Goldmond Holdings Limited

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

Annual Report
2009

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

This report, for which the directors (the "Directors") of Goldmond Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with The Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:– (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Huang Boqi
Mr. Lee Man To

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

Flat M-N, 24/F,
Houston Industrial Building,
32-40 Wang Lung Street,
Tsuen Wan, N.T. 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. Huang Boqi
Mr. Lee Man To

COMPLIANCE OFFICER

Mr. Huang Boqi

AUDITORS

Grant Thornton
Certified Public Accountants

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Bank of Communications
Bank of China

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

HSBC Trustee (Cayman) Limited
P.O. Box 484
HSBC House
68 West Bay Road
Grand Cayman
KY1-1106
Cayman Islands

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

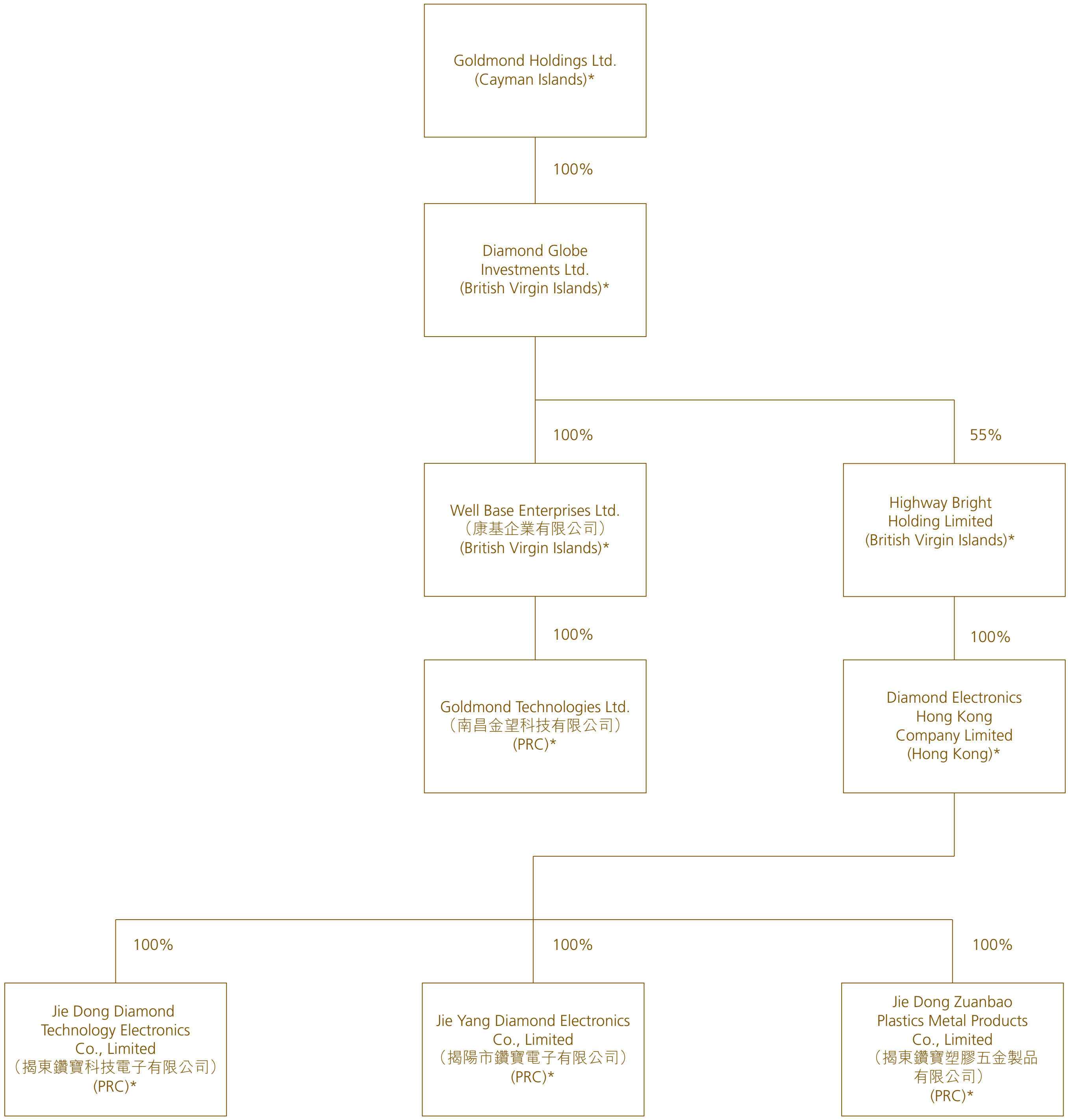
Mr. Chan Ngai Sang, Kenny
Mr. Xing Fengbing
Mr. Chan Kin Sang

STOCK CODE

8190

GROUP STRUCTURE

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 2009.

RESULTS

The financial and business highlights of the Group for the year ended 30 June 2009 are presented as follows:

	Continuing operations		Discontinued operations		Total	
	2009	2008	**2009**	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
		(Restated)		(Restated)		
Revenue	**737,857**	448,608	**94**	2,213	**737,951**	450,821
Profit/(Loss) attributable to equity holders of the Company	**23,826**	16,226	**(2,164)**	(3,144)	**21,662**	13,082
Earnings/(Loss) per share						
– basic	**0.99 cent**	0.83 cent	**(0.09) cent**	(0.16) cent	**0.90 cent**	0.67 cent
– diluted	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A

On 30 April 2009, the Group has disposed entire interest in Twyla Services Limited and its subsidiaries, Jiangxi Jinding Information System Co., Ltd., Jiangxi Jinlixin Technology Co., Ltd and Goldmond (HK) Limited (collectively, the "Twyla Group"). The principal activities of the Twyla Group are design and development of original design manufacturing ("ODM") software and proprietary packaged software and provision of the system solutions. The results of these segments for the years ended 30 June 2008 and 2009 are presented as discontinued operations in this report.

No dividends has been paid or declared by the Company during the years ended 30 June 2009 and 2008.

PROSPECTS AND APPRECIATION

Although we are facing with the high competition in the IT and manufacturing 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 and consumer electronic products and components in order to improve our performance.

CHAIRMAN'S STATEMENT

The Directors wish to inform shareholders that in April 2009, the Group has disposed entire interest in Twyla Services Limited and its subsidiaries which principal activities are design and development of ODM software and proprietary packaged software and provision of the system solutions. The Group established a subsidiary, Goldmond Technologies Limited and is going to start up the hardware and software maintenance and related business. On 25 June 2009, the Group entered into a sale and purchase agreement and is going to dispose the Satellite and ODM of consumer electronic business in order to redeem all convertible bonds. After the disposal, the Group will concentrate on the manufacture of consumer electronic products and components. We believe that the Group could concentrate on the development of remaining business.

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.

Huang Boqi
Chairman

Hong Kong
26 August 2009

MANAGEMENT DISCUSSION AND ANALYSIS

On 30 April 2009, the Group has disposed entire interest in the Twyla Group. The principal activities of the Twyla Group are design and development of ODM software and proprietary packaged software and provision of the system solutions. The results of these segments for the years ended 30 June 2008 and 2009 are presented 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 2009.

FINANCIAL REVIEW

Revenue and gross profit

Continuing operations

Continuing operations comprise of consumer electronic products and components, and satellite communications products business segment.

In the continuing operations, the Group generated revenue of RMB737,857,000, representing an increase of approximately 64.5% as compared to that in previous year. This was mainly attributable to the operation of Highway Bright Holdings Limited and its subsidiaries (collectively, the "Highway Bright Group"). The increase was mainly due to only post acquisition revenues of the Highway Bright Group had been taken up by the Group for the year ended 30 June 2008 but twelve months revenues had been taken up by the Group for the year ended 30 June 2009. The gross profit margin ratio for the year ended 30 June 2009 was 16.3% while it was 18.8% in previous year. The decrease in gross profit margin was mainly due to the increase in the price of the raw material and wages during the period.

The selling and distribution costs for the year were RMB20,322,000, representing an increase of approximately 240.9% from last year. The increase was mainly due to the increase in the transportation cost during the period.

The administrative expenses for the year were RMB34,033,000, representing an increase of approximately 67.2%. The increase was mainly due to the increase in staff salary during the period.

Other operating expenses for the year were RMB14,588,000, representing an increase of 37.1% 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 RMB11,508,000 (2008: RMB8,534,000). The increase was mainly due to the imputed interest expense incurred in the liability components of convertible bonds.

MANAGEMENT DISCUSSION AND ANALYSIS

Discontinued operations

Discontinued operations comprise of three segments (i) ODM, (ii) proprietary packed software and (iii) system solutions.

In the discontinued operations, the Group generated revenue of RMB94,000, representing a decrease of approximately 95.8% 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 2009 was 438.3% while the gross profit margin was 19.8% 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 RMB164,000, representing a decrease of approximately 64.8% from last year. The decrease was mainly due to the cessation systems solutions business.

The administrative expenses for the year were RMB1,647,000, representing a decrease of approximately 42.5%. The decrease was mainly due to a decrease in staff costs.

Other operating expenses for the year were RMB496,000 (2008: RMB1,549,000, as restated). 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 2009, the cash and bank balances of the Group amounting to RMB88,707,000 (2008: RMB92,648,000) and the net current assets of the Group amounted to RMB91,981,000 (2008: RMB42,664,000). With such resources, the Company has adequate financial resources for its operations.

Charges on the Group's asset

As at 30 June 2009, no Group's assets were pledged to banks for the general banking facilities and bank loans granted to the Group (30 June 2008: RMB128 million).

Gearing Ratio

The Group expresses its gearing ratio (if any) as a percentage of bank and other borrowings and long term debts over total assets. As at 30 June 2009, the gearing ratio as a percentage of bank and other borrowings, amount due to relevant parties and convertible bonds over total assets was approximately 23.5% (30 June 2008: 28.8%).

Material acquisition and disposals of subsidiaries and affiliated companies

(a) On 30 April 2009, Twyla Group have been sold to an independent third party, Mr. Zeng Rui Bo for a consideration of RMB1,500,000. The principal activities of the Twyla Group are design and development of ODM software and proprietary packaged software.

(b) On 25 June 2009, the Company entered into a sale and purchase agreement ("Sale and Purchase Agreement") to dispose 55% of the issued share capital of Highway Bright to Chinasing Investment Holdings Limited ("Chinasing") for an aggregate consideration of HK$123 million. The 55% equity interest in the Highway Bright Group was acquired by the Group on 21 November 2007. Highway Bright Group is engaged in the manufacture and sale of satellite communications products and consumer electronic products and components.

Completion of the Sale and Purchase Agreement is conditional upon, inter alia, 1) completion of a restructuring exercise, under which the Highway Bright Group will transfer all of the plants and machineries and inventories in relation to the connector business to a 55% owned subsidiary of the Company and 2) obtaining the approval of the majority shareholders other than Chinasing, Dream Star International Ltd and Diamond Highway Limited ("Diamond Highway") in the extraordinary general meeting. For details, please refer to the circular issued on 13 August 2009.

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 2009, 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 2009, the Group and the Company did not have any significant contingent liabilities.

Employee information

For the year ended 30 June 2009, the staff cost, excluding directors' remuneration, amounted to RMB55,906,000 (including RMB54,761,000 and RMB1,145,000 from continuing and discontinued operations respectively) (2008: RMB26,767,000, including RMB24,053,000 and RMB2,714,000 from continuing and discontinued operations respectively) while the directors' remuneration amounted to approximately RMB1,090,000 (2008: RMB1,098,000). 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

We are principally engaged in two business segments, namely (i) providing hardware and software maintenance and related business and (ii) manufacture of consumer electronic products and components, and satellite communication products. The current status of our business segments is shown as follows:

Hardware and software maintenance and related business

As the boost of the development of global computerized environment, the Group is going to start up the hardware and software maintenance and related business.

Manufacture and sale of consumer electronic products and components, and satellite communication 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 communication 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 communication products include low-noise block converters, transceivers and digital video broadcasting decoders which are used in satellite broadcasting, satellite telephone, satellite monitoring and GPS.

Sales and marketing

Consumer electronic products and components and satellite communication 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 organisations.

RESEARCH AND DEVELOPMENT

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

As at 30 June 2009, we have a pool of 25 IT professionals serving our PRC customers and 50 technical staff engaged in the Highway Bright Group (30 June 2008: 25 IT staff).

OUTLOOK

During the year, the Group has disposed entire interest in Twyla Services Limited and its subsidiaries which principal activities are design and development of ODM software and proprietary packaged software and provision of the system solutions.

The Group established a subsidiary, Goldmond Technologies Limited and is going to start up the hardware and software maintenance and related business.

On 25 June 2009, the Group entered into a sale and purchase agreement and is going to dispose the Satellite and ODM of consumer electronic business in order to redeem all convertible bonds. After the disposal, the Group will concentrate on the manufacture of consumer electronic products and components. We believe that the Group could concentrate on the development of remaining business.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

EXECUTIVE DIRECTORS

Mr. Huang Boqi（黃伯麒）, aged 44, is the chairman of the board of Directors of the Company, 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 13 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.

Mr. Lee Man To（李敏滔）, aged 36, is an executive Director, 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 12 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Kin Sang（陳健生）, aged 57, 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 3 Singapore listed companies, namely People's Food Holdings Limited, Sunray Holdings Limited, Luxking Group Holdings Limited and 4 Hong Kong listed companies, namely the Company, Dynamic Energy Holdings Limited, New Smart Energy Group Limited and China Precious Metal Resources Holdings Co., Limited. Mr. Chan is also a non-executive director of Pan Hong Property Group Limited listed in Singapore. He was formerly an independent non-executive director of LeRoi Holdings Limited, CHT (Holdings) Limited and Plus Holdings Limited. Mr. Chan was appointed as an independent non-executive Director in September 2004.

Mr. Chan Ngai Sang, Kenny（陳毅生）, aged 44, 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 69, 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 Jinan University（暨南大學）in the PRC. Mr. Xing was appointed as an independent non-executive Director in January 2002.

SENIOR MANAGEMENT

Yong Kee Poh,（楊紀寶）, aged 49, is a Chief Executive Officer of Highway Bright Group. He is responsible for the overall management of our operations and sales, and 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,（衞祺）, aged 38, 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.

REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements of the Company and the Group for the year ended 30 June 2009.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are in two business segments, (i) providing hardware and software maintenance and related business and (ii) manufacture of consumer electronic products and components and satellite communications products.

In April 2009, the Group disposed entire interest in Twyla Services Limited and its subsidiaries which principal activities are design and development of ODM software and proprietary packaged software and provision of the system solutions. The Group established a subsidiary, Goldmond Technologies Limited and is going to start up the hardware and software maintenance and related business. On 25 June 2009, the Group entered into a sale and purchase agreement and is going to dispose the Satellite and ODM of consumer electronic business in order to redeem all convertible bonds. After the disposal, the Group will concentrate on the manufacture of consumer electronic products and components. We believe that the Group could concentrate on the development of remaining business.

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 26 to 95.

The Directors did not recommend the payment of any dividend in respect of the year ended 30 June 2009 (2008: 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 96. 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 13 to the financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 17 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 27 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	At any time prior to the maturity date, the Company may, having given a notice of the Company 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 29 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 29 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	85
Five largest customers in aggregate	96
The largest supplier	85
Five largest suppliers in aggregate	93

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. Huang Boqi
Mr. Lee Man To

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. Huang Boqi and Mr. Lee Man To, will retire by rotation and, being eligible, will offer themselves for re-election 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 11 to 12 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Mr. Huang Boqi has entered into a service contract as a chairman an executive Director with the Company for an initial term of three year commencing from 25 February 2009, which will continue thereafter until terminated by either party giving not less than three month's notice in writing to the other.

Mr. Lee Man To has entered into a service contract as an executive Director with the Company for an initial term of three year commencing from 18 February 2009, which will continue thereafter until terminated by either party giving not less than three 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 2009 to 5 February 2010.

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 2009.

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 34 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 2009, 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. 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 2009, 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 *(Note 1)*	664,500,000 ordinary shares	Interest of controlled corporation	27.50%
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	474,285,714 ordinary shares	Beneficial owner	19.62%
Mr. Hong Yue Xiong	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.

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

As at 30 June 2009, 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
Mr. Li Jiahui	189,000,000 ordinary shares	Beneficial owner	7.82%
Brow Crown International Limited ("Brow Crown")	200,000,000 ordinary shares	Beneficial owner *(Note 2)*	8.28%
Mr. Qian Siyu ("Mr. Qian")	200,000,000 ordinary shares	Interest of controlled corporation *(Note 2)*	8.28%
Mr. Zeng Pei Hui ("Mr. Zeng")	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 Crown, which is wholly owned by Mr. Qian. Accordingly, Mr. Qian is deemed to be interested in all the shares in which Brow Crown is interested pursuant to the SFO.

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

CORPORATE GOVERNANCE REPORT

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 2009.

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 2009.

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 2009.

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 2009. Their terms of office are disclosed in the Director's Report on page 16. The biographical details of the Directors are set out on page 11 to 12 of this annual report.

During the year, 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)* (resigned on 25 February 2009)	6/11
Huang Boqi *(Chairman* (appointed on 25 February 2009) *& Chief Executive Officer)*	11/11
Lee Man To (appointed on 18 February 2009)	6/11
Independent non-executive Directors	
Chan Kin Sang	10/11
Chan Ngai Sang, Kenny	9/11
Xing Fengbing	9/11

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 Company has not yet adopted A.2.1. Under the code provision A.2.1 of the CG Code, the roles of Chairman and CEO should be separate and would not be performed by the same individual. The division of responsibilities between the Chairman and CEO should be clearly established and set out in writing.

The Company does not presently have any officer with the title CEO. At present, Mr. Huang Boqi, being the Chairman and Chief Executive Director of the Company, is responsible for the strategic planning, formulation of overall corporate development policy and running the business of the Group as well as the duties of Chairman. The Board considers that, due to the nature and extent of the Group's operations, Mr. Huang is the most appropriate chief executive because he possesses in-depth knowledge and experience in the IT business and is able to ensure the sustainable development of the Group. Notwithstanding the above, the Board will review the current structure from time to time. When at the appropriate time and if candidate with suitable leadership, knowledge, skills and experience can be identified within or outside the Group, the Company may make the necessary amendments.

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 2009, the Audit Committee held a total of four 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	4/4
Mr. Chan Kin Sang	4/4
Mr. Xing Fengbing	4/4

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 2009, 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 2009, 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 2009, the Company agreed auditing fees of HK$550,000 (equivalent to RMB484,000) payable to Grant Thornton. Grant Thornton also charged non-audit fees in total of HK$750,000 (equivalent to RMB660,000) for acting as the reporting accountants in respect of the very substantial disposal transactions of the 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 2009, 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
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Goldmond Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 26 to 95, which comprise the consolidated and company balance sheets as at 30 June 2009 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 2009 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
6th Floor, Nexxus Building
41 Connaught Road Central
Hong Kong

26 August 2009

CONSOLIDATED INCOME STATEMENT

for the year ended 30 June 2009

	Notes	2009 RMB'000	2008 RMB'000 (Restated)
Continuing operations:			
Revenue	5	**737,857**	448,608
Cost of sales		**(617,666)**	(364,285)
Gross profit		**120,191**	84,323
Other income and gains	5	**24,599**	10,526
Selling and distribution costs		**(20,322)**	(5,961)
Administrative expenses		**(34,033)**	(20,349)
Other operating expenses		**(14,588)**	(10,637)
Operating profit		**75,847**	57,902
Finance costs	7	**(11,508)**	(8,534)
Profit before income tax	8	**64,339**	49,368
Income tax expenses	9	**(9,307)**	(7,091)
Profit after income tax from continuing operations		**55,032**	42,277
Discontinued operations:	33		
Loss for the year from discontinued operations		**(2,177)**	(3,131)
Profit for the year		**52,855**	39,146
Attributable to:			
Equity holders of the Company		**21,662**	13,082
Minority interests		**31,193**	26,064
Profit for the year		**52,855**	39,146
Earnings per share for profit attributable to the equity holders of the Company for the year	12		
– Basic			
From continuing and discontinued operations		**0.90 cent**	0.67 cent
From continuing operations		**0.99 cent**	0.83 cent
– Diluted		**N/A**	N/A

CONSOLIDATED BALANCE SHEET

as at 30 June 2009

	Notes	2009 RMB'000	2008 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	13	**113,825**	112,768
Land use rights	14	**45,620**	47,950
Investment properties	15	**10,900**	12,600
Goodwill	16	**291,436**	291,436
		461,781	464,754
Current assets			
Financial assets at fair value through profit or loss	18	**10,303**	15,702
Inventories	19	**15,644**	50,100
Trade receivables	20	**114,228**	130,772
Prepayments, deposits and other receivables		**39,887**	40,564
Due from a related company	21	**–**	53
Pledged time deposits	22	**–**	2,986
Cash and cash equivalents	22	**88,707**	92,648
		268,769	332,825
Current liabilities			
Taxes payable		**7,266**	4,543
Trade and bills payables	23	**93,733**	155,825
Other payables, deposits and accruals		**25,377**	26,667
Due to a former director of a subsidiary	24	**–**	38,957
Due to a minority shareholder	24	**18,350**	17,956
Due to related companies	25	**130**	489
Bank and other borrowings	26	**31,932**	45,724
		176,788	290,161
Net current assets		**91,981**	42,664
Total assets less current liabilities		**553,762**	507,418

CONSOLIDATED BALANCE SHEET

as at 30 June 2009

	Notes	2009 RMB'000	2008 RMB'000
Non-current liabilities			
Bank and other borrowings	26	–	15,236
Convertible bonds	36	**121,430**	111,663
Deferred tax liabilities	37	**17,474**	18,942
		138,904	145,841
Net assets		**414,858**	361,577
EQUITY			
Equity attributable to Company's equity holders			
Share capital	27	**23,992**	23,992
Reserves	29	**303,634**	281,800
		327,626	305,792
Minority interests		**87,232**	55,785
Total equity		**414,858**	361,577

HUANG BOQI
Director

LEE MAN TO
Director

BALANCE SHEET

as at 30 June 2009

	Notes	2009 RMB'000	2008 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Investments in subsidiaries	17	**1**	210
Current assets			
Financial assets at fair value through profit or loss	18	**10,301**	15,700
Due from subsidiaries	17	**352,798**	357,044
		363,099	372,744
Current liabilities			
Other payables and accruals		**1,951**	3,011
Net current assets		**361,148**	369,733
Total assets less current liabilities		**361,149**	369,943
Non-current liabilities			
Convertible bonds	36	**121,430**	111,663
Deferred tax liabilities	37	**6,397**	7,865
		127,827	119,528
Net assets		**233,322**	250,415
EQUITY			
Share capital	27	**23,992**	23,992
Reserves	29	**209,330**	226,423
Total equity		**233,322**	250,415

HUANG BOQI
Director

LEE MAN TO
Director

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 30 June 2009

	Notes	2009 RMB'000	2008 RMB'000 (Restated)
Cash flows from operating activities			
Profit/(loss) before income tax			
from continuing operations		**64,339**	49,368
from discontinued operations		**(2,177)**	(3,131)
		62,162	46,237
Adjustments for:			
Interest expense	7	**1,995**	2,926
Amortisation of land use rights	8	**1,068**	733
Depreciation	8	**8,240**	5,013
Interest income	5	**(526)**	(844)
(Gain)/loss on disposals of property, plant and equipment	5, 8	**(104)**	56
Reversal of provision for impairment of trade receivables	5	**–**	(57)
Provision for impairment of trade receivables	8	**–**	913
Provision for impairment of other receivables	8	**650**	1,288
Write-down of inventories to net realisable value	8	**–**	101
Imputed interest on convertible bonds	7	**9,513**	5,608
Loss on fair value change in respect of redemption option	8	**5,434**	8,009
Loss in fair value of investment properties	8	**1,700**	224
Gain on disposal of subsidiaries	5	**(2,281)**	–
Operating profit before working capital changes		**87,851**	70,207
Decrease/(increase) in inventories		**34,456**	(31,429)
Decrease/(increase) in trade receivables		**16,504**	(8,856)
Increase in prepayments, deposits and other receivables		**(7)**	(16,029)
Decrease in amount due from a related company		**53**	181
(Decrease)/increase in trade and bills payables		**(61,829)**	65,583
Increase/(decrease) in other payables, deposits and accruals		**659**	(3,206)
Decrease in amount due to a former director of a subsidiary		**(38,957)**	(22,924)
Increase in amount due to a minority shareholder		**394**	3,483
Increase/(decrease) in amounts due to related companies		**931**	(861)
Cash generated from operations		**40,055**	56,149
Interest received		**526**	844
Income taxes paid		**(8,069)**	(8,592)
Net cash generated from operating activities		**32,512**	48,401
Cash flows from investing activities			
Purchases of property, plant and equipment		**(11,145)**	(3,985)
Proceeds from disposals of property, plant and equipment		**673**	239
Acquisition of subsidiaries, net of cash acquired		**–**	(93,486)
Decrease in pledged time deposits		**2,986**	2,393
Net cash inflow from disposal of subsidiaries	32(a)	**1,407**	–
Net cash used in investing activities		**(6,079)**	(94,839)

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 30 June 2009

	2009	2008
	RMB'000	RMB'000
		(Restated)
Cash flows from financing activities		
Proceeds from issue of convertible bonds	**–**	58,988
Proceeds from issue of new shares for private placement, net of issue expenses	**–**	45,215
Proceeds from issue of new shares for acquisition of subsidiaries, net of issue expenses	**–**	32,179
Interest paid	**(1,995)**	(2,926)
Proceeds from other borrowings	**31,932**	–
Proceeds from bank borrowings	**–**	30,000
Repayments of bank borrowings	**(60,960)**	(44,006)
Capital element of finance lease payments	**–**	(2,696)
Net cash (used in)/generated from financing activities	**(31,023)**	116,754
Net (decrease)/increase in cash and cash equivalents	**(4,590)**	70,316
Cash and cash equivalents at the beginning of year	**92,648**	17,646
Effect of foreign exchange rate changes, net	**649**	4,686
Cash and cash equivalents at the end of year	**88,707**	92,648
Analysis of balances of cash and cash equivalents		
Cash and bank balances	**73,705**	68,701
Time deposits with original maturity of less than three months when acquired	**15,002**	23,947
	88,707	92,648

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2009

	Equity attributable to equity holders of the Company								
	Share capital RMB'000	Share premium* RMB'000	Statutory reserves* RMB'000	Exchange fluctuation reserve* RMB'000	Convertible bond equity reserve* RMB'000	Accumulated losses* RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
At 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)
At 30 June 2008 and 1 July 2008	23,992	224,895	9,038	5,952	72,040	(30,125)	305,792	55,785	361,577
Exchange realignment	–	–	–	172	–	–	172	254	426
Total income and expenses for the year recognised directly in equity	–	–	–	172	–	–	172	254	426
Profit for the year	–	–	–	–	–	21,662	21,662	31,193	52,855
Total recognised income and expenses for the year	–	–	–	172	–	21,662	21,834	31,447	53,281
Transfer to reserves	–	–	7,062	–	–	(7,062)	–	–	–
At 30 June 2009	**23,992**	**224,895**	**16,100**	**6,124**	**72,040**	**(15,525)**	**327,626**	**87,232**	**414,858**

* *These reserve accounts comprise the consolidated reserves of approximately RMB303,634,000 (2008: approximately RMB281,800,000) in the consolidated balance sheet.*

Notes to the Financial Statements

for the year ended 30 June 2009

1. BASIS OF PRESENTATION

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 "Stock Exchange"). The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is Flat M-N, 24/F, Houston Industrial Building, 32-40 Wang Lung Street, Tsuen Wan, New Territories, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 17 to the financial statements. The Company and its subsidiaries are collectively referred to as the "Group" hereafter.

The financial statements on pages 26 and 95 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 Stock Exchange.

The financial statements for the year ended 30 June 2009 were approved for issue by the board of directors (the "Directors") on 26 August 2009.

2. ADOPTION OF NEW AND AMENDED HKFRSs

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations (the "new HKFRSs") issued by HKICPA, which are effective for the Group's financial statements for the annual period beginning on 1 July 2008:

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Interpretation 9 and HKAS 39 (Amendment)	Reassessment of Embedded Derivatives
HK(IFRIC) – Interpretation 12	Service Concession Arrangements
HK(IFRIC) – Interpretation 13	Customer Loyalty Programmes
HK(IFRIC) – Interpretation 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

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

2. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

At the date of authorisation of these financial statements, the following new and amended HKFRSs have been published but are not yet effective, and have not been early adopted by the Group.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32, HKAS 39 and HKFRS 7 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKAS 39 (Amendments)	Financial instruments: Recognition and Measurement – Eligible Hedged Items[2]
HKFRS 1 and HKAS 27 (Amendments)	First-time Adoption of Hong Kong Financial Reporting Standards and Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or an Associate[1]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[2]
HKFRS 1	Additional Exemptions for First time Adopters[2]
HKFRS 2 (Amendments)	Vesting Conditions and Cancellations[1]
HKFRS 2 (Amendments)	Group cash-settled share-based payment transactions[6]
HKFRS 3 (Revised)	Business Combinations – Comprehensive Revision on Applying the Acquisition Method[2]
HKFRS 7 (Amendments)	Improving Disclosures about Financial Instruments[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – Interpretation 2 (Amendments)	Members' Shares in Co-operative Entities and Similar Instruments[1]
HK(IFRIC) – Interpretation 15	Agreements for the Construction of Real Estate[1]
HK(IFRIC) – Interpretation 16	Hedges of a Net Investment in a Foreign Operation[3]
HK(IFRIC) – Interpretation 17	Distributions of Non-cash Assets to Owners[2]
HK(IFRIC) – Interpretation 18	Transfer of Assets from Customers[4]
Various	Annual Improvements to HKFRS 2008 (May 2008)[5]
Various	Annual Improvements to HKFRS 2009 (April 2009)[6]

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 October 2008

4 Effective for transfers received on or after 1 July 2009

5 Generally effective for annual periods beginning on or after 1 January 2009 unless otherwise stated in the specific HKFRS

6 Generally effective for annual periods beginning on or after 1 January 2010 unless otherwise stated in the specific HKFRS

2. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

The Directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement.

Among these new standards and interpretations, HKAS 1 (Revised) Presentation of Financial Statements is expected to materially change the presentation of the Group's financial statements. The amendments affect the presentation of owner changes in equity and introduce a statement of comprehensive income. The Group will have the option of presenting items of income and expenses 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 comprehensive income).

The amendment does not affect the financial position or results of the Group but will give rise to additional disclosures.

In addition, HKFRS 8 Operating Segments may result in new or amended disclosures. The Directors are in the process of identifying reportable operating segments as defined in HKFRS 8.

The Directors are currently assessing the impact of other new and amended HKFRSs upon initial application. So far, the Directors have preliminarily concluded that the initial application of these HKFRSs is unlikely to have a significant impact on the Group's results and financial position.

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 has been 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 the 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 incorporates 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 (including special purpose 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 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 (other than for combining entities under common control) are accounted for by applying the purchase method. This involves the estimation of 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 is presented in Renminbi ("RMB"), which is different from the functional currency of the Company, Hong Kong dollars ("HK$"), as the Directors consider that RMB is the most appropriate presentation currency in view of the most of the underlying transactions of the Group are denominated in RMB.

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

From the sale of goods

Revenue, from the sale of consumer electronic products, and components, and satellite communications products, and system solutions, 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Revenue recognition (Continued)

From the rendering of services

Revenue, from the rendering services of design and development of original design manufacturing and proprietary packaged software, 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.

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 Group has the intention to complete the development and use or sell the new products;

(iii) the Group's ability to use or sell the intangible asset is demonstrated;

(iv) the intangible asset will generate probable economic benefits through internal use or sale;

(v) sufficient technical, financial and other resources are available for completion; and

(vi) the expenditure attributable to the intangible asset can be reliably measured.

All other development costs are expensed as incurred.

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 usage of land. These are stated at cost less accumulated amortisation and impairment losses, if any. The up-front payments are amortised over the respective lease terms on the 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 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.

Gains 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 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.

3.11 Impairment of non-financial 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 for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other 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.

An impairment loss on goodwill is not reversed in subsequent periods including impairment losses recognised in an interim period. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the 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, financial assets designated upon initial recognition as at fair value through profit or loss and all derivatives other than hedging instruments.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term, or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking. Derivatives, including separated embedded derivatives 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 derivatives, 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 different 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.

Impairment of financial assets

At each balance sheet date, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12 Financial assets (Continued)

Impairment of financial assets (Continued)

If there is objective evidence that an impairment loss on loans and receivables 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 profit or loss 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 profit or loss of the period in which the reversal occurs.

3.13 Income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal 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, including existing taxable temporary differences, 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 differences and it is probable that the temporary differences 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 schemes (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

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(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 on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon, at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Assets acquired under finance leases

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 is 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 liability is reduced by lease payments less finance charges.

Finance charges implicit in the lease payments are charged to income statement 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Leases (Continued)

(iii) Operating lease charges as the lessee

Where the Group has the right to use the 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 basis 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.

3.16 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 of the amount of the obligation 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 or more future uncertain 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.

Contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in a business combination. They are initially measured at fair value at the date of acquisition and subsequently measured at the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisation, if appropriate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.17 Financial liabilities

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

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

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in the income statement.

(i) Bank and other 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, due to related companies/a former 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.

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

Convertible bonds issued by the Company that contain 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.

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 (Continued)

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 include cash at banks and in hand, demand deposits with banks with original maturities 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. For the purpose of cash flow statement presentation, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

3.19 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 issuing of shares are deducted from share premium, net of any related income tax benefit, to the extent that they are incremental costs directly attributable to the equity transaction.

3.20 Borrowing costs

All borrowing costs are expensed as incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.21 Related parties

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

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

3.22 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 include corporate expenses and other expenses that cannot be allocated on a reasonable basis to the reportable segments. 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)

3.23 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 disposals. 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.

3.24 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 assumed, 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

Estimates and judgements are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions 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 property, plant and equipment

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts of the property, plant and equipment have been determined based on value-in-use calculations. These calculations and valuations require the use of judgement and estimates.

(ii) 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 reassesses the impairment of receivables at the balance sheet date.

(iii) 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 reassesses the estimations at the balance sheet date.

(iv) Estimated impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. In the opinion of the Directors, as the completion of the disposal of 55% equity interest in Highway Bright Holdings Limited ("Highway Bright") was highly uncertain (Further details have been set out in a circular of the Company dated 13 August 2009), the disposal consideration would not be the best evidence for the goodwill impairment test. Accordingly, for the purpose of impairment review of goodwill, it 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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Estimation uncertainty (Continued)

(v) 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.

(vi) 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 36. 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.

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 statements:

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, OTHER INCOME AND GAINS

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, other income and gains is as follows:

	Continuing operations		Discontinued operations		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
		(Restated)		(Restated)		
Revenue						
Sales of goods	**737,857**	448,608	**26**	432	**737,883**	449,040
Rendering of services	**–**	–	**68**	1,781	**68**	1,781
	737,857	448,608	**94**	2,213	**737,951**	450,821
Other income						
Gross rental income from investment properties	**1,200**	691	**67**	110	**1,267**	801
Bank interest income	**239**	89	**287**	755	**526**	844
Sales of scrap materials	**18,835**	9,501	**–**	–	**18,835**	9,501
Reversal of provision for impairment of trade receivables	**–**	–	**–**	57	**–**	57
Others	**1,940**	245	**188**	389	**2,128**	634
	22,214	10,526	**542**	1,311	**22,756**	11,837
Gains						
Gain on disposal of property, plant and equipment	**104**	–	**–**	–	**104**	–
Gain on disposal of subsidiaries *(note 32(a))*	**2,281**	–	**–**	–	**2,281**	–
	2,385	–	**–**	–	**2,385**	–
	24,599	10,526	**542**	1,311	**25,141**	11,837

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 Original Design Manufacturing ("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 satellite communications products and consumer electronic products and components; 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, revenue 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 (2008: Nil).

6. SEGMENT INFORMATION (Continued)

(a) Business segments

The following table presents revenue and results for the year ended 30 June 2009 and certain assets, liabilities and expenditure information for the Group's business segments.

	Continuing operations		Discontinued operations									
	Consumer electronic products and components, and satellite communications products		ODM		Proprietary packaged software		System solutions		Total		Consolidation	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000 (Restated)	2009 RMB'000	2008 RMB'000
Segment revenue												
Sales to external customer	**737,857**	448,608	**28**	1,592	**40**	189	**26**	432	**94**	2,213	**737,951**	450,821
Segment results	**87,258**	68,603	**(100)**	484	**(159)**	58	**(147)**	26	**(406)**	568	**86,852**	69,171
Interest income and unallocated gains											**5,765**	1,990
Unallocated expenses											**(18,947)**	(16,390)
Operating profit											**73,670**	54,771
Finance costs											**(11,508)**	(8,534)
Profit before income tax											**62,162**	46,237
Income tax expenses											**(9,307)**	(7,091)
Profit for the year											**52,855**	39,146
Segment assets	**620,640**	670,355	**–**	183	**–**	52	**–**	3	**–**	238	**620,640**	670,593
Unallocated assets											**109,910**	126,986
Total assets											**730,550**	797,579
Segment liabilities	**131,068**	234,187	**–**	–	**–**	–	**–**	1,237	**–**	1,237	**131,068**	235,424
Unallocated liabilities											**184,624**	200,578
Total liabilities											**315,692**	436,002
Other segment information												
Amortisation of land use rights	**949**	631	**106**	91	**13**	11	**–**	–	**119**	102	**1,068**	733
Depreciation	**7,936**	4,354	**271**	589	**33**	70	**–**	–	**304**	659	**8,240**	5,013
(Gain)/Loss on disposals of property, plant and equipment	**(104)**	56	**–**	–	**–**	–	**–**	–	**–**	–	**(104)**	56
Provision for impairment of trade receivables	**–**	–	**–**	772	**–**	141	**–**	–	**–**	913	**–**	913
Provision for impairment of other receivables	**650**	1,288	**–**	–	**–**	–	**–**	–	**–**	–	**650**	1,288
Write-down of inventories to net realisable value	**–**	101	**–**	–	**–**	–	**–**	–	**–**	–	**–**	101
Capital expenditure incurred during the year	**11,132**	176,207	**–**	3	**13**	–	**–**	–	**13**	3	**11,145**	176,210

6. SEGMENT INFORMATION (Continued)

(b) Geographical segments

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

	2009 **RMB'000**	2008 RMB'000
Sales revenue by geographical markets:		
The PRC	**72,725**	193,991
Hong Kong	**632,782**	222,072
Japan	**1,980**	5,125
Europe	**27,059**	21,325
The United States	**3,405**	8,308
	737,951	450,821

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**	
	2009 **RMB'000**	2008 RMB'000	**2009** **RMB'000**	2008 RMB'000
The PRC	**277,473**	342,232	**10,588**	169,975
Hong Kong	**453,066**	455,200	**557**	6,183
Other countries (principally Singapore and Malaysia)	**11**	147	**–**	52
	730,550	797,579	**11,145**	176,210

7. FINANCE COSTS

	Continuing operations		Discontinued operations		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Interest on bank loans and overdrafts wholly repayable within five years	**1,643**	2,817	**–**	–	**1,643**	2,817
Interest on other loans wholly repayable within five years	**352**	–	**–**	–	**352**	–
Interest on finance leases	**–**	109	**–**	–	**–**	109
	1,995	2,926	**–**	–	**1,995**	2,926
Imputed interest on convertible bonds *(note 36)*	**9,513**	5,608	**–**	–	**9,513**	5,608
Total interest on financial liabilities stated at amortised cost	**11,508**	8,534	**–**	–	**11,508**	8,534

8. PROFIT BEFORE INCOME TAX

	Continuing operations		Discontinued operations		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000 (Restated)	**RMB'000**	RMB'000
Profit before income tax is arrived at after charging:						
Cost of inventories sold	**526,138**	337,475	**179**	536	**526,317**	338,011
– including write-off of inventories to net realisable value	**–**	101	**–**	–	**–**	101
Cost of services provided	**–**	–	**327**	1,240	**327**	1,240
Auditors' remuneration	**484**	869	**–**	–	**484**	869
Amortisation of land use rights	**949**	631	**119**	102	**1,068**	733
Depreciation						
– Leased asset	**–**	216	**–**	–	**–**	216
– Owned asset	**7,936**	4,138	**304**	659	**8,240**	4,797
	7,936	4,354	**304**	659	**8,240**	5,013
Other operating expenses:						
Loss in fair value of investment properties	**1,700**	224	**–**	–	**1,700**	224
Exchange losses, net	**1,575**	955	**1**	–	**1,576**	955
Provision for impairment of trade receivables	**–**	–	**–**	913	**–**	913
Provision for impairment of other receivables	**650**	1,288	**–**	–	**650**	1,288
Research costs	**5,182**	–	**426**	642	**5,608**	642
Loss on fair value change in respect of redemption option	**5,434**	8,009	**–**	–	**5,434**	8,009
Loss on disposal of property, plant and equipment	**–**	56	**–**	–	**–**	56
Operating lease charges in respect of office premises, retail shops and warehouse	**–**	332	**235**	406	**235**	738
Staff costs (excluding directors' remuneration *(note 31(a))*)						
– Salaries and wages	**54,688**	24,016	**1,129**	2,687	**55,817**	26,703
– Pension scheme contribution	**73**	37	**16**	27	**89**	64
	54,761	24,053	**1,145**	2,714	**55,906**	26,767

9. INCOME TAX EXPENSES

Taxes on profits assessable 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	
	2009	2008	**2009**	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Hong Kong profits tax						
– current year	**735**	466	**–**	–	**735**	466
Deferred tax *(note 37)*	**(1,485)**	(1,574)	**–**	–	**(1,485)**	(1,574)
Income tax credit	**(750)**	(1,108)	**–**	–	**(750)**	(1,108)
PRC income tax						
– current year	**10,057**	8,199	**–**	–	**10,057**	8,199
Income tax expenses	**10,057**	8,199	**–**	–	**10,057**	8,199
Total income tax expenses	**9,307**	7,091	**–**	–	**9,307**	7,091

9. INCOME TAX EXPENSES (Continued)

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the tax jurisdictions in which the Company and the majority its subsidiaries are domiciled to the tax expense at the effective tax rates are as follows:

	Group	
	2009	2008
	RMB'000	RMB'000
		(Restated)
Profit/(Loss) before income tax:		
– Continuing operations	**64,339**	49,368
– Discontinued operations	**(2,177)**	(3,131)
	62,162	46,237
Tax on profit/(loss) before income tax, calculated at the rates applicable in the tax jurisdictions concerned	**13,539**	12,766
Tax effect of tax loss not recognised	**417**	427
Tax holiday of wholly-owned foreign enterprises ("WOFE")	**(9,691)**	(9,186)
Tax effect of non-deductible expenses	**5,669**	3,220
Tax effect of non-taxable income	**(627)**	(136)
Income tax expenses	**9,307**	7,091

10. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Of the consolidated profit attributable to equity holders of the Company for the year ended 30 June 2009 included losses of RMB17,629,000 (2008:RMB15,592,000) has been dealt with in the financial statements of the Company *(note 29)*.

11. DIVIDENDS

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

12. EARNINGS PER SHARE

Basic

(1) From continuing and discontinued operations

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

	2009	2008
	RMB'000	RMB'000
Profit for the year attributable to the equity holders of the Company	**21,662**	13,082

	No of shares	No of shares
	'000	'000
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**2,416,500**	1,953,769

(2) From continuing operations

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

	2009	2008
	RMB'000	RMB'000
		(Restated)
Profit for the year attributable to the equity holders of the Company	**21,662**	13,082
Less: Loss for the year from discontinued operations excluding loss shared by minority interests	**2,164**	3,144
Profit for the year for the purpose of basis earnings per share from continuing operations	**23,826**	16,226

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

(3) From discontinued operations

Basic loss per share from the discontinued operations is RMB0.09 cent per share (2008: RMB0.16 cent per share, as restated) which was calculated based on the loss for the year from discontinued operations of approximately RMB2,164,000 (2008: RMB3,144,000, as restated). The denominators used are the same as those detailed above for basic earnings per share from continuing and discontinued operations.

12. EARNINGS PER SHARE (Continued)

Diluted

No diluted earnings per share is presented for the years ended 30 June 2008 and 2009 as the outstanding convertible bonds were anti-dilutive.

13. 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 2007							
Cost	1,847	3,848	–	869	5,802	433	12,799
Accumulated depreciation	(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 value	1,362	–	–	63	809	4	2,238
Additions from subsidiaries acquired *(note 35)*	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 15)*	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 value	72,338	125	34,651	456	2,744	2,454	112,768
At 30 June 2008 and 1 July 2008							
Cost	74,015	166	37,383	1,309	8,444	3,101	124,418
Accumulated depreciation	(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
Year ended 30 June 2009							
Opening net book value	72,338	125	34,651	456	2,744	2,454	112,768
Additions	–	220	9,026	49	144	1,706	11,145
Disposals	–	(4)	(38)	(1)	(6)	(520)	(569)
Disposal of subsidiaries *(note 32(a))*	(1,197)	–	–	(9)	(80)	(4)	(1,290)
Depreciation	(2,069)	(54)	(5,029)	(91)	(712)	(285)	(8,240)
Exchange differences	2	1	2	–	3	3	11
Closing net book value	**69,074**	**288**	**38,612**	**404**	**2,093**	**3,354**	**113,825**
At 30 June 2009							
Cost	72,171	375	46,032	524	2,753	3,856	125,711
Accumulated depreciation	(3,097)	(87)	(7,420)	(120)	(660)	(502)	(11,886)
Net book value	**69,074**	**288**	**38,612**	**404**	**2,093**	**3,354**	**113,825**

13. 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 Hong Kong and the PRC.

No Group's property, plant and equipment were pledged against bank borrowings and held under finance lease as at 30 June 2009.

The Group's leasehold buildings and plant and machineries, with an aggregate carrying value of approximately RMB67,024,000 as at 30 June 2008 were pledged against the bank borrowings totally approximately RMB44,960,000 *(note 26)*.

During the year ended 30 June 2008, as the Group had early repaid the finance leases of motor vehicles and plant and machineries, there was no finance lease as at 30 June 2008.

14. LAND USE RIGHTS – GROUP

	2009 **RMB'000**	2008 RMB'000
At the beginning of year		
Gross amount	**49,342**	2,143
Accumulated amortisation	**(1,392)**	(659)
Net book value	**47,950**	1,484
For the year		
Opening net book value	**47,950**	1,484
Acquisition of subsidiaries *(note 35)*	**–**	46,400
Transfer from investment properties *(note 15)*	**–**	799
Disposal of subsidiaries *(note 32(a))*	**(1,264)**	–
Amortisation	**(1,068)**	(733)
Exchange difference	**2**	–
Closing net book value	**45,620**	47,950
At the end of year		
Gross amount	**47,201**	49,342
Accumulated amortisation	**(1,581)**	(1,392)
Net book value	**45,620**	47,950

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

No Group's land use rights were pledged against the bank borrowings as at 30 June 2009 whilst as at 30 June 2008, the Group's land use rights with an aggregate carrying value of approximately RMB45,769,000 were pledged against the bank borrowings totalling approximately RMB60,960,000 *(note 26)*.

15. INVESTMENT PROPERTIES – GROUP

	2009 RMB'000	2008 RMB'000
Carrying amount at beginning of the year	**12,600**	–
Additions from subsidiaries acquired *(note 35)*	**–**	14,592
Transfer to land use rights *(note 14)*	**–**	(799)
Transfer to property, plants and equipments *(note 13)*	**–**	(869)
Fair value adjustments	**(1,700)**	(224)
Exchange differences	**–**	(100)
Carrying amount at end of the year	**10,900**	12,600

The Group's PRC investment properties were revalued as at 30 June 2009 by Savills Valuation and Professional Services Limited ("Savills") (2008: Savills), independent professional qualified valuers, at RMB10,900,000 (2008: RMB12,600,000). Valuations were based on the investment method by taking into account the net rental incomes of the properties derived from the existing tenancies with due allowance for the reversionary value of the properties. 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 were pledged against bank borrowings totally approximately RMB16,000,000 *(note 26)*. No Group's investment properties were pledged against bank borrowings as at 30 June 2009.

16. GOODWILL

	Group	
	2009 RMB'000	2008 RMB'000
Opening net carrying amount	**291,436**	–
Acquisition of subsidiaries *(note 35)*	**–**	291,436
Closing net book value	**291,436**	291,436

16. GOODWILL (Continued)

Impairment testing of goodwill

Goodwill acquired through business combination 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 used cash flow projections based on financial budgets approved by management covering a three-years period. The annual discount rate applied to the cash flow projections was 18% (2008: 18%) for the year ended 30 June 2009. Cash flows beyond the three-years period are extrapolated using the estimated growth rate of 3% (2008: 3%) which are similar to the 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 years as management does not foresee any further significant raw material price inflation.

No impairment of goodwill was recognised during the years.

17. INVESTMENTS IN SUBSIDIARIES – COMPANY

The Company's investments in subsidiaries comprise:

	2009	2008
	RMB'000	RMB'000
Unlisted shares, at cost	**1**	210
Due from subsidiaries	**352,798**	376,066
Less: Provision for impairment	**–**	(19,022)
	352,798	357,044

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

17. 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	
Diamond Globe Investments Ltd.	2 January 2009 British Virgin Islands ("BVI")	100 ordinary shares of US$1 each	100	–	Investment holding
Highway Bright Holdings Limited	13 February 2007 BVI	10,000 ordinary shares of US$1 each	–	55	Investment holdings
Diamond Electronics Hong Kong Company Limited	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
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. ("Zuanbao Plastics")#+	29 June 2006, PRC	Registered capital of US$3,380,600	–	55	Trading and manufacturing of consumer electronic products and components
Excellent Eagle Limited	22 October 2008, BVI	100 ordinary shares of US$1 each	–	100	Investment holdings
Well Base Enterprises Limited	22 May 2008, BVI	1 ordinary shares of US$1 each	–	100	Investment holdings

17. 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	
Well Sources Enterprises Limited	12 March 2009, BVI	100 ordinary shares of US$1 each	–	100	Investment holdings
南昌金望科技有限公司 ("Goldmond Technologies")#^	14 October 2008, PRC	Registered Capital of US$30,000	–	100	Design, development and sale of computer software and systems, and the provision of computer consultancy services

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 2009, 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.*

^ *Goldmond Technologies is a WOFE established by the Group in the PRC for an operation period of 15 years on 14 October 2008 with a registered capital of US$100,000. As at 30 June 2009, US$30,000 of its registered capital has been paid-up and the Group therefore had an outstanding investment of US$70,000 in Goldmond Technologies.*

\+ *On 15 May 2009, the Company's subsidiary, Zuanbao Plastics entered into a subcontracting agreement ("Subcontracting Agreement") with a third party, Mr. Zeng Rui Bo ("Mr. Zeng"). Pursuant to the Subcontracting Agreement, Mr. Zeng shall be given the right to operate and manage the business of Zuanbao Plastics at his sole discretion for a period of two years in consideration of which Mr. Zeng shall pay an annual subcontracting fee of RMB1,600,000 to the Group. Zuanbao Plastics will be excluded from the Group's consolidation as a subsidiary from the commencement date of Subcontracting Agreement as the Group no longer has the power to govern the daily operating and financial policies of Zuanbao Plastics from that date onwards. Upon expiry of the subcontracting period, the Group will resume the management and operation of Zuanbao Plastics and the Subcontracting Agreement will automatically terminate.*

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.

The financial statements of the above subsidiaries are audited by Grant Thornton, Hong Kong for statutory purpose and/or for the purpose of the Group consolidation.

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Listed equity investments, at market value, in Hong Kong	**2**	2	**–**	–
Redemption option of convertible bonds *(note)*	**10,301**	15,700	**10,301**	15,700
	10,303	15,702	**10,301**	15,700

Note:

Redemption options of convertible bonds as at 30 June 2009 are measured at fair value by Savills (2008: Savills) at RMB10,301,000 (2008: RMB15,700,000) using the binomial option pricing model. Key assumptions used in estimating the fair value include the Company will redeem convertible bonds whenever the redemption condition is met and at a redemption price equal to 115% of the outstanding principal amount of convertible bonds. Further details of convertible bonds are set out in note 36.

19. INVENTORIES – GROUP

	2009	2008
	RMB'000	RMB'000
Raw materials	**3,177**	8,499
Work in progress	**8,542**	31,231
Finished goods	**3,925**	10,370
	15,644	50,100

20. TRADE RECEIVABLES – GROUP

Ageing analysis of trade receivables as at the respective balance sheet dates, based on invoice date and net of provision, are as follows:

	2009 RMB'000	2008 RMB'000
0-30 days	**52,884**	63,755
31-90 days	**43,817**	55,265
91-360 days	**17,357**	11,565
Over 360 days	**170**	187
	114,228	130,772

The Group allows a credit period from 30 to 90 days to its customers for the year ended 30 June 2009 and 2008.

The carrying value of trade receivables is considered as reasonable approximation of fair value. Impairment of trade receivables 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 indicators 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.

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

	2009 RMB'000	2008 RMB'000
At beginning of the year	**1,765**	909
Bad debt recovered	**–**	(57)
Provision made	**–**	913
Disposal of subsidiaries *(note 32(a))*	**(1,765)**	–
At end of the year	**–**	1,765

20. TRADE RECEIVABLES – GROUP (Continued)

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

	2009 RMB'000	2008 RMB'000
Neither past due nor impaired	**95,137**	116,038
1 to 90 days past due	**13,963**	14,338
91 to 270 days past due	**4,958**	220
Over 270 days	**170**	176
Total trade receivables, net	**114,228**	130,772

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

The Group's management considers that trade receivables that are past due but not impaired for each of the reporting dates under review are of good credit quality.

21. DUE FROM A RELATED COMPANY – GROUP

	2009 RMB'000	Maximum balance RMB'000	2008 RMB'000	Maximum balance RMB'000
Joinn Strategic Holdings Limited ("Joinn Strategic")	**–**	**79**	53	234

Amount due from a related company is unsecured, interest-free and repayable on demand. The carrying amounts approximate to the fair value at the balance sheet dates. The above balances were non-trade in nature, comprising mainly advances to a related company.

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

Cash and cash equivalents of the Group include the following:

	2009 RMB'000	2008 RMB'000
Cash and bank balances	**73,705**	68,701
Time deposits with original maturity of less than three months	**15,002**	23,947
Cash and cash equivalents	**88,707**	92,648
Pledged time deposits for general banking facilities	**–**	2,986
	88,707	95,634

The effective interest rate of short-term time deposits for the years was 0.04% (2008: 1.6%) per annum. These deposits have maturity periods of ranging from 14 to 30 days.

The cash and bank balances of the Group denominated in RMB amounted to approximately RMB44,431,000 (2008: RMB14,958,000). 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 the banks authorised to conduct foreign exchange business.

23. TRADE AND BILLS PAYABLES – GROUP

Ageing analysis of the Group's trade and bills payables at the respective balance sheet date are as follows:

	2009 RMB'000	2008 RMB'000
0-30 days	**26,950**	70,897
31-90 days	**60,700**	50,925
91-360 days	**4,735**	33,708
Over 360 days	**1,348**	295
	93,733	155,825

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

Amount due to a former director of a subsidiary is unsecured, interest-free and repayable on demand. During the year ended 30 June 2009, the balance has been fully settled.

Amount due to a minority shareholder is unsecured and repayable on demand. The balance was interest-free since its inception and is interest bearing at 4% per annum from 1 January 2009 onwards.

25. DUE TO RELATED COMPANIES – GROUP

	2009 RMB'000	2008 RMB'000
Chinasing Investment Advisory Limited ("Chinasing Investment")	–	3
南昌金鼎軟件發展有限公司	130	486
At end of the year	130	489

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

26. BANK AND OTHER BORROWINGS – GROUP

	Effective interest rate per annum (%)	Maturity	2009 RMB'000	2008 RMB'000
Current				
Bank loans – secured	6.0%-8.4%	2008	–	45,724
Other borrowings	N/A	2009	31,932	–
			31,932	45,724
Non-current				
Bank loans – secured	6.0%	2009-2011	–	15,236
Total borrowings			31,932	60,960

	2009 RMB'000	2008 RMB'000
Analysed of bank and other borrowings repayable:		
Within one year	31,932	45,724
In the second year	–	10,387
In the third to fifth years, inclusive	–	4,849
	31,932	60,960

26. BANK AND OTHER BORROWINGS – GROUP (Continued)

The Group's bank loans as at 30 June 2008 are secured by the pledge of certain of the Group's property, plant and equipment *(note 13)*, land use rights *(note 14)* and investment properties *(note 15)*. During the year ended 30 June 2009, the Group has early repaid the bank loans, there was no bank loans as at 30 June 2009.

The other borrowings is due to a third party and is unsecured, interest-free and repayable before 31 December 2009.

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:

	2009		2008	
	Fixed rate RMB'000	**Floating rate RMB'000**	Fixed rate RMB'000	Floating rate RMB'000
Bank loans – secured	**–**	**–**	36,000	24,960

27. SHARE CAPITAL – GROUP AND COMPANY

	2009 Number of shares '000	**RMB'000**	2008 Number of shares '000	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	**2,416,500**	**23,992**	1,200,000	12,600
New shares issued for private placement *(note (i))*	**–**	**–**	200,000	1,873
New shares issued for acquisition of subsidiaries *(note (ii))*	**–**	**–**	1,016,500	9,519
At the end of the year	**2,416,500**	**23,992**	2,416,500	23,992

27. SHARE CAPITAL – GROUP AND COMPANY (Continued)

Notes:

(i) 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.

(ii) 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$0.10 each were issued to 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 35)*.

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.

28. 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.

28. SHARE OPTION SCHEME (Continued)

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 Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange 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 this report, no options have been granted or agreed to be granted under the Scheme since its effective date on 24 January 2002.

29. 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 subsidiaries is required to transfer 10% of their 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.

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 32 of the financial statements.

29. RESERVES (Continued)

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 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 and 1 July 2008	224,895	(19,498)	72,040	(51,014)	226,423
Loss for the year	–	–	–	(17,629)	(17,629)
Exchange differences	–	536	–	–	536
At 30 June 2009	**224,895**	**(18,962)**	**72,040**	**(68,643)**	**209,330**

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.

30. OPERATING LEASE COMMITMENTS

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

As lessee

The Group did not have any lease commitments as at 30 June 2009 (2008: within one year RMB132,000).

The Company did not have any lease commitments as at 30 June 2008 and 2009.

30. OPERATING LEASE COMMITMENTS (Continued)

As lessor

The Group leases its investment properties under operating lease arrangements with the terms ranging from one to two 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 2009, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2009	2008
	RMB'000	RMB'000
Within one year	**800**	1,200
In the second to fifth years, inclusive	**–**	800
	800	2,000

The Company did not have any lease arrangements as at 30 June 2008 and 2009.

31. 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:

	2009				2008			
	Fees	**Salaries, allowances and benefits in kind**	**Contributions to pension scheme**	**Total**	Fees	Salaries, allowances and benefits in kind	Contributions to pension scheme	Total
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:								
– Mr. Li Jiahui	**–**	**202**	**–**	**202**	–	342	–	342
– Mr. Huang Boqi	**–**	**325**	**–**	**325**	–	360	–	360
– Mr. Lee Man To	**–**	**178**	**4**	**182**	–	–	–	–
	–	**705**	**4**	**709**	–	702	–	702
Independent non-executive directors:								
– Mr. Chan Ngai Sang, Kenny	**127**	**–**	**–**	**127**	132	–	–	132
– Mr. Xing Fengbing	**127**	**–**	**–**	**127**	132	–	–	132
– Mr. Chan Kin Sang	**127**	**–**	**–**	**127**	132	–	–	132
	381	**–**	**–**	**381**	396	–	–	396
	381	**705**	**4**	**1,090**	396	702	–	1,098

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

(a) Directors' emoluments (Continued)

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 ended 30 June 2009.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year ended 30 June 2009.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 30 June 2008 included two directors whilst for the year ended 30 June 2009 included one director whose emoluments are reflected in the analysis presented above. The emoluments payable to the five highest paid individuals, other than directors, during the year are as follows:

	2009 **RMB'000**	2008 RMB'000
Salaries, bonuses, allowances and benefits in kind	**2,820**	1,552

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of individuals	
	2009	2008
Nil – HK$1,000,000 (equivalent to RMB880,000)	**3**	3
HK$1,000,001 (equivalent to RMB880,001) – HK$1,500,000 (equivalent to RMB1,320,000)	**–**	–
HK$1,500,001 (equivalent to RMB1,320,001) – HK$2,000,000 (equivalent to RMB1,760,000)	**1**	–
	4	3

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 as compensation for loss of office during the year.

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Disposal of subsidiaries

On 30 April 2009, the Group has disposed entire interest in Twyla Services Limited ("Twyla Services") and its subsidiaries, Jiangxi Jinding Information System Co., Ltd., Jiangxi Jinlixin Technology Co., Ltd and Goldmond (HK) Limited (collectively the "Twyla Group"), to a third party, Mr. Zeng for a cash consideration of RMB1,500,000. The principal activities of these subsidiaries are design and development of ODM software and proprietary packaged software.

	2009	2008
	RMB'000	RMB'000
Net liabilities disposed of:		
Property, plant and equipment *(note 13)*	**1,290**	–
Land use rights *(note 14)*	**1,264**	–
Cash at banks and in hand	**93**	–
Trade receivables	**40**	–
Prepayments, deposits and other receivables	**34**	–
Trade payables	**(263)**	–
Other payables, deposits and accruals	**(1,949)**	–
Amount due to a related company	**(1,290)**	–
	(781)	–
Gain on disposal of subsidiaries	**2,281**	–
	1,500	–
Satisfied by cash	**1,500**	–

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2009	2008
	RMB'000	RMB'000
Cash consideration	**1,500**	–
Cash and cash equivalents disposed of	**(93)**	–
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**1,407**	–

(b) Major non-cash transactions

For the year ended 30 June 2008, part of the consideration for the acquisition of Highway Bright and its subsidiaries (collectively, the "Highway Bright Group") was satisfied by issuance of new shares and Convertible Bonds. Further details are set out in note 27, 35 and 36.

33. DISCONTINUED OPERATIONS

On 30 April 2009, the Twyla Group have been sold to Mr. Zeng for a cash consideration of RMB1,500,000. The principal activities of the Twyla Group are design and development of ODM software and proprietary packaged software.

The Group re-presented the results of discontinued operations for prior year in accordance with HKFRS 5. An analysis of the results and cash flows of the discontinued operations included in the consolidated income statement and the consolidated cash flow statement during the year ended 30 June 2008 and 2009 are as follows:

	2009	2008
	RMB'000	RMB'000
		(Restated)
Revenue	**94**	2,213
Cost of sales	**(506)**	(1,775)
Gross (loss)/profit	**(412)**	438
Other income	**542**	1,311
Selling and distribution costs	**(164)**	(466)
Administrative expenses	**(1,647)**	(2,865)
Other operating expenses	**(496)**	(1,549)
Loss before income tax	**(2,177)**	(3,131)
Income tax expenses	**–**	–
Loss for the year from discontinued operations	**(2,177)**	(3,131)
Operating cash flows	**(32,149)**	14,612
Investing cash flows	**(13)**	(3)
Financing cash flows	**–**	–
Net (decrease)/increase in cash flows	**(32,162)**	14,609

34. RELATED PARTY TRANSACTIONS

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

	Notes	**2009** **RMB'000**	2008 RMB'000
Operating lease rentals paid to a related company	(i)	**235**	384
Rental income received from a related company	(ii)	**67**	110

(i) The rentals were paid, in respect of the Group's office premises situated in Hong Kong, to 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. The lease was terminated during the year ended 30 June 2009.

(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. The lease was terminated during the year ended 30 June 2009.

(b) Compensation of key management personnel

	2009 **RMB'000**	2008 RMB'000
Total remuneration of directors and other members of key management – short-term employee benefits	**3,051**	2,232

34. RELATED PARTY TRANSACTIONS (Continued)

(c) Transactions with Mr. Hong Yupeng ("Mr. Hong"), a former director of a subsidiary of the Company resigned on 7 July 2008.

	Notes	**2009** **RMB'000**	2008 RMB'000
Fund advance to Mr. Hong	(i)	–	126,760
Fund advance from Mr. Hong	(ii)	–	99,750

(i) During the year ended 30 June 2008, the Group partially settled the amount due to Mr. Hong of approximately RMB126,760,000 through a third party as instructed by Mr. Hong.

(ii) During the year ended 30 June 2008, 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.

(d) During the year ended 30 June 2008, the Group has purchased a motor vehicle from Chinasing Investment at approximately of RMB1,000, which was based on mutually-agreed terms.

35. 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.

35. BUSINESS COMBINATIONS (Continued)

Acquisition of subsidiaries (Continued)

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 36)*	111,474
– Fair value of shares issued *(note 27 (ii))*	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.

The goodwill is attributable to the distribution networks and the production plants located in the PRC and operated by the wholly owned subsidiaries of Highway Bright.

35. 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 former 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, deposits 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)

36. 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 sixth month from the Issue Date up to the date falling 7 days before 21 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. 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, 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 the Issue Date, 30 June 2008 and 2009 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.

36. 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 and 1 July 2008	15,700	111,663	72,040
Loss on fair value change in respect of redemption option	(5,434)	–	–
Imputed interest expenses *(note 7)*	–	9,513	–
Exchange differences	35	254	–
Net carrying amounts at 30 June 2009	10,301	121,430	72,040

During the years ended 30 June 2008 and 2009 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 and RMB9,513,000 has been recognised in the income statement in respect of the Convertible Bonds for the year ended 30 June 2008 and 2009 respectively 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.

37. DEFERRED TAX LIABILITIES

Movement on the deferred tax liabilities are as follows:

Group

	Issue of convertible bonds	Revaluation of land use rights, property, plant and equipments	Total
	RMB'000	RMB'000	RMB'000
At 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 and 1 July 2008	7,865	11,077	18,942
Credited to income statement during the year *(note 9)*	(1,485)	–	(1,485)
Exchange differences	17	–	17
At 30 June 2009	**6,397**	**11,077**	**17,474**

Company

	Issue of convertible bonds
	RMB'000
At 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 and 1 July 2008	7,865
Credited to income statement during the year	(1,485)
Exchange differences	17
At 30 June 2009	**6,397**

37. DEFERRED TAX LIABILITIES (Continued)

The Group has tax losses of approximately RMB11,223,000 as at 30 June 2009 (2008: RMB15,273,000) 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.

The Group has deferred tax liabilities of approximately RMB10,128,000 as at 30 June 2009 (2008: RMB4,032,000) in respect of the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries have not been recognised. No deferred tax liabilities have been recognised in respect of these differences because the Group is in a position to control the dividend policies of its subsidiaries and it is probable that such differences will not be reversed in the foreseeable future.

38. 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 former director of a subsidiary, due to a minority shareholder, due to related companies, convertible bonds and bank and other 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 US$. The Group reviews its foreign currency exposures regularly and does not consider its foreign exchange risk to be significant.

38. 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:

	2009	2008
	US$'000	US$'000
Cash and cash equivalents	**1,836**	6,700
Trade receivables	**14,375**	9,538
Trade payables	**(12,238)**	(13,146)
	3,973	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.

	2009		2008	
	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
US$	**0.23%**	**62**	9.84%	2,305
	(0.23%)	**(62)**	(9.84%)	(2,305)

The sensitivity rate 9.84% and 0.23% is used as at 30 June 2008 and 2009 respectively when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rate. 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 balance sheet dates.

38. 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:

	2009	2008
	RMB'000	RMB'000
Classes of financial assets		
– carrying amounts		
Financial assets at fair value through profit or loss	**10,303**	15,702
Cash and cash equivalents	**88,707**	92,648
Pledged time deposits	**–**	2,986
Loans and receivables		
– Trade receivables	**114,228**	130,772
– Other receivables	**9,134**	6,692
– Due from a related company	**–**	53
	222,372	248,853

Company

	2009	2008
	RMB'000	RMB'000
Classes of financial assets		
– carrying amounts		
Financial assets at fair value through profit or loss	**10,301**	15,700
Loans and receivables		
– Due from subsidiaries	**352,798**	357,044
	363,099	372,744

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, cash and cash equivalents and pledged time deposits. 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.

38. 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 and RMB629,139,000 which accounted for approximately 47.1% and 85.3% of the Group's total sales for the year ended 30 June 2008 and 2009 respectively.

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 and RMB45,371,000 for which accounted for approximately 34.9% and 6.1% of the Group's total sales for the year ended 30 June 2008 and 2009 respectively. One of the shareholders and directors of 真真 was a former supervisor of one of the production plants of a subsidiary of the Company. In the opinion of the directors, that former supervisor was not a key management personnel under HKAS 24 – Related Party Disclosures and resigned in late March 2008.

The Group had certain concentration of credit risk as 68.8% and 72.1% of the Group's trade receivables were due from the above two largest customers of the Group as at 30 June 2008 and 2009 respectively.

As at the balance sheet dates, all cash and cash equivalents were deposited in major banks in Hong Kong and the PRC 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.

38. 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 realisation of its assets if required.

As at the respective balance sheet dates, 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 2009						
Trade and bills payables	93,733	93,733	93,733	–	–	–
Other payables and accruals	18,425	18,425	18,425	–	–	–
Due to related companies	130	130	130	–	–	–
Due to a minority shareholder	18,350	18,350	18,350	–	–	–
Bank and other borrowings	31,932	31,932	–	31,932	–	–
Convertible bonds	121,430	170,462	2,346	2,346	4,691	161,079
	284,000	333,032	132,984	34,278	4,691	161,079
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 former director of a subsidiary	38,957	38,957	38,957	–	–	–
Due to a minority shareholder	17,956	17,956	17,956	–	–	–
Bank and other 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

38. 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 2009						
Other payables and accruals	1,951	1,951	1,951	–	–	–
Convertible bonds	121,430	170,462	2,346	2,346	4,691	161,079
	123,381	172,413	4,297	2,346	4,691	161,079
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

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	
	2009	2008
	RMB'000	RMB'000
Financial assets at fair value through profit or loss	**10,303**	15,702
Loans and receivables:		
– Trade receivables	**114,228**	130,772
– Other receivables	**9,134**	6,692
– Due from a related company	**–**	53
Cash and cash equivalents	**88,707**	92,648
Pledged time deposits	**–**	2,986
	222,372	248,853

38. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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

Financial assets (Continued)

	Company	
	2009	2008
	RMB'000	RMB'000
Financial assets at fair value through profit or loss	**10,301**	15,700
Loans and receivables:		
– Due from subsidiaries	**352,798**	357,044
	363,099	372,744

Financial liabilities

	Group	
	2009	2008
	RMB'000	RMB'000
Financial liabilities measured at amortised cost:		
– Trade and bills payables	**93,733**	155,825
– Other payables and accruals	**18,425**	24,314
– Due to related companies	**130**	489
– Due to a former director of a subsidiary	**–**	38,957
– Due to a minority shareholder	**18,350**	17,956
– Bank and other borrowings	**31,932**	60,960
– Convertible bonds	**121,430**	111,663
	284,000	410,164

	Company	
	2009	2008
	RMB'000	RMB'000
Financial liabilities measured at amortised cost:		
– Other payables and accruals	**1,951**	3,011
– Convertible bonds	**121,430**	111,663
	123,381	114,674

39. 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 2009 amounted to approximately RMB361,577,000 and RMB414,858,000 respectively which management considers as optimal having considered the projected capital expenditures and the projected strategic investment opportunities.

40. COMPARATIVE FIGURES

Certain comparative figures have been reclassified as a result of the presentation of discontinued operations of ODM and proprietary packaged software segments.

41. SUBSEQUENT EVENT

Save as those disclosed elsewhere in the financial statements, the Group has the following significant subsequent events which took place subsequent to the balance sheet date:

On 25 June 2009, the Company entered into a sale and purchase agreement ("Sale and Purchase Agreement") to dispose 55% of the issued share capital of Highway Bright to Chinasing for an aggregate consideration of HK$123 million (the "Disposal"). The 55% equity interest in the Highway Bright Group was acquired by the Group on 21 November 2007 as detailed in note 35 above. Highway Bright Group is engaged in the manufacture and sale of satellite communications products and consumer electronic products and components.

Completion of the Sale and Purchase Agreement is conditional upon, inter alia, 1) completion of a restructuring exercise, under which the Highway Bright Group will transfer all of the plants and machineries and inventories in relation to the connector business to a 55% owned subsidiary of the Company and 2)obtaining the approval of the majority shareholders other than Chinasing, Dream Star and Diamond Highway Limited in the extraordinary general meeting.

Subsequent to the balance sheet date, the Group issued a circular dated 13 August 2009 in connection with the Disposal. The Disposal has not been approved as at the date of this report.

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.

	2009 RMB'000	2008 RMB'000 (Restated)	2007 RMB'000 (Restated)	2006 RMB'000 (Restated)	2005 RMB'000 (Restated)
Results					
Revenue					
Continuing operations	**737,857**	448,608	–	–	–
Discontinued operations	**94**	2,213	32,376	38,565	41,921
	737,951	450,821	32,376	38,565	41,921
Profit/(Loss) from operation					
Continuing operations	**75,847**	57,902	(2,803)	(2,175)	(2,532)
Discontinued operations	**(2,177)**	(3,131)	(4,338)	(18,240)	(29,553)
	73,670	54,771	(7,141)	(20,415)	(32,085)
Finance costs					
Continuing operations	**(11,508)**	(8,534)	–	–	–
Discontinued operations	**–**	–	(1)	(3)	(5)
	(11,508)	(8,534)	(1)	(3)	(5)
Profit/(Loss) before taxation					
Continuing operations	**64,339**	49,368	(2,803)	(2,175)	(2,532)
Discontinued operations	**(2,177)**	(3,131)	(4,339)	(18,243)	(29,558)
	62,162	46,237	(7,142)	(20,418)	(32,090)
Income tax expenses					
Continuing operations	**(9,307)**	(7,091)	–	–	–
Discontinued operations	**–**	–	(5)	(1)	(4)
	(9,307)	(7,091)	(5)	(1)	(4)
Profit/(Loss) for the year					
Continuing operations	**55,032**	42,277	(2,803)	(2,175)	(2,532)
Discontinued operations	**(2,177)**	(3,131)	(4,344)	(18,244)	(29,562)
	52,855	39,146	(7,147)	(20,419)	(32,094)
Attributable to:					
– Equity holders of the Company	**21,662**	13,082	(6,986)	(20,595)	(31,568)
– Minority interests	**31,193**	26,064	(161)	176	(526)
	52,855	39,146	(7,147)	(20,419)	(32,094)
Assets and liabilities and minority interest					
Total assets	**730,550**	797,579	23,425	33,514	49,789
Total liabilities	**(315,692)**	(436,002)	(5,598)	(7,192)	(5,866)
Minority interests	**(87,232)**	(55,785)	–	(160)	15
	327,626	305,792	17,827	26,162	43,938