech Investment") were recorded at HK$0.105 each. The 352,500,000 new shares of HK$0.01 each rank pari passu in all respect with the existing issued shares of the Company. The net proceeds of approximately RMB32,179,000 are part of the consideration for acquisition of subsidiaries.

   On 21 November 2007, 664,000,000 new shares of HK$0.01 each were issued to the Vendors. The 664,000,000 new shares were recorded at HK$0.19 each, being the published share price available at the date of acquisition. The 664,000,000 new shares of HK$0.01 each rank pari passu in all respect with the existing issued shares of the Company. The net proceeds of approximately RMB118,148,000 are part of the consideration for acquisition of subsidiaries *(note 34)*.

Following the above share issues, the issued and paid-up share capital of the Company was then increased to RMB23,992,000, comprising 2,416,500,000 ordinary shares of HK$0.01 each.

29. SHARE OPTION SCHEME

The Company operates a share options scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include employees or proposed employees of the Group, the Company's directors, including non-executive directors, suppliers of goods or services to the Group, customers of the Group, persons or entities who provide technology support to the Group, shareholders of any of the Group companies, and any other participants determined by the Company's directors as having contributed or who may contribute by way of joint venture or business alliances to the development and growth of the Group. The scheme became effective on 24 January 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of securities which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Group may not in aggregate exceed 30% of the Company's shares in issue from time to time. The total number of shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Scheme and any other share option scheme of the Group) to be granted under the Scheme and any other share option scheme of the Group, may not in aggregate exceed 10% of the Company's shares in issue as at the date on which the Scheme was adopted without prior approval from the Company's shareholders.

The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive, management shareholder or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than ten years from the date of grant of the share options or the expiry date of the Scheme, whichever is earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) the SEHK closing price of the Company's shares on the date of the offer of the share options; (ii) the average SEHK closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares.

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

Up to the approval date of the financial statements, no options have been granted or agreed to be granted under the Scheme since its effective date on 24 January 2002.

30. RESERVES

Group

In accordance with the relevant laws and regulations of the PRC and the articles of association of the respective PRC subsidiaries within the Group, each of the PRC subsidiary is required to transfer 10% of its profits after tax prepared in accordance with the accounting regulations in the PRC to the statutory reserve until the reserve balance reaches 50% of their registered capital. Such reserve may be used to reduce any losses incurred or to be capitalised as paid-up capital.

In addition, each of the PRC subsidiaries, except for Jiangxi Jinlixin, is required to transfer 5% of its profit after income tax prepared in accordance with the accounting regulations in the PRC to the statutory public welfare reserve. The use of the statutory public welfare reserve is restricted to capital expenditure for employees' facilities. This statutory public welfare reserve is non-distributable except upon liquidation of the PRC subsidiary. Starting from 1 January 2006, pursuant to certain amendments of the PRC Company Laws, Jiangxi Jinlixin are not allowed to establish the statutory public welfare reserve. However, such amendment did not result in significant impact to the Group due to insignificant balance.

The amounts of the Group's reserves and the movements therein for the year are presented in the consolidated statements of changes in equity on page 31 of the financial statements.

Company

	Share premium	Exchange fluctuation reserve	Convertible bond equity reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 July 2006	40,745	–	–	(27,597)	13,148
Loss for the year	–	–	–	(7,825)	(7,825)
Exchange differences	–	(1,853)	–	–	(1,853)
At 30 June 2007 and at 1 July 2007	40,745	(1,853)	–	(35,422)	3,470
Loss for the year	–	–	–	(15,592)	(15,592)
Exchange differences	–	(17,645)	–	–	(17,645)
Issue of convertible bonds	–	–	72,040	–	72,040
Issue of new shares	188,243	–	–	–	188,243
Share issue expenses	(4,093)	–	–	–	(4,093)
At 30 June 2008	**224,895**	**(19,498)**	**72,040**	**(51,014)**	**226,423**

The share premium account of the Company arises on shares issued at a premium. Under the Companies Law of the Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

31. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group had the following outstanding commitments:

As lessee

The Group leases offices under operating lease arrangement. Leases are negotiated for the terms with one year.

As at 30 June 2008, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2008	2007
	RMB'000	RMB'000
Within one year	**132**	–

The Company did not have any lease commitments as at 30 June 2007 and 2008.

As lessor

The Group leases its investment properties under operating lease arrangements with the terms ranging from one to five years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

As at 30 June 2008, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2008	2007
	RMB'000	RMB'000
Within one year	**1,200**	–
In the second to fifth years, inclusive	**800**	–
	2,000	–

The Company did not have any lease arrangements at 30 June 2007 and 2008.

32. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

Remuneration of the directors disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance is as follows:

	Year ended 30 June 2008		
	Fees	Salaries, allowances and benefits in kind	Total
	RMB'000	RMB'000	RMB'000
Executive directors:			
– Mr. Li Jiahui	–	342	342
– Mr. Huang Boqi	–	360	360
	–	702	702
Independent non-executive directors:			
– Mr. Chan Ngai Sang, Kenny	132	–	132
– Mr. Xing Fengbing	132	–	132
– Mr. Chan Kin Sang	132	–	132
	396	–	396
	396	702	1,098

32. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(a) Directors' emoluments (Continued)

	Year ended 30 June 2007		
	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Total RMB'000
Executive directors:			
– Mr. Li Jiahui	–	351	351
– Mr. Huang Boqi	–	360	360
	–	711	711
Independent non-executive directors:			
– Mr. Chan Ngai Sang, Kenny	140	–	140
– Mr. Xing Fengbing	140	–	140
– Mr. Chan Kin Sang	140	–	140
	420	–	420
	420	711	1,131

There was no emolument paid by the Group to its directors as an inducement to join or upon joining the Group or as compensation for loss of office during the year.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

32. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included two (2007: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2007: three) individuals during the year are as follows:

	2008	2007
	RMB'000	RMB'000
Salaries, bonuses, allowances and benefits in kind	**1,552**	864

The remuneration paid to each of the non-director, highest paid employees fell within the band of nil to RMB1,000,000 for each of the two years ended 30 June 2007 and 2008.

There was no emolument paid by the Group to any of these five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the year.

33. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances detailed elsewhere in the financial statements, the Group had the following transactions with related parties.

		2008	2007
	Notes	**RMB'000**	RMB'000
Operating lease rentals incurred to a related company	(i)	**384**	409
Rental income earned from a related company	(ii)	**110**	117

(i) The rentals were incurred, in respect of the Group's office premises situated in Hong Kong, to Chinasing Investment, which a wholly-owned subsidiary of Chinasing Investment Holdings Limited ("Chinasing"), a substantial shareholder of the Company. The directors of the Company have confirmed that the monthly rentals were calculated with reference to open market rentals for similar premises.

(ii) The rentals were earned, in respect of the Group's office premises situated in Hong Kong, from Joinn Strategic. Mr. Huang Quan, a substantial shareholder and director of Chinasing, is a shareholder of Joinn Strategic. The directors of the Company have confirmed that the monthly rentals were calculated with reference to open market rentals for similar premises.

33. RELATED PARTY TRANSACTIONS (Continued)

(b) Compensation of key management personnel

	2008 RMB'000	2007 RMB'000
Total remuneration of directors and other members of key management during the year – short-term employee benefits	**2,232**	1,844

(c) Transactions with Mr. Hong Yupeng ("Mr. Hong"), a director of a subsidiary of the Company

	Notes	2008 RMB'000	2007 RMB'000
Fund advance to Mr. Hong	(i)	**126,760**	–
Fund advance from Mr. Hong	(ii)	**99,750**	–

(i) During the year, the Group partially settled the amount due to Mr. Hong of approximately RMB126,760,000 (2007: Nil) through a third party as instructed by Mr. Hong.

(ii) During the year, Mr. Hong made a total fund advance of approximately RMB99,750,000 to the Group through various third parties for the general working capital of the Highway Bright Group.

Subsequent to the balance sheet date, Mr. Hong resigned as a director of a subsidiary of the Company in July 2008.

(d) During the year, the Group has purchased a motor vehicle from Chinasing Investment at approximately of RMB1,000, which was based on mutually-agreed terms.

34. BUSINESS COMBINATIONS

Acquisition of subsidiaries

On 21 November 2007, the Group acquired 55% interest in the Highway Bright Group which is engaged in the manufacture and sales of consumer electronic products and components, and satellite communications products. The Highway Bright Group contributed revenue of approximately RMB448,608,000 and net profit of approximately RMB58,499,000 to the Group for the year ended 30 June 2008. If the acquisition had occurred on 1 July 2007, the Group's revenue would have been approximately RMB635,597,000 and profit would have been approximately RMB65,707,000 for the year ended 30 June 2008. The pro forma information is for illustrative purposes only and is not necessarily an indication of the other income and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 July 2007, not are they intended to be a projection of future results.

Details of identified net assets acquired and goodwill arising from the acquisition of the Highway Bright Group were as follows:

	RMB'000
Purchase consideration:	
– Cash paid	93,650
– Fair value of convertible bonds issued *(note 35)*	111,474
– Fair value of shares issued *(note 35)*	118,148
Total purchase consideration	323,272
Fair value of 55% of net identified assets acquired – as shown below	(31,836)
Goodwill	291,436

Note:

The fair value of the shares issued was based on the published share price available at the date of acquisition. The fair value of the convertible bonds issued was based on a valuation report from Savills, an independent valuer.

34. BUSINESS COMBINATIONS (Continued)

Acquisition of subsidiaries (Continued)

The identifiable assets and liabilities arising from the acquisition are as follows:

	Fair value RMB'000	Acquiree's carrying amount RMB'000
Property, plant and equipment	111,233	106,138
Investment properties	14,592	14,592
Land use rights	46,400	7,187
Prepayments, deposits and other receivables	25,743	25,743
Cash and bank balances	6,057	6,057
Pledged time deposits	5,379	5,379
Trade receivables	121,029	121,029
Inventories	18,772	18,772
Financial assets at fair value through profit or loss	2	2
Interest-bearing bank borrowings	(77,662)	(77,662)
Bank overdrafts	(5,893)	(5,893)
Trade and bills payables	(89,930)	(89,930)
Due to a director of a subsidiary	(61,881)	(61,881)
Due to a minority shareholder	(14,473)	(14,473)
Taxes payable	(4,470)	(4,470)
Other payables and accruals	(25,937)	(25,937)
Deferred tax liabilities	(11,077)	–
Net assets		24,653
Net identifiable assets	57,884	
55% of net identifiable assets acquired	31,836	
Purchase consideration settled in cash		(93,650)
Cash and cash equivalents in subsidiaries acquired		
– Cash and bank balances		6,057
– Bank overdrafts		(5,893)
		164
Net cash outflow on acquisition		(93,486)

35. CONVERTIBLE BONDS – GROUP AND COMPANY

On 12 July 2007, Twyla Services, a wholly-owned subsidiary of the Company entered into an acquisition agreement with Dream Star International Limited ("Dream Star") and Mr. Cheng Chun Shing (collectively, the "Vendors") for the acquisition of 55% of the issued share capital of Highway Bright from the Vendors for a consideration of approximately HK$288,750,000. The consideration was satisfied by 1) HK$100,000,000 (equivalent to RMB93,650,000) in cash by issuing 352,500,000 new ordinary shares at HK$0.105 per share (equivalent to RMB34,661,000) and by issuing of convertible bond of HK$62,987,500 (equivalent to RMB58,989,000), being the fair value as at the issue date, to Cytech Investment; 2) by issuing 664,000,000 new ordinary shares at HK$0.105 per share to the Vendors (equivalent to RMB65,293,000); and 3) by issuing of convertible bond of HK$119,030,000 (equivalent to RMB111,474,000), being the fair value as at the issue date, to the Vendors.

Accordingly, the Company issued a total of HK$182,017,500 zero coupon convertible bonds (the "Convertible Bonds") at 100% of principal amount to the Vendors and Cytech Investment (collectively, the "Bondholders") on 21 November 2007 (the "Issue Date").

The Convertible Bonds, at the option of the Bondholders, are convertible at any time during the period commencing from the expiry of the 6th month from the Issue Date up to the date falling 7 days before November 2012 (the "Maturity Date") into fully paid ordinary shares with a par value of HK$0.01 each of the Company at an initial conversion price of HK$0.25 per share. The conversion price is subject to adjustment on the occurrence of dilutive or concentrative event. Unless previously redeemed, converted or purchased and cancelled, the Company will redeem the Convertible Bonds at 100 per cent of its principle amount on the Maturity Date.

At any time prior to the Maturity Date, the Company may, having not less than 30 days but not more than 60 days notice to the Bondholders (which notice will be irrevocable), redeem all or, from time to time, some only of the Convertible Bonds at a redemption price equal to 115% of the outstanding principal amount of the Convertible Bonds to be redeemed on the redemption date but excluding the redemption date, provided, however, that no such redemption may be made unless the closing price of the shares (as derived from the daily quotations sheet of the Stock Exchange of Hong Kong Limited (the "Stock Exchange")), for each of the 30 consecutive days on which the Stock Exchange is open for trading in securities (the "Market Days"), the last day of which falls with 5 Market Days prior to the date upon which notice of such redemption is given was at least 115% of the Conversion Price in effect on such Market Days.

The Convertible Bonds may also be redeemed at the options of holders upon the occurrence of a change of control of the Company.

The Convertible Bonds were valued as at 30 June 2008 by Savills, independent professional qualified valuers.

Further details of the principal terms and conditions regarding the issue of the Convertible Bonds have been set out in a circular of the Company dated 10 September 2007.

35. CONVERTIBLE BONDS – GROUP AND COMPANY (Continued)

The Convertible Bonds recognised in the balance sheet were calculated as follows:

	Asset component RMB'000	**Liability component** RMB'000	**Equity component** RMB'000
Net carrying amounts on initial recognition	24,942	113,364	82,040
Deferred tax liabilities on initial recognition	–	–	(10,000)
Loss on fair value change in respect of redemption option	(8,009)	–	–
Imputed interest expenses *(note 7)*	–	5,608	–
Exchange differences	(1,233)	(7,309)	–
Net carrying amounts at 30 June 2008	15,700	111,663	72,040

During the year and subsequent to the issue of Convertible Bonds, no Convertible Bonds were converted into ordinary shares of the Company.

Imputed interest expenses of approximately RMB5,608,000 has been recognised in the income statement in respect of the Convertible Bonds for the year ended 30 June 2008 and is calculated using the effective interest method by applying the effective interest rate of 8.5% per annum to the liability component of the Convertible Bonds. The differences of approximately RMB8,009,000 between the fair value of redemption option as at the Issue Date and 30 June 2008 has been also recognised in the income statement.

36. DEFERRED TAX LIABILITIES

Movement on the deferred tax liabilities are as follows:

Group

	Issue of convertible bonds RMB'000	Revaluation of land use rights, property, plant and equipments RMB'000	Total RMB'000
At 30 June 2007 and 1 July 2007	–	–	–
Deferred tax recognised upon issue of convertible bonds	10,000	–	10,000
Deferred tax arising from acquisition of subsidiaries	–	11,077	11,077
Credited to income statement during the year *(note 9)*	(1,574)	–	(1,574)
Exchange differences	(561)	–	(561)
At 30 June 2008	**7,865**	**11,077**	**18,942**

Company

	Issue of convertible bonds RMB '000
At 30 June 2007 and 1 July 2007	–
Deferred tax recognised upon issue of convertible bonds	10,000
Credited to income statement during the year	(1,574)
Exchange differences	(561)
At 30 June 2008	7,865

The Group has tax losses arising in Hong Kong of approximately RMB15,273,000 (2007: RMB13,566,000) that are available for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as it is considered not probable that future taxable profits will be available from these group companies against which the tax losses can be utilised.

37. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group does not have written risk management policies and guidelines. However, the board of directors meets periodically to analyse and formulate measures to manage and monitor the Group's exposure to market risk, including principally changes in interest rates and currency exchange rates, credit risk and liquidity risk. Generally, the Group employs a conservative strategy regarding its risk management. As the Group's exposure to market risks is kept at a minimum level, the Group has not used any derivatives for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes.

The Group's principal financial instruments comprise financial asset at fair value through profit or loss, trade receivables, other receivables, due from a related company, cash and cash equivalents, pledged time deposits, trade and bills payables, other payables and accruals, due to a director of a subsidiary, due to a minority shareholder, due to related companies, convertible bonds and bank borrowings. The most significant financial risks to which the Group is exposed are described below.

(i) Interest rate risk

The Group does not have material exposure to interest rate risk. A reasonably possible change in interest rate in the next twelve months is assessed; which could have immaterial change in the Group's profits after tax and retained profit. Changes in interest rates have no material impact on the Group's other components of equity. The Group adopts centralised treasury policies in cash and financial management and focuses on reducing the Group's overall interest expenses.

The directors are of the opinion that the Group's sensitivity to the change in interest rate is low.

(ii) Foreign currency risk

The Group is exposed to foreign currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they related. The currency giving rise to this risk is United States dollars ("US$") and Hong Kong dollars ("HK$"). The Group reviews its foreign currency exposures regularly and does not consider its foreign exchange risk to be significant.

37. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(ii) Foreign currency risk (Continued)

Foreign currency risk exposure

The following table details the Group's exposure at the balance sheet date to foreign currency risk from the financial assets and financial liabilities denominated in a currency other than the functional currency to which they relate:

	2008	2007
	RMB'000	RMB'000
Cash and cash equivalents	**39,586**	16,910
	US$'000	US$'000
Cash and cash equivalents	**6,700**	–
Trade receivables	**9,538**	–
Trade payables	**(13,146)**	–
	3,092	–

The following table indicates the approximate change in the Group's profit after income tax in response to the reasonably possible strengthening/weakening in the following foreign currency rates to which the Group has significant exposure at the balance sheet dates. There is no impact on other components of consolidated equity in response to the general increase in the following foreign currency rates.

	2008		2007	
	Increase/ (decrease) in foreign exchange rates	**Effect on (loss)/ profit after income tax and retained profit**	Increase/ (decrease) in foreign exchange rates	Effect on (loss)/ profit after income tax and retained profit
	%	**RMB'000**	%	RMB'000
HK$	**9.84%**	**3,792**	7.26%	1,289
	(9.84%)	**(3,792)**	(7.26%)	(1,289)
US$	**9.84%**	**2,305**	–	–
	(9.84%)	**(2,305)**	–	–

The sensitivity rate of 9.84% for US$ and HK$ is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for aforementioned change in foreign currency rates. The functional currency of the Group's major operating subsidiaries is in RMB. A strengthening/ weakening of the above foreign currencies again RMB at each balance sheet date would have had a profit/ loss effect respectively to the amounts shown above, on the basis that all other variables remain constant.

The Company is not exposed to any foreign currency risk as at 30 June 2007 and 2008.

37. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(iii) Credit risk

Group

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date, as summaries below:

	2008 **RMB'000**	2007 RMB'000
Classes of financial assets		
– carrying amounts		
Financial assets		
at fair value through profit or loss	**15,702**	–
Cash and cash equivalents	**92,648**	17,646
Pledged time deposits	**2,986**	–
Loans and receivables		
– Trade receivables	**130,772**	1,743
– Other receivables	**6,692**	51
– Due from a related company	**53**	234
	248,853	19,674

Company

	2008 **RMB'000**	2007 RMB'000
Classes of financial assets		
– carrying amounts		
Financial assets		
at fair value through profit or loss	**15,700**	–
Loans and receivables		
– Due from subsidiaries	**357,044**	17,743
	372,744	17,743

The Group's credit risk is primarily attributable to financial assets at fair value through profit or loss, trade receivables, other receivables, due from a related company and cash and bank balances. Management has a credit policy and the exposures to credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

37. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(iii) Credit risk (Continued)

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. The Group closely monitors the concentration of credit risk on individual customers based on their credit worthiness. The Group has certain concentration risk of sales of consumer electronic products to two customers, stated as follows:

1) The Group's total sales to HHH Co., Limited, a company incorporated in Hong Kong, amounted to approximately RMB212,374,000 (2007: RMBNil) which accounted for approximately 47.1% (2007: Nil) of the Group's total sales for the year ended 30 June 2008.

2) The Group's total sales to 揭陽市真真貿易有限公司 ("真真"), a company incorporated in the PRC, amounted to approximately RMB157,115,000 (2007: RMBNil) which accounted for approximately 34.9% (2007: Nil) of the Group's total sales for the year ended 30 June 2008. One of the shareholders and directors of 真真 is a former supervisor of one of the production plants of a subsidiary of the Company and resigned in late March 2008. In the opinion of the directors, that former supervisor was not a key management personnel as defined under Hong Kong Accounting Standard 24 "Related Party Disclosures" issued by HKICPA. The Group allows a credit period of 90 days to 真真. As at 30 June 2008, the trade receivable from 真真 of approximately RMB50,972,000 are unsecured, interest-free and the maximum outstanding balance during the year was approximately RMB92,842,000.

The Group has certain concentration of credit risk as 68.8% (2007: Nil) of the Group's trade receivables were due from the above two largest customers of the Group.

As at the balance sheet dates, all cash and cash equivalents were deposited in banks without significant credit risk.

None of the Group's financial assets are secured by collateral or other credit enhancements.

(iv) Fair value

The fair value of the Group's financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments. The fair values of non-current liabilities were not disclosed because their carrying value is not materially different from their fair value.

37. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(v) Liquidity risk

The Group's objective is to ensure adequate funds to meet commitments associated with its financial liabilities. Cash flows are closely monitored on an ongoing basis. The Group will raise funds from the realization of its assets if required.

As at 30 June 2007 and 2008, the remaining contractual maturity of the Group's and the Company's financial liabilities which are based on undiscounted cash flows are summaries below:

	Group					
	Carrying amount	Total contractual undiscounted cash flow	Within 3 months or on demand	More than 3 months but less than 6 months	More than 6 months but less than 12 months	Over 1 year
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 30 June 2008						
Trade and bills payables	155,825	155,825	155,825	–	–	–
Other payables and accruals	24,314	24,314	24,314	–	–	–
Due to related companies	489	489	489	–	–	–
Due to a director of a subsidiary	38,957	38,957	38,957	–	–	–
Due to a minority shareholder	17,956	17,956	17,956	–	–	–
Bank borrowings	60,960	66,656	39,117	3,117	6,235	18,187
Convertible bonds	111,663	170,462	2,263	2,263	4,527	161,409
	410,164	474,659	278,921	5,380	10,762	179,596
At 30 June 2007						
Trade and bills payables	312	312	312	–	–	–
Other payables and accruals	3,889	3,889	3,889	–	–	–
Due to related companies	1,350	1,350	1,350	–	–	–
	5,551	5,551	5,551	–	–	–

37. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(v) Liquidity risk (Continued)

	Company					
	Carrying amount	Total contractual undiscounted cash flow	Within 3 months or on demand	More than 3 months but less than 6 months	More than 6 months but less than 12 months	Over 1 year
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 30 June 2008						
Other payables and accruals	3,011	3,011	3,011	–	–	–
Convertible bonds	111,663	170,462	2,263	2,263	4,527	161,409
	114,674	173,473	5,274	2,263	4,527	161,409
At 30 June 2007						
Other payables and accruals	1,883	1,883	1,883	–	–	–

The carrying amounts of the Group's and the Company's financial assets and liabilities recognised at the balance sheet dates may also be categorised as follows. See notes 3.12 and 3.17 for explanations on how the category of financial instruments affects their subsequent measurement.

(vi) Summary of financial assets and liabilities by category

Financial assets

	Group	
	2008	2007
	RMB'000	RMB'000
Financial assets at fair value through profit or loss	**15,702**	–
Loans and receivables:		
– Trade receivables	**130,772**	1,743
– Other receivables	**6,692**	51
– Due from a related company	**53**	234
Cash and cash equivalents	**92,648**	17,646
Pledged time deposits	**2,986**	–
	248,853	19,674

37. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(vi) Summary of financial assets and liabilities by category (Continued)

Financial assets (Continued)

	Company	
	2008	2007
	RMB'000	RMB'000
Financial assets at fair value through profit or loss	**15,700**	–
Loans and receivables:		
– Due from subsidiaries	**357,044**	17,743
	372,744	17,743

Financial liabilities

	Group	
	2008	2007
	RMB'000	RMB'000
Financial liabilities measured at amortised cost:		
– Trade and bills payables	**155,825**	312
– Other payables and accruals	**24,314**	3,889
– Due to related parties	**489**	1,350
– Due to a director of a subsidiary	**38,957**	–
– Due to a minority shareholder	**17,956**	–
– Bank borrowings	**60,960**	–
– Convertible bonds	**111,663**	–
	410,164	5,551

	Company	
	2008	2007
	RMB'000	RMB'000
Financial liabilities measured at amortised cost:		
– Other payables and accruals	**3,011**	1,883
– Convertible bonds	**111,663**	–
	114,674	1,883

38. CAPITAL MANAGEMENT

The Group's objectives when managing capital are:

(a) to safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;

(b) to support the Group's stability and growth; and

(c) to provide capital for the purpose of strengthening the Group's risk management capability.

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

Management regards total equity as capital. The amount of capital as at 30 June 2008 and 2007 amounted to approximately HK$361,577,000 and HK$17,827,000 respectively which management considers as optimal having considered the projected capital expenditures and the projected strategic investment opportunities.

39. MAJOR NON-CASH TRANSACTIONS

As at the year ended 30 June 2008, part of the consideration for the acquisition of Highway Bright Group was satisfied by issuance of new shares and Convertible Bonds. Further details are set out in note 34 and 35 above.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated as appropriate, is set out below.

	2008	2007	2006	2005	2004
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
			(Restated)	(Restated)	(Restated)
Results					
Revenue					
Continuing operations	**450,389**	5,459	2,015	1,500	3,433
Discontinued operations	**432**	26,917	36,550	40,421	17,199
	450,821	32,376	38,565	41,921	20,632
Profit/(Loss) from operation					
Continuing operations	**54,745**	(3,179)	(20,842)	(31,020)	(21,546)
Discontinued operations	**26**	(3,962)	427	(1,065)	(107)
	54,771	(7,141)	(20,415)	(32,085)	(21,653)
Finance costs					
Continuing operations	**(8,534)**	–	–	–	–
Discontinued operations	**–**	(1)	(3)	(5)	–
	(8,534)	(1)	(3)	(5)	–
Profit/(Loss) before taxation					
Continuing operations	**46,211**	(3,179)	(20,842)	(31,020)	(21,546)
Discontinued operations	**26**	(3,963)	424	(1,070)	(107)
	46,237	(7,142)	(20,418)	(32,090)	(21,653)
Income tax expenses					
Continuing operations	**(7,091)**	–	–	–	–
Discontinued operations	**–**	(5)	(1)	(4)	(3)
	(7,091)	(5)	(1)	(4)	(3)
Profit/(Loss) for the year					
Continuing operations	**39,120**	(3,179)	(20,842)	(31,020)	(21,546)
Discontinued operations	**26**	(3,968)	423	(1,074)	(110)
	39,146	(7,147)	(20,419)	(32,094)	(21,656)
Attributable to:					
– Equity holders of the Company	**13,082**	(6,986)	(20,595)	(31,568)	(21,602)
– Minority interests	**26,064**	(161)	176	(526)	(54)
	39,146	(7,147)	(20,419)	(32,094)	(21,656)
Assets and liabilities and minority interest					
Total assets	**797,579**	23,425	33,514	49,789	81,784
Total liabilities	**(436,002)**	(5,598)	(7,192)	(5,866)	(5,766)
Minority interests	**(55,785)**	–	(160)	15	(511)
	305,792	17,827	26,162	43,938	75,507