Annual Report 2006/07

紀翰集團有限公司 The Quaypoint Corporation Limited

Quaypoint

Stock Code : 2330

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Ms. CHAN Siu Chu, Debby *(Chief Executive Officer)*
Mr. CHEN Xian *(Vice Chairman)*
Mr. SIEK Fui
Ms. XIA Dan

Non-executive Director

Mr. Gerard J. MCMAHON *(Chairman)*

Independent Non-executive Directors

Mr. LAU Sai Chung
Mr. NG Kwok Chu, Winfield
Mr. POON Lai Yin, Michael

AUDIT COMMITTEE

Mr. LAU Sai Chung *(Chairman)*
Mr. NG Kwok Chu, Winfield
Mr. POON Lai Yin, Michael
Mr. Gerard J. MCMAHON

REMUNERATION COMMITTEE

Mr. Gerard J. MCMAHON *(Chairman)*
Ms. CHAN Siu Chu, Debby
Mr. LAU Sai Chung
Mr. NG Kwok Chu, Winfield
Mr. POON Lai Yin, Michael

NOMINATION COMMITTEE

Mr. Gerard J. MCMAHON *(Chairman)*
Ms. CHAN Siu Chu, Debby
Mr. LAU Sai Chung
Mr. NG Kwok Chu, Winfield
Mr. POON Lai Yin, Michael

JOINT COMPANY SECRETARIES

Ms. LIU Chui Ying
Ms. CHEUNG Hiu Lan

QUALIFIED ACCOUNTANT

Miss FUNG Yin Wan

AUDITORS

Moores Rowland
Chartered Accountants
Certified Public Accountants
Room 701, Sunning Plaza
10 Hysan Avenue
Causeway Bay
Hong Kong

PRINCIPAL BANKERS

Hang Seng Bank Limited
Citic Ka Wah Bank Limited
Bank of China (Shenzhen Branch)

REGISTERED OFFICE

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

HEAD OFFICE & PRINCIPAL PLACE OF BUSINESS

Suite 1304
Great Eagle Centre
23 Harbour Road
Wanchai, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Bank (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
Grand Cayman
KY1-1107
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
Room 1901-02
Fook Lee Commercial Centre
Town Place, 33 Lockhart Road
Wanchai, Hong Kong

STOCK CODE

2330

FIVE YEARS FINANCIAL SUMMARY

YEAR ENDED 30 JUNE

Results	2007	2006	2005	2004	2003
Turnover (RMB'000)	**145,059**	115,581	187,965	359,172	161,811
Profit (Loss) attributable to shareholders (RMB'000)	**7,864**	(247,520)	(19,105)	10,921	9,623
Earnings (Loss) per share (RMB cents) – Basic	**2.25**	(70.72)	(5.46)	3.12	2.75
– Diluted	**2.22**	N/A	N/A	N/A	N/A

AS AT 30 JUNE

Assets and liabilities	2007	2006	2005	2004	2003
Total assets (RMB'000)	**329,402**	183,910	331,617	355,125	333,597
Total liabilities (RMB'000)	**(212,283)**	(154,626)	(157,949)	(162,352)	(151,745)
Net asset value (RMB'000)	**117,119**	29,284	173,668	192,773	181,852
Net asset value per share (RMB cents)	**33.47**	8.37	49.62	55.08	51.96

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the financial year ended 30 June 2007, the Group's audited turnover increased by about 26% to approximately RMB145 million when compared with the previous year of approximately RMB115 million. It was mainly due to the recognition of turnover upon the completion of the commissioning on the TRT (Top Pressure Recovery Turbine) projects and the contribution of rental income from investment properties.

Having improvement in each business unit of the Group and in view of the appreciation of market value of the R&D Centre in Shenzhen, the Group recorded an audited profit attributable to equity shareholders of approximately RMB7.8 million compared to an audited loss of approximately RMB247.5 million of the previous year.

Currently, the phenomenal growth of China has shaped the global economic landscape and there is no question that this extraordinary growth of China underpins the surging prosperity of Hong Kong. Like many Hong Kong companies, we are also depending heavily on the mainland market and benefiting with China's unprecedented growth. China shall remain the centre of our investment area.

During the year, the Company has successfully accomplished the recovery to solidify its financial position and resolved the major litigation issues involving the alleged guarantees previously given by the Group. Moreover, with the great effort given by the current board, the relevant staff and the professional parties, the Company has resumed its shares trading in June 2007. The management is endeavoring to revamp the business growth of the Company and will continue to focus on three major business fronts, i.e. technology, trading and property investment.

SEGMENTAL INFORMATION

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

In June 2007, the Group completed and successfully commissioned its three TRT contracts in the energy and environmental conservation, and the Group's PLCs (Programmable Logic Controllers) application in the projects had met the stringent standards. TRT is a generating system which utilizes the exhaust pressure and heat from the blast furnace of steel mill as its energy source. The electricity generated by the system will save energy for the steel mills of about 20% of electricity necessary for its operation. The Group is believed to be the first if not the only company in China that has to date undertaken three such projects at one go. With the good results, the Group will continue to engage in the provisions of such services and to provide sophisticated control and monitoring system in the coming year.

Trading

Trading business of the Group comprises distribution of imported automation products, trading of mineral resources such as iron ore, electronic related components and materials such as laminate products and related industries' raw material. In the mining and commodities trading in Indonesia, the Group has suffered an unfortunate setback. Although contracts and arrangements have been reached with the local suppliers, the sudden about turn of policy regarding the export of iron ores by the local authorities have left matter in abeyance. However, on the bright side, our associate company has recently fully installed the equipment and machineries in a mine owned by an Indonesian listed company. The Group has an exclusive sales contract for the products produced in the mine. Production of the iron ore sand are expected to start before end 2007. With the current facilities in place, monthly production is estimated at 30,000 dry metric tones. Buyer for the product has been identified.

Property investment

In our property portfolio, we own seven commercial units of approximately 4,582 sq. ft. in Hong Kong and the seven-storey R&D Centre with total floor area of approximately 17,500 sq. m. in Shenzhen. The seven-commercial units in Hong Kong have been fully let. During the year, we have completed the construction and renovation of the R&D Centre in Shenzhen, which serves also as our China office. Except of the ground floor and the first floor, which are now in the progress of leasing out, the remaining four floors of the R&D Centre have been fully let.

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT INVESTMENT

Investment properties

With the completion of the acquisition of Weina Land Limited in end December 2006, the Group has diversified its business to property investment holding which has strengthened the asset and revenue bases of the Group. The investment properties comprise seven units of office premises in Hong Kong with total saleable area of approximately 4,582 sq. ft. and the R&D Centre in Shenzhen with total floor area of approximately 17,500 sq. meters.

As at 30 June 2007, all of the office units of the Hong Kong properties, having total carrying value of approximately HK$46.34 million and certain floors of the R&D Centre were leased out to independent third parties.

Investment in an associate

In July 2006, a wholly-owned subsidiary of the Company and an independent party formed a joint-venture company, namely Orient Metro Limited (the “JV Company”), which is owned as to 25% by the Group and 75% by such independent party. The JV Company together with its subsidiaries will be principally engaged in the provision of technical services (involving provision of equipment, machinery, technical advice and supporting services for excavating mines and the operation and management of mines) and export service (involving marketing, sale and export of the mined products such as iron ore, iron sand, coal and other natural mineral products from Indonesia) for an Indonesian company with local mining license, other Indonesian mining companies and/or mine owners. During the year, the installation of the necessary equipment for the first iron ore sand mine has been completed and the Group will be able to start shipment, as supplied by the JV Company’s subsidiary, before end of 2007. In the coming years, we will also be looking for business opportunities in the mining industry in Asia including China.

PROSPECT

In the coming financial year, the Group shall focus on three basic priorities (i) to increase investment in properties to achieve recurring earnings and improve asset base; (ii) to expand by acquisition of market-orientated projects whether through joint ventures or otherwise; and (iii) to forge and strengthen relationship with strategic venture partners, customers and suppliers.

With the satisfactory results in the performance of our technology services, the Group is confident that it will be able to continue to perform and deliver the services required by the customers. The management is optimistic of establishing its market position in this field of energy saving system. In the production of its proprietary products such as V80s and V60s, the Group will concentrate its products that serve particularly the environmental and energy industries at large.

To strengthen its assets base, the Group will place more emphasis in the coming year on seeking joint-ventures and projects in the property investment area. The China property market has been rapidly growing since the adoption of the open door policy in the late 1980s. With its admission to the WTO in 2001, China has made tremendous progress in reforming its economy and is now experiencing exponential economic growth. However, investments in real estates in China are typically governed by governmental policies. Since 2003, the Chinese government has introduced various measures to prevent the overheating of certain sector of the property market, which, according to National Bureau of Statistics of China, the average selling prices for residential properties have risen from RMB1,948 per sq. m. in 2000 to RMB2,937 per sq. m. in 2005, representing a compound annual growth rate of 8.6%, and the average price of commercial properties have risen from RMB3,260 per sq.m. in 2000 to RMB5,022 per sq. m. in 2005, a compound annual growth rate of about 9%.

Subject to the applicable rules and regulations, the Group will endeavor to expand its investments in the lands and properties by seeking suitable projects. Barring any unforeseeable circumstances, we believe that property ownership and real-estates investments in China will continue to enjoy a sustainable growth in view of its prevalent economic growth, improved urbanisation and the availability of mortgage financing.

After the balance sheet date, in end August 2007, the Group has entered into a Letter of Intent with an independent party regarding the Group's intended investment in the development of a landed property in Zhuhai, China. The parties are in the final stage of negotiation on the detailed terms and conditions and the Company will make the necessary disclosures as soon as the formal contract is entered into. Besides, the Group is also looking at some other landed property projects in Zhuhai. Zhuhai, being one of the five Special Economic Zones in the PRC, is benefiting from growing commerce as well as from direct investment from the adjoining Special Administration Regions of Hong Kong and Macau, and also has one of the highest per capita GDPs in China. With the strong support of the Zhuhai municipal government to improve the environment and infrastructure in Zhuhai, it is expected that demand for residential/commercial property in Zhuhai will continue to grow in the coming years.

MATERIAL ACQUISITION OF SUBSIDIARIES

At the Company's extraordinary general meeting held on 28 December 2006, the Sale and Purchase Agreement entered into between the Company and Weina Holdings Limited was approved. Pursuant to the agreement, the Company agreed to acquire 100% equity interest in Weina Land Limited at HK$44 million by the issuance of 110,000,000 convertible redeemable preference A shares at HK$0.4 each to Weina Holdings Limited or its nominees. Upon completion of the acquisition which was taken place on 29 December 2006, Weina Land Limited became the wholly-owned subsidiary of the Company.

MATERIAL ACQUISITION OF ASSOCIATES

During the year, the Group entered into an agreement with an independent third party for the establishment of Orient Metro Limited at a maximum commitment of US$1.5 million (equivalent to approximately RMB11.2 million). Since 17 July 2006, Orient Metro Limited which is owned as to 25% by the Group became an associate of the Company.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2007, the total assets of the Group were approximately RMB329,402,000, an increase by approximately 79.1% as compared to 30 June 2006. As at 30 June 2007, the Group had total borrowings of approximately RMB139,520,000 (2006: RMB107,390,000), approximately RMB88,200,000 of which is owed to Bank of China, Shenzhen branch. Although a judgment was made in favour of the bank by the Shenzhen Arbitration Commission, the bank has principally agreed not to demand immediate full repayment from the Group pending for the restructuring of the outstanding debt into a loan secured against the R&D Centre. Currently, the Group is making periodic principal repayments to the bank and will continue to make repayment in accordance with the finalized debt restructure proposal. At 30 June 2007, the gearing ratio, expressed as a percentage of total borrowings over net assets, was approximately 1.19 (2006: 3.16).

As at 30 June 2007, the total cash and bank balances of the Group amounted to approximately RMB57,551,000 (2006: RMB96,765,000). The Group's net current liabilities was approximately RMB81,441,000 (2006: RMB43,104,000) and the current ratio was about 0.61 (2006: 0.71). The decrease of the cash and bank balances was materially due to the injection of capital to a PRC subsidiary for the construction of the R&D Centre and for its general working capital, the repayment of the Group's indebtedness and the Company's investment in two joint-venture companies.

MANAGEMENT DISCUSSION AND ANALYSIS

Taking into account of the broadening of the revenue base, the finalization of the debt restructuring proposal, the ability of the Company to raise additional funds, and the Company's right to defend the questionable claim, the Directors are confident that the Group has sufficient resources to meet in full its financial obligations as they fall due in the foreseeable future.

CAPITAL STRUCTURE, BANK BORROWINGS AND EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

In December 2006, the Company issued 110,000,000 convertible redeemable preference A shares at HK$0.4 each being payment of consideration for the acquisition of Weina Land Limited. In June 2007, the Company further issued 100,000,000 convertible redeemable preference shares at HK$0.4 each upon the Company's exercise of the option under the Subscription and Option Agreement dated 26 May 2006. As at 30 June 2007, the total convertible redeemable preference shares of the Company in issue were 460,000,000, all of which can be converted into ordinary shares at HK$0.4 per share, subject to adjustment.

During the year, there was no change in the issued ordinary share capital of the Company. Details of the share capital are set out in note 32 to the financial statements.

As at 30 June 2007, the Group's bank borrowings of approximately RMB139.5 million was on a short-term basis and was mainly in Renminbi. Out of such borrowings, the loan of around RMB88.2 million bears fixed interest rate whilst the loan of HK$40.9 million (approximately RMB39.3 million) and of RMB12 million bears prevailing market rates. There are no known seasonal factors in our borrowing profiles. Details of the bank loans are set out in note 31 to the financial statements.

The Group mainly earns revenues and incurs costs in Renminbi, United States dollars and Hong Kong dollars. The Group's monetary assets and liabilities are denominated in Renminbi, United States dollars and Hong Kong dollars. As the exchange rates of United States dollars and Renminbi against Hong Kong dollars were relatively stable during the year under review, the Group's exposure to fluctuations in exchange rates is considered minimal and no financial instrument has been used for hedging purposes, treasury and funding policies.

CONTINGENT LIABILITIES

As at 30 June 2007, the Company and one of its subsidiaries had given corporate guarantees to two PRC banks for securing the short-term bank loans granted to a PRC subsidiary and the outstanding loan balance as at 30 June 2007 was approximately RMB100.2 million, together with interest. As at 30 June 2007, the Company and one of its subsidiaries had also given corporate guarantees to two banks for securing the bank loans and general banking facilities granted to two Hong Kong subsidiaries and the outstanding balance at 30 June 2007 was approximately HK$63.1 million (RMB60.6 million), together with interest.

Moreover, guarantee for the outstanding loan balance of approximately RMB60.7 million, together with interest, was allegedly provided by the PRC subsidiary for securing the loan borrowed by a third party, Shenzhen Ji Hai Industrial Company. The PRC subsidiary has made an appeal against the judgment and will defend the case.

Details of financial guarantees and contingent liabilities as at 30 June 2007 are set out in notes 42 and 43 to the financial statements.

CHARGE ON ASSETS

As at 30 June 2007, the Group's certain landed properties in Hong Kong with an aggregate net carrying value of approximately HK$46.3 million (equivalent to RMB44.49 million) were pledged to two local banks for securing revolving loans and general banking facilities granted to certain subsidiaries of the Company.

EMPLOYEE AND REMUNERATION POLICIES

For the year ended 30 June 2007, the Group has recorded staff costs of approximately RMB11.1 million (2006: RMB7 million), represented about 59% increase when compared with the previous year. The number of staff has increased from 66 employees (as at 30 June 2006) to 74 employees (as at 30 June 2007). The Group encourages high productivity and remunerates its employees based on their qualifications, work experience, prevailing market prices and his/her contributions to the Group. Incentive schemes comprised of discretionary bonus and other merit payments to reward employees based on performance are also offered. Other employee benefits include mandatory provident fund and medical benefits for its employees in Hong Kong and similar benefits for its employees in China.

LITIGATION

During the year, a PRC subsidiary of the Company received a writ of summon in respect of a claim of approximately RMB9.5 million raised by the main contractor of the Shenzhen R&D Centre in relation to the settlement price on the construction of the R&D Centre, which is in discrepancy with the contracted work. Hearing had been originally scheduled on 18 September 2007 but was postponed to end October. As advised by its PRC lawyer that there existed many irregularities in the relevant construction settlement documents submitted by the main contractor, the PRC subsidiary should have no difficulty in defending the case successfully. However, it is envisaged that in view of the delay in settlement on the construction fee, the obtaining of the title deed of the R&D Centre for the debt restructuring with the bank will be deferred. The bank is aware of the litigation issue and is still negotiating with the Group on finalizing the debt-restructuring proposal.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Ms. Chan Siu Chu, Debby, aged 43. Ms. Chan has been an executive director and the chief executive officer of the Company since February 2006 and May 2006 respectively. She graduated from the Chinese University of Hong Kong. Before her appointment as general manager of a number of listed companies, Ms. Chan was the Corporate & Community Relations Manager of ATV and the Marketing Communications Manager of a property developer. She is experienced in general management, marketing, public relations and communications.

Mr. Chen Xian, aged 43. Mr. Chen has been appointed as executive director and vice-chairman of the Company on 12 October 2007. He is one of the founders of a sizeable property development company in Zhuhai, the PRC and has been a member of the senior management of a subsidiary of that company. Mr. Chen was mainly responsible for the investment and development of real estate projects of such companies. Before joining those companies, Mr. Chen worked as a senior member of certain stated-owned companies and the local authority. He has more than 15 years of extensive experience in the investment and development of real estate projects. He holds a Master Degree of Business Administration from the Asia International Open University (Macau).

Mr. Siek Fui, aged 38. Mr. Siek has been an executive director of the Company since 6 February 2006. Mr. Siek graduated from Langara College in Canada and has extensive experience in trading of IT products, natural resources and other commodities. He was also involved in manufacturing, advertising and property development in China.

Ms. Xia Dan, aged 40. Ms. Xia has been appointed as a non-executive director of the Company since 21 August 2007 and was re-designated as executive director since 12 October 2007. Before her re-designation as an executive director, she had been a member of the senior management of a sizeable property development company in Zhuhai, PRC and was responsible for its project investments analysis. Ms. Xia also worked for various companies in the PRC and North America and has over 17 years of extensive experience in strategic planning and marketing in the fields of construction, financial and foreign trading industries. She graduated from Shenyang University with Bachelor of Science in Architecture and holds a Master Degree of Business Administration from New York Institute of Technology.

Non-executive Director

Mr. Gerard J. McMahon, aged 63. Mr. McMahon has been a non-executive director and the Chairman of the Company since May 2006. Mr. McMahon is qualified as a barrister in Hong Kong and New South Wales of Australia. He was an executive director and a member of Securities and Futures Commission in Hong Kong (“SFC”) and the representative of the SFC on the Hong Kong Standing Committee on Company Law Reform. He was also a member of the Hong Kong Takeover and Merger Panel and Legal Adviser to Hong Kong’s Securities Review Committee and Insider Dealing Tribunal. Since leaving the SFC, he had been appointed a director of various publicly listed companies in Hong Kong and overseas. Currently, he is an independent non-executive director of Guangnan (Holdings) Limited and the non-executive Chairman of Oriental Technologies Investment Limited, a company listed on the Australian Stock Exchange.

Independent Non-executive Directors

Mr. Lau Sai Chung, aged 51. Mr. Lau has been an independent non-executive director of the Company since September 2006. He is currently the executive vice-president of UPM Unique Products Manufacturing Limited and in charge of UMP Group's Hong Kong operation. He had been an independent non-executive director of Dickson Holdings Limited, a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the period from August 2003 to January 2006. He holds a bachelor degree in Commerce with major in Accounting from the University of Alberta, Canada and has over 20 years' experience in the field of banking and finance.

Mr. Ng Kwok Chu, Winfield, aged 48. Mr. Ng has been an independent non-executive director of the Company since September 2006. He is currently a General Manager of a local financial institution. He has 10 years' experience in consumer and commercial finance in the local and PRC markets. He is currently also an independent non-executive director of Long Success International (Holdings) Limited, a company listed on the Stock Exchange.

Mr. Poon Lai Yin, Michael, aged 35. Mr. Poon has been an independent non-executive director of the Company since November 2006. He is currently the independent non-executive director of Enviro Energy International Holdings Limited, a company listed on the GEM board of the Stock Exchange and Chief Financial Officer and the Company Secretary of Sonavox International Holdings Limited ("Sonavox"), a company listed on the GEM board of The Stock Exchange and is responsible for financial reporting, monitoring the operations of finance and accounting department and performing evaluation on all merger and acquisition for Sonavox. Mr. Poon is an associate member of Hong Kong Institute of Certified Public Accountants and a member of CPA Australia. He holds a bachelor degree in administrative studies with York University in Canada and a master degree in practicing accounting with Monash University in Australia. Before joining Sonavox, Mr. Poon worked for an international accounting firm and was responsible for providing business advisory and assurance services for some listed clients. He has over 10 years of experience in financial reporting, business advisory, auditing, taxation, accounting, merger and acquisition.

QUALIFIED ACCOUNTANT

Miss FUNG Yin Wan, Wylie, aged 38. Miss Fung joined the Group as financial controller and qualified accountant since June 2006. She has more than ten years of experience in the fields of auditing, accounting, finance and taxation. She is a fellow member of The Association of Chartered Certified Accountants and an associate member of Hong Kong Institute of Certified Public Accountants. She is also an associate member of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.

REPORT OF DIRECTORS

The Directors present their annual report together with the audited financial statements of The Quaypoint Corporation Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 30 June 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The subsidiaries of the Company are principally engaged in (i) the design, supply and integration of automation and control system, (ii) trading of automation products, electronic components and natural resources such as iron ore, iron sand, coal and other natural mineral products, (iii) property investment, (iv) investment in listed securities and (v) joint-venture investment in the provision of technical services and export services for natural resources. Details of the principal subsidiaries are set out in Note 17 to the financial statements.

An analysis of the Group's turnover by business segments and geographical segments for the year ended 30 June 2007 is set out in Note 4 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 June 2007 are set out in the consolidated income statement on page 24.

The state of affairs of the Group and of the Company as at 30 June 2007 is set out respectively in the consolidated balance sheet and balance sheet on pages 25 to 27.

The consolidated cash flows of the Group for the year ended 30 June 2007 are set out in the consolidated cash flow statement on page 29.

No interim dividend was paid during the year. The directors do not recommend the payment of a final dividend for the year ended 30 June 2007.

RESERVES

Movements in reserves of the Group and the Company during the year are set out in Note 33 to the financial statements.

DISTRIBUTABLE RESERVES

As at 30 June 2007, the Company's reserves of approximately RMB345,000 were available for distribution to the Company's shareholders.

LOAN PAYABLE

Particulars of loans payable by the Group as at 30 June 2007 are set out in Note 31 to the financial statements.

INVESTMENT PROPERTIES

Details of movements in investment properties during the year are set out in Note 14 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT AND PROPERTY UNDER DEVELOPMENT

Details of movements in property, plant and equipment and property under development during the year are set out respectively in Notes 12 and 13 to the financial statements.

SUBSIDIARIES

Particulars of the Company's subsidiaries as at 30 June 2007 are set out in Note 17 to the financial statements.

REPORT OF DIRECTORS

SHARE CAPITAL

Details of the share capital of the Company during the year are set out in Note 32 to the financial statements.

PRE-EMPTIVE RIGHTS

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

SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed at an extraordinary general meeting held on 20 January 2003, the share option scheme adopted by the Company on 22 January 2001 (the "Scheme") was terminated and a new share option scheme (the "New Scheme") was adopted. The purpose of the New Scheme is to provide incentive and to recognize the contribution of the eligible participants, including directors and employees of the Group, to the growth of the Group and to provide more flexibility to the Group in terms of remunerating the participants.

As at 30 June 2007, the Company has no outstanding option and during the year ended 30 June 2007, no option was granted, exercised or cancelled by the Company under the New Scheme.

DIRECTORS

The directors who held office during the year and up to the date of this report are:

Executive Directors

Ms. CHAN Siu Chu, Debby	
Mr. SIEK Fui	
Ms. XIA Dan	(Appointed on 21 August 2007 as non-executive director and re-designated on 12 October 2007)
Mr. CHEN Xian	(Appointed on 12 October 2007)
Dr. SZE Kwan	(Resigned on 1 September 2007)
Mr. LIU Ping	(Resigned on 1 April 2007)

Non-executive Directors

Mr. Gerard J. MCMAHON	
Mr. LIN Gongshi	(Resigned on 7 July 2006)

Independent Non-executive Directors

Mr. LAU Sai Chung	(Appointed on 15 September 2006)
Mr. NG Kwok Chu, Winfield	(Appointed on 15 September 2006)
Mr. POON Lai Yin, Michael	(Appointed on 29 November 2006)
Mr. WEE Soon Chiang, Henny	(Retired on 24 November 2006)
Mr. WONG Kam Kau, Eddie	(Retired on 24 November 2006)
Mr. HUI Hung, Stephen	(Retired on 24 November 2006)

In accordance with Article 87(2) of the Company's Articles of Association, Ms. Chan Siu Chu, Debby and Mr. Siek Fui shall retire from office by rotation at the forthcoming annual general meeting of the Company (the "2007 AGM"). Ms. Chan, being eligible, will offer herself for re-election at the meeting whilst Mr. Siek will not offer himself for re-election.

In accordance with Article 86(3) of the Company's Articles of Association, Ms. Xia Dan and Mr. Chen Xian shall hold office until the 2007 AGM and being eligible, will offer themselves for re-election at the meeting.

The biographical details of the current Directors and Senior Management are set out on pages 8 to 9.

DIRECTORS' SERVICE CONTRACTS

None of the directors proposed for re-election at the 2007 AGM has service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2007, the register maintained by the Company pursuant to section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") discloses the following director as having a notifiable interest in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO):

Name of director	**Nature of interests**	**Number of ordinary shares held**	**Percentage of total issued shares**
Dr. Sze Kwan	Interest of a controlled corporation	126,700,000*	36.20%

* *Dr. Sze is deemed to be interested in the 126,700,000 Shares by virtue of his controlling interest in Otto Link Technology Limited.*

Other than disclosed above, at 30 June 2007, no Directors, Chief Executive and their respective associates have a notifiable interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations, that were required to be entered into the register kept by the Company pursuant to section 352 of the SFO or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' INTEREST IN CONTRACTS

No contract of significance to which the Company or any of its subsidiaries was a party, in which a director of the Company had a material interest, subsisted at any time during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

As at 30 June 2007, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the directors and chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate, and none of the directors and chief executive of the Company or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO

As at 30 June 2007, so far as was known to the Directors, the following persons (other than the Directors or the chief executive of the Company) has interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

(i) Long position in ordinary shares

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of total issued shares
Otto Link Technology Limited	Registered Shareholder	126,700,000	36.20%
Mr. Chak Joaquin Emilio Kin Man	Registered Shareholder & beneficial owner	96,824,000	27.66%

(ii) Long position in underlying shares

Name	Capacity and nature of interest	Number of underlying shares	As approximate percentage of total issued ordinary shares
Weina (BVI) Limited ("Weina")[1&2]	Beneficial owner	460,000,000	131.43%
Weina Group Limited ("Weina Group")[3]	Interest of a controlled corporation	460,000,000	131.43%
Mr. Tsim Wing Kong ("Mr. Tsim")[3]	Interest of a controlled corporation	460,000,000	131.43%

1. *The Company has entered into the Subscription and Option Agreement on 26 May 2006 with Weina and through such agreement and the exercise of the option by the Company, Weina is interested in 350,000,000 Convertible Redeemable Preference Shares and has the right to convert the aforesaid shares into 350,000,000 Ordinary Shares (based on its initial conversion price).*

2. *The Company has entered into a Sale and Purchase Agreement on 17 November 2006 with Weina Holdings Limited and through such agreement, Weina (as designated by Weina Holdings Limited) is interested in 110,000,000 Convertible Redeemable Preference A Shares and has the right to convert the aforesaid shares into 110,000,000 Ordinary Shares (based on its initial conversion price).*

3. *Weina Group owns entire issued capital of Weina and is therefore deemed to have interests in the underlying shares of the Company in which Weina is interested. Mr. Tsim is deemed to be interested in the underlying shares of the Company by virtue of his controlling interest in Weina Group.*

Save as disclosed above and so far as was known to the Directors, as at 30 June 2007, there were no other persons who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of division 2 and 3 of Part XV of the SFO, or, was directly or indirectly, interested in 10% or more of the nominal value of the issued share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or any options in respect of such capital.

PURCHASES, SALE OF REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

CUSTOMERS AND SUPPLIERS

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

	Percentage of the Group's total	
	Sales	**Purchases**
The largest customer	35.82%	–
Five largest customers in aggregate	93.39%	–
The largest supplier	–	38.13%
Five largest suppliers in aggregate	–	72.74%

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 share capital) had any beneficial interest in the major customers and suppliers noted above.

COMMITMENTS

Particulars of commitments as at 30 June 2007 are set out in Note 39 to the financial statements.

EMPLOYEE RETIREMENT BENEFITS

Details of employee retirement benefits are set out in Note 37 to the financial statements.

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the latest five years is set out on page 2 of the annual report.

SUFFICIENCY OF PUBLIC FLOAT

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

DIRECTORS' EMOLUMENTS

Details of the Directors' emoluments for the year ended 30 June 2007 disclosed pursuant to Section 161 of the Companies Ordinance and Appendix 16 of the Main Board Listing Rules are set out in note 7 to the financial statements.

CORPORATE GOVERNANCE

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

REPORT OF DIRECTORS

AUDITORS

CCIF CPA Limited were auditors of the Company for the year ended 30 June 2005 and resigned as auditors of the Company on 29 June 2006.

The consolidated financial statements of the Company for the years ended 30 June 2006 and 2007 have been audited by Moores Rowland. The Company's auditors have changed their name from Moores Rowland Mazars to Moores Rowland on 1 June 2007 and have amalgamated their business with Grant Thornton. As a result of this change, a resolution will be proposed at the 2007 AGM to appoint Grant Thorton as the Company's auditors.

ANNUAL GENERAL MEETING

The 2007 AGM will be held on 30 November 2007. Details of the meeting are set out in the Notice of AGM which constitutes part of the circular to Shareholders sent together with this Annual Report. Notice of the AGM and the proxy form are also available on the Company's website (www.irasia.com/listco/hk/quaypoint/index.htm).

On behalf of the Board
Chan Siu Chu, Debby
CEO and Executive Director

Hong Kong, 12 October 2007

CORPORATE GOVERNANCE REPORT

The Company is committed to upholding high standards of corporate governance, and has adopted corporate governance practices in conformity with the Code on Corporate Governance Practices (the "CG Code"). The Directors believe that good corporate governance is essential to the success of the Company and the enhancement of shareholders' value.

(1) COMPLIANCE WITH THE CG CODE

In the opinion of the Board, the Company has complied with the CG Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the year ended 30 June 2007.

(2) DIRECTORS' SECURITIES TRANSACTIONS

On 9 December 2005, the Company has adopted the code of conduct (the "Code") with respect to the Directors' dealings in securities of the Company on terms no less exacting than the required standard of dealings as set out in Appendix 10 of the Listing Rules. The Company has made specific enquiry of all directors regarding any non-compliance with the Code during the year ended 30 June 2007 and they all confirmed having fully complied with the required standard set out in the Code.

(3) BOARD OF DIRECTORS

As at the date of this report, the Board of directors (the "Board") comprises eight Directors including four executive Directors, one non-executive Director and three independent non-executive Directors ("INEDs"):

Executive Directors

Ms. CHAN Siu Chu, Debby *(Chief Executive Officer)*
Mr. CHEN Xian* *(Vice Chairman)*
Mr. SIEK Fui
Ms. XIA Dan *

Non-executive Director

Mr. Gerard J. MCMAHON *(Chairman)*

Independent Non-executive Directors

Mr. LAU Sai Chung
Mr. NG Kwok Chu, Winfield
Mr. POON Lai Yin, Michael

* *These persons were appointed as directors of the Company after the year ended 30 June 2007.*

There were ten board meetings held during the year ended 30 June 2007 and attendance of each individual directors is as follows:

	No. of Board meetings attended/ No. of Board meeting eligible to attend
Ms. CHAN Siu Chu, Debby	10/10
Mr. SIEK Fui	5/10
Mr. Gerard J. MCMAHON	9/10
Mr. LAU Sai Chung (appointed on 15/9/2006)	5/6
Mr. NG Kwok Chu, Winfield (appointed on 15/9/2006)	6/6
Mr. POON Lai Yin, Michael (appointed on 29/11/2006)	5/5
Dr. SZE Kwan (resigned on 1/9/2007)	8/9
Mr. LIU Ping (resigned on 1/4/2007)	4/9
Mr. HUI Hung, Stephen (retired on 24/11/2006)	4/5
Mr. WEE Soon Chiang, Henny (retired on 24/11/2006)	3/5
Mr. WONG Kam Kau, Eddie (retired on 24/11/2006)	3/5
Mr. LIN Gongshi (resigned on 7/7/2006)	0/1

The Board reviews and approves the Group's overall business strategies, key operational proposals, financial control procedures, material acquisition and disposal of investment, major funding decisions, financial announcements, annual reports, share issuance/repurchase, nomination of directors, appointment of key management personnel, related party transactions, remuneration of directors and other significant transactions. The Board conducts meetings on a regular basis and extra meetings are convened when circumstances require.

During the year ended 30 June 2007, the Company has complied with Rule 3.10(1) and (2) of the Listing Rules relating to the appointment of a sufficient number of independent non-executive directors and an independent non-executive director with appropriate professional qualifications, or accounting or related financial management expertise, respectively.

The Company has received from each independent non-executive director an annual confirmation of his independent pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the INEDs are independent.

(4) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

As at the date of this report, the Chairman of the Company is Mr. Gerard J. McMahon whilst the Chief Executive Officer of the Company is Ms. Chan Siu Chu, Debby, the respective responsibilities of the Chairman and Chief Executive Officer were duly set out in writing and were approved by the Board on 9 December 2005.

The roles of Chairman of the Board and Chief Executive Officer of the Company are segregated with a clear division of responsibilities. The Chairman is primarily responsible for overseeing the operation of the Board while the Chief Executive Officer is mainly responsible for running the Group's business and the implementation of the approved strategies in achieving the overall commercial objectives.

(5) NON-EXECUTIVE DIRECTORS

During the year ended 30 June 2007, the non-executive directors of the Company comprised three INEDs and the non-executive Chairman, all of them were appointed with the following specific terms of appointment:

	Up to the conclusion of the Company's annual general meeting to be held in
Mr. LAU Sai Chung	Year 2008
Mr. NG Kwok Chu, Winfield	Year 2008
Mr. POON Lai Yin, Michael	Year 2008
Mr. Gerard J. MCMAHON	Year 2008

All the directors of the Company are subject to retirement by rotation at least once every three years pursuant to the Articles of Association of the Company.

(6) REMUNERATION OF DIRECTORS

On 9 December 2005, the Board has established a remuneration committee (the "Remuneration Committee") with written terms of reference. The principle roles of the Remuneration Committee are to review the remuneration package, performance-based remuneration and termination compensation of directors and senior management of the Group.

As at the date of this report, the Remuneration Committee comprises three INEDs, namely Mr. Lau Sai Chung, Mr. Ng Kwok Chu, Winfield and Mr. Poon Lai Yin, Michael, the Chairman, namely Mr. Gerard J. McMahon and the Chief Executive Officer, Ms. Chan Siu Chu, Debby. Mr. Gerard J. McMahon is the Chairman of Remuneration Committee.

The Remuneration Committee shall meet at least once a year. Three Committee meetings were held during the year ended 30 June 2007 and attendance of each member is set out as follows:

Committee members	**Number of Committee meeting attended/eligible to attend**
Mr. Gerard J. MCMAHON	3/3
Mr. LAU Sai Chung	1/1
Mr. NG Kwok Chu, Winfield	1/1
Mr. POON Lai Yin, Michael	0/0
Ms. CHAN Siu Chu, Debby	3/3
Mr. WEE Soon Chiang, Henny (retired on 24/11/2006)	1/2
Mr. WONG Kam Kau, Eddie (retired on 24/11/2006)	1/2
Mr. HUI Hung, Stephen (retired on 24/11/2006)	2/2

During the year ended 30 June 2007, the Remuneration Committee had performed the work as summarized below:

(a) reviewed and formalized the remuneration policy;

(b) reviewed and determined the remuneration packages of the Executive Directors and the senior management; and

(c) reviewed and recommended to the board the remuneration packages of the Non-Executive Directors (including INEDs).

The remuneration packages of the Directors and senior management are based on the performance, skill and responsibility of the directors, and are made reference to the profitability of the Company and prevailing market conditions etc.

(7) NOMINATION OF DIRECTORS

The Board established a nomination committee (the "Nomination Committee") on 15 September 2006 with written terms of references in compliance with the CG Code. The primary duties of the Nomination Committee are to review the composition of the Board and make recommendations to the Board on the selection of individuals nominated for directorship.

To maintain high quality of the Board with a balance of skill and experience, the Nomination Committee identifies individuals who fulfill criteria of the Company. When assessing the quality of the individual, the Nomination Committee makes reference to his/her experience, qualification, integrity and other relevant factors.

As at the date of this report, the Nomination Committee comprises three INEDs, namely Mr. Lau Sai Chung, Mr. Ng Kwok Chu, Winfield and Mr. Poon Lai Yin, Michael, the Chairman, namely Mr. Gerard J. McMahon and the Chief Executive Officer, namely Ms. Chan Siu Chu, Debby. Mr. Gerard J. McMahon is the Chairman of Nomination Committee.

During the year under review, the Nomination Committee held one meeting, with the presence of all the members of the Committee, to discuss and make recommendation to the Board for the appointment of an Independent Non-Executive Director, namely Mr. Poon Lai Yin, Michael.

(8) EXTERNAL AUDITORS' REMUNERATION

The remuneration payable in respect of the year ended 30 June 2007 for audit and non-audit services provided to the Group by the Company's auditors is as follows:

Services rendered:		*HK$*
(a)	audit fee (audit work for the year ended 30 June 2007)	640,000
(b)	non-audit fee (taxation and other professional services)	679,800

(9) AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") with written terms of reference which were adopted and revised by reference to the code provisions of the CG Code.

As at the date of this report, the Audit Committee comprised all the non-executive directors, namely Mr. Lau Sai Chung, Mr. Ng Kwok Chu, Winfield and Mr. Poon Lai Yin, Michael, Mr. Gerard J. McMahon. Mr. Lau is the Chairman of Audit Committee and has the appropriate professional qualification as defined in Rule 3.10(2) of the Listing Rules.

There were four Audit Committee meetings held during the year ended 30 June 2007. The attendance of each individual member is as follows:

Committee members	Number of Committee meeting attended/eligible to attend
Mr. Gerard J. MCMAHON	4/4
Mr. LAU Sai Chung	4/4
Mr. NG Kwok Chu, Winfield	3/4
Mr. POON Lai Yin, Michael (appointed on 29/11/2006)	1/1
Mr. WEE Soon Chiang, Henny (retired on 24/11/2006)	3/3
Mr. WONG Kam Kau, Eddie (retired on 24/11/2006)	2/3
Mr. HUI Hung, Stephen (retired on 24/11/2006)	3/3

The Audit Committee oversees the overall financial reporting process as well as the adequacy and effectiveness of the Company's internal control procedures. It is responsible for making recommendations to the Board for the appointment, re-appointment or removal of external auditors and also reviews and monitors the external auditors' independence and objectivity as well as the effectiveness of the audit process to make sure that it is in full compliance with applicable standards.

During the year under review, the Audit Committee has performed the work as summarized below:

(a) considered and approved the terms of engagement of the external auditors for the year ended 30 June 2006;

(b) considered the engagement of an internal audit personnel to perform a review of the internal control system of the Group;

(c) reviewed the reports from the external auditors, management representation letters and management response in relation to the final audit of the Group for the year ended 30 June 2006 and the review of the interim result for the six months ended 31 December 2006;

(d) reviewed the audited financial statements for the year ended 30 June 2006 and the interim result for the six months ended 31 December 2006 and recommended the same for the Board's approval; and

(e) reviewed the reports from external professional accountants regarding the review of the internal control system of the Group.

There is no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of external auditors.

(10) INTERNAL CONTROLS

The Board has overall responsibilities for maintaining sound and effective internal control system of the Group. The Group's system of internal control includes a defined management structure with limits of authority, is designed to safeguard assets against unauthorized use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant legislation and regulations. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives.

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

(11) DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the financial statements of the Group and ensuring that the financial statements are prepared in accordance with the statutory requirements and applicable accounting standards. It is also the responsibility of the Directors to ensure the timely publication of the financial statements of the Group.

The statement of the external auditors of the Company, Moores Rowland (formerly known as Moores Rowland Mazars), on their reporting responsibilities in respect of the financial statements of the Group is set out on the Auditors' report on page 22.

Save as disclosed in Note 2(b) to the financial statement on page 32, the Directors confirm that, to their best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Hong Kong, 12 October 2007

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
THE QUAYPOINT CORPORATION LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of The Quaypoint Corporation Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 24 to 68, which comprise the consolidated and company balance sheets as at 30 June 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the 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. This report is made 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.

INDEPENDENT AUDITORS' REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2007 and of the Group's 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.

Without qualifying our opinion we draw attention to note 2(b) to the financial statements concerning the adoption of going concern basis on which the financial statements have been prepared. The financial statements do not include any adjustments that would result if any of the circumstances forming the basis of going concern preparation described in note 2(b) to the financial statements is not applicable. We consider that appropriate disclosures have been made in this respect.

Moores Rowland
Chartered Accountants
Certified Public Accountants
701 Sunning Plaza
10 Hysan Avenue
Causeway Bay
Hong Kong

12 October 2007

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2007

	Note	2007 RMB'000	2006 RMB'000
Turnover	3	**145,059**	115,581
Cost of sales		**(132,344)**	(107,172)
Gross profit		**12,715**	8,409
Other revenue	3	**1,202**	104
Other income	3	**46,106**	1,885
Distribution costs		**(12,236)**	(316)
Administrative expenses		**(28,822)**	(50,563)
Impairment loss on available-for-sale securities		**–**	(31,314)
Impairment loss on held-to-maturity securities		**–**	(150,704)
Other operating expenses		**(834)**	(15,325)
Finance costs	5	**(10,161)**	(9,690)
Share of losses of associates		**(104)**	–
Profit (Loss) from operations	6	**7,866**	(247,514)
Income tax	9	**(2)**	(6)
Profit (Loss) attributable to equity shareholders of the Company		**7,864**	(247,520)
Earnings (Loss) per share			
Basic	11	**RMB2.25 cents**	(RMB70.72 cents)
Diluted	11	**RMB2.22 cents**	N/A

The notes on pages 31 to 68 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

At 30 June 2007

	Note	2007 RMB'000	2006 RMB'000
Non-current assets			
Property, plant and equipment	*12*	**16,868**	2,796
Property under development	*13*	**–**	72,285
Investment properties	*14*	**166,693**	–
Prepaid lease payment	*15*	**273**	1,987
Interest in associates	*18*	**10,726**	–
Available-for-sale securities	*16*	**4,000**	–
Total non-current assets		**198,560**	77,068
Current assets			
Inventories	*19*	**2,923**	2,459
Trade receivables	*21*	**58,168**	1,679
Prepayments, deposits and other receivables	*22*	**10,990**	5,939
Held-to-maturity securities	*23*	**–**	–
Financial assets at fair value through profit or loss	*20*	**1,210**	–
Cash and bank balances	*25*	**57,551**	96,765
Total current assets		**130,842**	106,842
Current liabilities			
Trade payables	*26*	**11,829**	2,642
Bills payable, secured	*26*	**21,622**	–
Provision, accruals and other payables	*27*	**38,830**	34,423
Receipts in advance		**482**	612
Due to a director	*28*	**–**	1,025
Current portion of interest-bearing borrowings	*30*	**–**	4,798
Short-term bank loans	*31*	**139,520**	97,912
Taxation payable		**–**	8,534
Total current liabilities		**212,283**	149,946
Net current liabilities		**(81,441)**	(43,104)
Total assets less current liabilities		**117,119**	33,964

The notes on pages 31 to 68 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

At 30 June 2007

	Note	2007 RMB'000	2006 RMB'000
Capital and reserves			
Ordinary share capital	*32*	**37,100**	37,100
Convertible redeemable preference shares	*32*	**184,653**	104,000
Reserves	*33*	**(104,634)**	(111,816)
Total equity attributable to equity shareholders of the Company		**117,119**	29,284
Non-current liabilities			
Interest-bearing borrowings	*30*	**–**	4,680
		117,119	33,964

Approved and authorised for issue by the board of directors on 12 October 2007

Lau Sai Chung
Director

Chan Siu Chu, Debby
Director

The notes on pages 31 to 68 form part of these financial statements.

BALANCE SHEET

At 30 June 2007

	Note	2007 RMB'000	2006 RMB'000
Non-current assets			
Investments in subsidiaries	*17*	**68,769**	66,362
Current assets			
Due from subsidiaries	*24*	**132,848**	38,575
Prepayments, deposits and other receivables	*22*	**2**	4,160
Cash and bank balances	*25*	**38,515**	67,684
Total current assets		**171,365**	110,419
Current liabilities			
Accruals and other payables		**636**	1,899
Due to subsidiaries	*29*	**17,400**	18,413
Current portion of interest-bearing borrowings	*30*	**–**	4,798
Total current liabilities		**18,036**	25,110
Net current assets		**153,329**	85,309
Total assets less current liabilities		**222,098**	151,671
Capital and reserves			
Ordinary share capital	*32*	**37,100**	37,100
Convertible redeemable preference shares	*32*	**184,653**	104,000
Reserves	*33*	**345**	5,891
Total equity		**222,098**	146,991
Non-current liabilities			
Interest-bearing borrowings	*30*	**–**	4,680
		222,098	151,671

Approved and authorised for issue by the board of directors on 12 October 2007

Lau Sai Chung
Director

Chan Siu Chu, Debby
Director

The notes on pages 31 to 68 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2007

	Note	Ordinary share capital RMB'000	Convertible redeemable preference shares RMB'000	Other reserves RMB'000 *(Note 33)*	Accumulated profits (losses) RMB'000 *(Note 33)*	Total RMB'000
Balance as at 1 July 2005		37,100	–	26,310	110,258	173,668
Exchange difference arising from translation of financial statements of overseas operations		–	–	(864)	–	(864)
Loss attributable to equity shareholders		–	–	–	(247,520)	(247,520)
Total recognised income and expense for the year		–	–	(864)	(247,520)	(248,384)
Issue of convertible redeemable preference shares	*32(b)*	–	104,000	–	–	104,000
Balance as at 30 June 2006		**37,100**	**104,000**	**25,446**	**(137,262)**	**29,284**
Exchange difference arising from translation of financial statements of overseas operations		**–**	**–**	**(2,520)**	**–**	**(2,520)**
Transfer to profit or loss on disposal of foreign operations	*36*	**–**	**–**	**1,838**	**–**	**1,838**
Profit attributable to equity shareholders		**–**	**–**	**–**	**7,864**	**7,864**
Total recognised income and expense for the year		**–**	**–**	**(682)**	**7,864**	**7,182**
Issue of convertible redeemable preference shares	*32(b)*	**–**	**80,653**	**–**	**–**	**80,653**
Balance as at 30 June 2007		**37,100**	**184,653**	**24,764**	**(129,398)**	**117,119**

The notes on pages 31 to 68 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2007

	Note	**2007** **RMB'000**	2006 RMB'000
Operating activities			
Profit (Loss) before taxation		**7,866**	(247,514)
Adjustment for:			
Amortisation of lease payment		**41**	41
Bad debts		**–**	309
Depreciation of property, plant and equipment		**1,389**	1,126
Dividend income		**(8)**	–
Excess of fair value of net assets acquired over cost		**(1,338)**	–
Gain on disposal of subsidiaries		**(3,801)**	–
Impairment on amount due from an associate		**530**	–
Impairment loss on available-for-sale securities		**–**	31,314
Impairment loss on property, plant and equipment		**–**	22
Impairment loss on held-to-maturity securities		**–**	150,704
Increase in pledged deposits		**(12,099)**	–
Unrealised loss on listed securities		**831**	–
Interest expenses		**10,161**	9,690
(Gain) Loss on disposal of property, plant and equipment		**(59)**	309
Provision for doubtful debts		**–**	33,353
Provision for corporate guarantee		**–**	15,000
Provision for obsolete and slow moving inventories		**–**	595
Revaluation of investment properties		**(37,964)**	–
Share of losses of associates		**104**	–
Waiver of loan		**(905)**	–
Operating loss before changes in working capital		**(35,252)**	(5,051)
(Increase) Decrease in inventories		**(468)**	1,762
(Increase) Decrease in prepayments, deposits and other receivables		**(7,145)**	11,710
Decrease in bills receivable		**–**	9,435
Increase in trade receivables		**(58,110)**	(4,606)
Increase in financial assets at fair value through profit or loss		**(2,015)**	–
Increase (Decrease) in trade payables		**9,258**	(8,548)
Increase (Decrease) in bills payable		**21,622**	(18,851)
Increase (Decrease) in provision, accruals and other payables		**11,752**	(2,388)
(Decrease) Increase in amount due to a director		**(1,025)**	1,025
Increase (Decrease) in receipts in advance		**684**	(2,648)
Cash used in operations		**(60,699)**	(18,160)
Tax paid		**(5,692)**	(70)
Net cash used in operating activities		**(66,391)**	(18,230)

The notes on pages 31 to 68 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2007

	Note	**2007** **RMB'000**	2006 RMB'000
Cash flows from investing activities			
Net cash acquired from purchase of a subsidiary	*35*	**525**	–
Additional cost to properties under development		**(23,506)**	–
Advances to associates		**(11,256)**	–
Net cash outflow from disposal of subsidiaries	*36*	**(219)**	–
Dividend received		**8**	–
Payments for acquisition of property, plant and equipment		**(2,176)**	(671)
Payment for acquisition of investment properties		**(1,510)**	–
Payments for acquisition of associates		**(94)**	–
Proceeds from disposal of property, plant and equipment		**137**	–
Purchase of available-for-sale securities		**(4,000)**	–
Net cash used in investing activities		**(42,091)**	(671)
Cash flows from financing activities			
Interest paid		**(537)**	(132)
Issue of convertible redeemable preference shares		**38,406**	104,000
New loans raised		**41,684**	–
Repayment of loans		**(17,550)**	(2,088)
Net cash from financing activities		**62,003**	101,780
(Decrease) Increase in cash and cash equivalents		**(46,479)**	82,879
Effect on foreign exchange rate changes		**(4,834)**	(601)
Cash and cash equivalents at beginning of year		**96,765**	14,487
Cash and cash equivalents at end of year		**45,452**	96,765
Analysis of cash and cash equivalents			
Cash at bank and in hand	*25*	**7,024**	8,365
Time deposits, unpledged	*25*	**38,428**	88,400
		45,452	96,765

The notes on pages 31 to 68 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

1. GENERAL INFORMATION

The principal activity of the Company is investment holding. The activities of the subsidiaries (together with the Company, referred to as the "Group") are set out in note 17 to the financial statements.

The Company is a limited liability company incorporated in the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

These consolidated financial statements are presented in thousands of units of Renminbi (RMB'000) unless otherwise stated.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretation issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. The new and revised HKFRSs that are relevant to the Group and the Company's operations are as follows:

The amendments to HKAS 39 require an entity to account for certain financial guarantee contracts in accordance with that standard. To comply with the requirements of the amended HKAS 39, the Group has adopted a new accounting policy to recognise financial guarantee contracts. On initial recognition, these contracts are measured at fair value and they are subsequently stated at the higher of:

– the amount initially recognised less where appropriate, cumulative amortisation recognised in accordance with the Group's revenue recognition policies; and

– the amount of the obligation under the contract, as determined in accordance with HKAS 37 "Provision, Contingent Liabilities and Contingent Assets" ("HKAS 37").

Details of this new accounting policy are set out in note 2(g)(vi).

Prior to this new accounting policy, the Group disclosed the financial guarantees issued as contingent liabilities in accordance with HKFRS 4 "Insurance Contracts" and HKAS 37. Provisions for the Group's liabilities under the financial guarantee contracts were made when it was more likely than not that the guaranteed party would default and the Group would incur outflow of resources embodying economic benefits.

This new accounting policy has been applied retrospectively to the extent that the financial guarantee contracts were in existence at 1 July 2005 (ie the date when HKAS 39 was initially adopted by the Group). Details of the financial guarantees currently issued by the Group and the Company are set out in note 42.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Statement of compliance *(Continued)*

The adoption of the above amendments has had no significant effects on the Group's and the Company's result and financial position for the current and prior years.

The Group has not yet early adopted the following new standards, amendments and interpretations that have been issued but are not yet effective. The Group is not yet in a position to reasonably estimate the impact on the adoption of these new standards, amendments and interpretations in the period of initial application to the Group and the Company's financial position.

HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HKFRS 8	Operating Segments
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 30 June 2007 comprise the financial statements of the Company and its subsidiaries and have been prepared under the historical cost convention, as modified by the revaluation of investment properties, available-for-sale financial assets and financial assets at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the financial statements *(Continued)*

At the balance sheet date, the Group's current liabilities exceeded its current assets by RMB81,441,000. In addition, a PRC subsidiary has been involved in a claim by a PRC bank for a guarantee which was allegedly given by that subsidiary to a third party without formal approval of the Company's board of directors (note 43). The sustainability of the Group as a going concern is dependent on its ability to successfully obtain adequate medium to long term financing to fund its operations before sufficient cash flows are generated from profitable operations and to favourably resolve the claim. After evaluating all the relevant facts available to them, the directors are of the opinion that the Group should be able to maintain itself as a going concern by raising adequate additional finance and by debt restructuring; details are set out below:

(a) Subsequent to the balance sheet date, the Company issued 70,000,000 new ordinary shares at an issue price of HK$0.30 each;

(b) The Company is in the process of negotiation for a restructuring of the short term unsecured bank loan of approximately RMB88,234,000 (note 31) into secured and long term loan;

(c) The Company is liaising with lawyers in the PRC and the third parties concerned to actively address the claim of approximately RMB60,693,000 (note 43) raised by a PRC bank under a corporate guarantee and will actively defend the questionable claim; and

(d) The Company shall be able to raise additional funds in debt and/or by equity instruments as and when it is appropriate.

(c) Critical accounting estimates and judgements

(i) Allowance for inventories

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

(ii) Allowance for bad and doubtful debts

The provisioning policy for bad and doubtful debts of the Group is based on the evaluation of collectability and aging analysis of the accounts receivable and on management's judgement. At the balance sheet date, the accounts receivable, net of provision, amounted to RMB58,168,000 (2006: RMB1,679,000). A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance will be required.

(iii) Impairment of assets

Whenever there are indicators, it will trigger the requirement to estimate the recoverable amounts of property, plant and equipment, held-to-maturity securities and available-for-sale securities to determine whether impairment or reversal of impairment is required. In accordance with HKAS 36 Impairment of assets, the Company completed its impairment test by comparing their recoverable amounts to their carrying amounts as at balance sheet date.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases.

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

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

(e) Associates

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Goodwill

Goodwill represents the excess of the cost of a business combination or an investment in an associate over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the interest in the associate.

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 or an investment in an associate is recognised immediately in consolidated income statement.

On disposal of a cash generating unit or an associate during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(g) Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis. A financial asset is derecognised when the Group's contractual rights to future cash flows from the financial asset expire or when the Group transfers the contractual rights to future cash flows to a third party. A financial liability is derecognised only when the liability is extinguished.

(i) Held-to-maturity securities

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

(ii) Available-for-sale securities

Available-for-sale securities are initially recognised at fair value plus transaction costs. At each balance sheet date, the fair value is remeasured with any resultant gains or losses being recognised directly in equity. When these investments are derecognised, the cumulative gains or losses previously recognised in equity is included in the income statement. Available-for-sale securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost less any accumulated impairment losses.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Financial instruments *(Continued)*

(iv) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. They are measured at amortised cost using the effective interest method, less any impairment loss. Where loans and receivables are interest-free and without any fixed repayment term or the effect of discounting would be immaterial, they are stated at cost less impairment loss. Amortised cost is calculated by taking into account any discount or premium on acquisition. Any gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(v) Financial liabilities

The Group's financial liabilities include trade and other payables, bank loans and other borrowings. All financial liabilities are initially recognised at fair value (net of associated costs for loans and borrowings) and subsequently measured at amortised cost, using effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

(vi) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount i.e. the amount initially recognised less accumulated amortisation, where appropriate.

At each balance sheet date, the Group assesses whether there is objective evidence that financial assets, other than those at fair value through profit or loss, are impaired. The impairment loss of financial assets carried at amortised cost is measured as the difference between the assets' carrying amount and the present value of estimated future cash flow discounted at the financial asset's original effective interest rate.

When an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and current fair value, less any previously recognised impairment loss, is transferred from equity to income statement. Reversal of impairment loss of available-for-sale debt instruments are reversed through the income statement, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Financial instruments *(Continued)*

For an available-for-sale financial asset that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss shall not be reversed.

(h) Equity instruments

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

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

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

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

(i) Property, plant and equipment

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Property under development

Property in the course of construction or development for future use as investment property/leasehold buildings is stated at cost less accumulated impairment losses. Cost includes all construction expenditure and other direct costs, including interest costs, attributable to the property. At the time of completion, it is reclassified as investment property at fair value/leasehold building at cost. Any difference between the fair value of the investment property at that date and its previous carrying amount is recognised in income statement.

(k) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property. Investment property comprises land held under operating leases and buildings held under finance leases. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment properties are stated in the balance sheet at fair value. Any gain or loss from a change in fair value or from the retirement or disposal of an investment property is recognised in the income statement.

(l) Operating lease charges

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

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

(m) Impairment losses

At each balance sheet date, the Group reviews internal and external sources of information to determine whether the carrying amount of its property, plant and equipment, investment in subsidiaries, investment in associates, property under development, prepaid lease payment, held-to-maturity securities and available-for-sale securities have suffered an impairment loss or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs to sell and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generate cash flows independently (i.e. a cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as expenses immediately.

A reversal of impairment losses is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment losses is recognised as income immediately.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method and includes costs of materials and, in the case of work-in-progress and finished goods, also includes direct labour. Net realisable value is based on estimated selling price in the ordinary course of business, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

The amount of any write-down in inventories to net realisable value and all losses on inventories are recognised as an expenses in the period in which the write-down or loss occurs. The amount of any reversal of write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(o) Cash and cash equivalents

For the purpose of the cash flow statement, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, net of overdraft, if any.

(p) Employee benefits

Defined contribution retirement plan

Contributions to Mandatory Provident Fund as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance and a state-sponsored retirement plan organised by municipal government as stipulated by the regulations of the People's Republic of China (the "PRC") are recognised as an expense in the income statement as incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense.

(q) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in income statement except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Income tax *(Continued)*

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, only if there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

(r) Provisions and contingent liabilities

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

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

(s) Turnover and revenue recognition

Revenue is recognised when the outcome of a transaction can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to the Group. Revenue is recognised on the following bases:

(i) Sales of goods

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

(ii) Provision of project and technical services

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

(iii) Rental income from operating leases

Rental income receivable under operating leases is recognised in income statement in equal instalments 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Turnover and revenue recognition *(Continued)*

(iv) Interest income

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

(t) Segment reporting

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

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

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets, and liabilities are determined before intercompany balances and intercompany transactions are eliminated as part of the consolidation process, except to the extent that such intercompany balances and transactions are between Group entities within a single segment.

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

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

(u) Related parties

A party is related to the Group if

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

(b) the party is an associate of the Group;

(c) the party is a joint venture in which the Group is a venturer;

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

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

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Translation of foreign currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in the currency of Renminbi, which is the Company's presentation currency and also functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

On consolidation, the assets and liabilities of the Group's entities, which have a functional currency different from Renminbi are translated to presentation currency at the rates of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average rates of exchange for the year. Exchange differences arising are recognised as a separate component of equity.

3. TURNOVER, OTHER REVENUE AND OTHER INCOME

	2007 **RMB'000**	2006 RMB'000
Turnover		
– Sales of automation products and electronic components	**94,404**	111,538
– Fees for project and technical services	**32,647**	4,043
– Sales of natural resources	**16,722**	–
– Rentals from investment properties	**1,286**	–
	145,059	115,581
Other revenue		
– Bank interest income	**1,202**	104
Other income		
– Dividend income from listed securities (financial assets at fair value through profit or loss)	**8**	–
– Excess of fair value of identified net assets acquired over cost *(note 35)*	**1,338**	–
– Gain on disposal of property, plant and equipment	**59**	–
– Increase in fair value of investment properties	**37,964**	–
– Net realised gain on disposal of listed securities (financial assets at fair value through profit or loss)	**1,881**	–
– Net gain on disposal of subsidiaries *(note 36)*	**3,801**	–
– Waiver of loan *(note 30)*	**905**	–
– Others	**150**	1,885
	46,106	1,885
	192,367	117,570

4. SEGMENT INFORMATION

To reflect the diversification of business activities of the Group, the Group has revised its business segment format. Formerly, the Group's businesses were classified into two segments, namely automation products, and project and technical services based on the product group and product similarities. From 1 July 2006, the Group reclassified its businesses into three segments based on their nature of operation and economic characteristics: technology, trading and property investment. Technology segment comprises provision of technical and consultancy services including the provision of automation products on project base. Trading segment comprises the trading of natural resources, automation products as well as electronic components. Property investment segment comprises rental income arising from the Research and Development Centre in Shenzhen and the landed properties in Hong Kong. The comparative figures for the year ended 30 June 2006 have been reclassified accordingly.

Primary reporting format – Business Segments

	For the year ended 30 June 2007				
	Technology RMB'000	Trading RMB'000	Property investment RMB'000	Unallocated RMB'000	Consolidated RMB'000
Turnover	32,647	111,126	1,286	–	145,059
Segment results	699	(17,274)	39,035	(3,495)	18,965
Other operating expenses					(834)
Finance costs					(10,161)
Share of losses of associates					(104)
Profit before taxation					7,866
Income tax					(2)
Profit attributable to equity shareholders					7,864
Other information					
Capital expenditure	15,027	184	11,605	376	27,192
Depreciation and amortisation	510	769	41	110	1,430
Gain(Loss) on disposal of property, plant and equipment	18	54	–	(13)	59

4. SEGMENT INFORMATION *(Continued)*

Primary reporting format – Business Segments *(Continued)*

	For the year ended 30 June 2006 (reclassified)				
	Technology RMB'000	Trading RMB'000	Property investment RMB'000	Unallocated RMB'000	Consolidated RMB'000
Turnover	–	115,581	–	–	115,581
Segment results	–	(34,274)	(20)	(6,187)	(40,481)
Other operating expenses					(197,343)
Finance costs					(9,690)
Loss before taxation					(247,514)
Income tax					(6)
Loss attributable to equity shareholders					(247,520)
Other information					
Capital expenditure	–	38	6,022	633	6,693
Depreciation and amortisation	–	1,035	20	112	1,167
Loss on disposal of property, plant and equipment	–	–	–	309	309
Impairment loss on available-for-sale securities	–	–	–	31,314	31,314
Impairment loss on held-to-maturity securities	–	–	–	150,704	150,704
Impairment loss on property, plant and equipment	–	–	–	22	22

4. SEGMENT INFORMATION *(Continued)*

Primary reporting format – Business Segments *(Continued)*

	Total assets		Total liabilities	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Technology	**44,195**	–	**140,580**	–
Trading	**64,508**	37,393	**60,492**	133,052
Property investment	**166,988**	74,272	**10,121**	6,000
	275,691	111,665	**211,193**	139,052
Interest in associates	**10,726**	–	**–**	–
Unallocated	**42,985**	72,245	**1,090**	15,574
Total	**329,402**	183,910	**212,283**	154,626

Secondary reporting format – Geographical Segments

In presenting information on the basis of geographical segments, segment turnover is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of assets.

	Turnover		Total assets		Capital expenditure	
	2007	2006	**2007**	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
The PRC (including Hong Kong)	**142,682**	115,581	**318,676**	183,910	**27,192**	6,693
Egypt	**713**	–	**–**	–	**–**	–
Syria	**478**	–	**–**	–	**–**	–
Algeria	**454**	–	**–**	–	**–**	–
Lebanon	**443**	–	**–**	–	**–**	–
Turkey	**289**	–	**–**	–	**–**	–
	145,059	115,581	**318,676**	183,910	**27,192**	6,693
Interest in associates			**10,726**	–		
Total assets			**329,402**	183,910		

5. FINANCE COSTS

	2007 RMB'000	2006 RMB'000
Interest on bank and other borrowings and overdraft wholly repayable within 5 years	**10,161**	9,690

6. PROFIT (LOSS) FROM OPERATIONS

Profit (Loss) from operations is stated after charging (crediting) the following:

	2007 RMB'000	2006 RMB'000
Staff costs (including director's emoluments):		
Salaries, wages and other benefits	**10,706**	6,673
Contributions to defined contribution plans	**409**	325
	11,115	6,998
Included in research and development expenditures	**(820)**	(757)
	10,295	6,241
Auditors' remuneration	**660**	551
Amortisation of prepaid lease payment	**41**	41
Bad debts	**–**	309
Cost of inventories	**132,344**	107,172
Depreciation of property, plant and equipment	**1,389**	1,126
Gross rental income from investment properties less outgoings	**(1,149)**	–
Impairment loss on amount due from an associate	**530**	–
Impairment loss on available-for-sale securities	**–**	31,314
Impairment loss on held-to-maturity securities	**–**	150,704
Impairment loss on property, plant and equipment	**–**	22
Loss on disposal of property, plant and equipment	**–**	309
Operating lease rentals of premises	**1,915**	877
Provision for corporate guarantee	**–**	15,000
Provision for doubtful debts	**–**	33,353
Provision for obsolete and slow moving inventories	**–**	595
Research and development expenditures	**1,792**	1,564
Unrealised loss on listed securities (financial assets at fair value through profit or loss)	**831**	–

7. DIRECTORS' REMUNERATION

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

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	2007 Total RMB'000
Executive directors				
Ms. Chan Siu Chu, Debby	**12**	**626**	**12**	**650**
Mr. Siek Fui	**12**	**621**	**12**	**645**
Dr. Sze Kwan (Resigned)	**297**	**236**	**11**	**544**
Mr. Liu Ping (Resigned)	**9**	**150**	**6**	**165**
Non-executive directors				
Mr. Gerard J. McMahon	**238**	**93**	**–**	**331**
Mr. Lin Gongshi (Resigned)	**–**	**–**	**–**	**–**
Independent non-executive directors				
Mr. Wee Soon Chiang, Henny (Retired)	**48**	**–**	**–**	**48**
Mr. Wong Kam Kau, Eddie (Retired)	**48**	**–**	**–**	**48**
Mr. Hui Hung, Stephen (Retired)	**48**	**–**	**–**	**48**
Mr. Lau Sai Chung	**94**	**–**	**–**	**94**
Mr. Ng Kwok Chu, Winfield	**94**	**–**	**–**	**94**
Mr. Poon Lai Yin, Michael	**70**	**–**	**–**	**70**
	970	**1,726**	**41**	**2,737**

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	2006 Total RMB'000
Executive directors				
Dr. Sze Kwan	138	114	3	255
Mr. Siek Fui	–	184	4	188
Ms. Chan Siu Chu, Debby	5	225	5	235
Mr. Liu Ping	–	83	6	89
Mr. Xiong Jian Rui	–	86	3	89
Mr. Tung Fai	–	362	4	366
Mr. Feng Jin	–	56	2	58
Non-executive directors				
Mr. Lin Gongshi	125	–	–	125
Mr. Gerard J. McMahon	52	–	–	52
Independent non-executive directors				
Mr. Wee Soon Chiang, Henny	125	–	–	125
Mr. Wong Kam Kau, Eddie	125	–	–	125
Mr. Hui Hung, Stephen	125	–	–	125
	695	1,110	27	1,832

8. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with highest emoluments, three (2006: two) are directors whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other two (2006: three) individuals are as follows:

	2007 RMB'000	2006 RMB'000
Salaries and other emoluments	**1,562**	1,014
Retirement scheme contributions	**11**	30
	1,573	1,044

The emoluments of four of the five highest paid individuals (including three directors and another one employee) for the year ended 30 June 2007 (2006: all) fall within the band of nil to HK$1,000,000, equivalent to RMB990,860 (2006: RMB1,040,000), the emolument of the remaining individual falls within the band of HK$1,000,001 to HK$1,500,000, equivalent to RMB990,861 to RMB1,486,290.

9. INCOME TAX

(a) Taxation charge in the consolidated income statement

	2007 RMB'000	2006 RMB'000
Current taxation		
– Hong Kong Profits Tax	**2**	–
Under-provision in prior year		
– Hong Kong Profits Tax	**–**	6
Total taxation charge	**2**	6

(i) Overseas income tax

The Company is incorporated in the Cayman Islands and is exempted from taxation in the Cayman Islands until 2020. The Company's subsidiaries established in the British Virgin Islands are incorporated under the International Business Companies Act of the British Virgin Islands and, accordingly, are exempted from payment of British Virgin Islands income taxes.

(ii) Hong Kong Profits Tax

Hong Kong Profits Tax has been provided at the rate of 17.5% on the estimated assessable profits for the year. No Hong Kong Profits Tax had been provided for the year ended 30 June 2006 as the Company and its subsidiaries operating in Hong Kong did not derive any assessable profits for the year.

(iii) PRC enterprise income tax

The wholly owned subsidiaries of the Company, Techwayson Industrial Limited and Techwayson Technology (Shenzhen) Limited, are High-Tech enterprise which were established and are operating in a special economic zone of the PRC, and are normally subject to the PRC enterprise income tax at a rate of 15%. However, they are exempted from PRC enterprise income tax for two years starting from the first year of profitable operations after offsetting prior year losses, followed by a 50% reduction in the tax rate for the next six years.

These subsidiaries either incurred tax losses for the year or had assessable profits for the year but offsetting by the unutilised tax losses carried forward.

9. INCOME TAX *(Continued)*

(a) Taxation charge in the consolidated income statement *(Continued)*

(iii) PRC enterprise income tax (Continued)

Pursuant to the PRC Enterprise Income Tax Law (the "New Law") passed by the Tenth National People's Congress on 16 March 2007, the new PRC income tax rates for domestic and foreign enterprises are unified at 25% effective from 1 January 2008. Under the New Law, entities that are currently entitled to preferential tax rates may continue to enjoy the tax benefits. As detailed measures concerning the tax incentives have not been issued by the State Council, the management of the Group is not yet in a position to assess the impact, if any. The Group will continue to evaluate the impact when more detailed regulations are announced.

(b) Reconciliation between tax expenses and accounting profit at applicable tax rates

	2007 RMB'000	2006 RMB'000
Profit (Loss) before taxation	**7,866**	(247,514)
Notional tax on profit (loss) before taxation, calculated at the rates applicable to profit (loss) in the countries concerned	**721**	(38,908)
Tax effect of non-deductible expenses	**5,622**	31,371
Tax effect of non-taxable income	**(5,652)**	(12)
Tax effect of unused tax losses not recognised	**5,109**	7,518
Tax effect of deductible temporary difference not recognised	**(41)**	31
Utilisation of previously unrecognised tax losses	**(5,757)**	–
Under-provision in prior year	**–**	6
Taxation charge	**2**	6

10. LOSS ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The loss attributable to equity shareholders is dealt with in the financial statements of the Company to the extent of RMB651,000 (2006: RMB15,036,000).

11. EARNINGS (LOSS) PER SHARE

The calculation of earnings (loss) per share for the year ended 30 June 2007 is based on the consolidated profit attributable to shareholders of RMB7,864,000 (2006: consolidated loss attributable to shareholders of RMB247,520,000) and the weighted average number of 350,000,000 shares (2006: 350,000,000 shares) in issue during the year.

The calculation of diluted earnings per share for the year is based on the profit attributable to equity shareholders of the Company of RMB7,864,000 and the weighted average number of ordinary shares of 354,235,347 shares, which is based on the weighted average number of ordinary shares for the purpose of basic earnings per share of 350,000,000 shares adjusted by the effect of deemed conversion of convertible redeemable preference shares of 4,235,347 shares. Since the Company's shares were suspended for trading since 16 March 2006 and only resumed for trading with effect from 25 June 2007, the effect of conversion of convertible redeemable preference shares only takes into the account the period of resumption of trading of the Company's shares during the year.

No diluted loss per share is presented as there were no dilutive potential ordinary shares in issue during the year ended 30 June 2006. The convertible redeemable preference shares in issue as at 30 June 2006 were issued during the suspension of the trading in the shares of the Company.

Subsequent to the balance sheet date, the Company issued 70,000,000 new ordinary shares by private placing. Details of the issue have been set out in note 45.

12. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings in the PRC under medium-term leases RMB'000	Leasehold improvements RMB'000	Equipment RMB'000	Furniture RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost						
At 1 July 2005	–	865	6,256	525	1,481	9,127
Additions	–	215	211	245	–	671
Disposals/Write-off	–	(852)	(1,962)	(205)	–	(3,019)
Exchange difference	–	–	(4)	–	(8)	(12)
At 30 June 2006	**–**	**228**	**4,501**	**565**	**1,473**	**6,767**
Additions	**–**	**1,363**	**22**	**310**	**481**	**2,176**
Transfer from property under development *(note 13)*	**13,411**	**–**	**–**	**–**	**–**	**13,411**
Disposals	**–**	**–**	**(922)**	**–**	**(408)**	**(1,330)**
Exchange difference	**–**	**(17)**	**(19)**	**(19)**	**(18)**	**(73)**
At 30 June 2007	**13,411**	**1,574**	**3,582**	**856**	**1,528**	**20,951**
Accumulated depreciation and Impairment losses						
At 1 July 2005	–	347	4,033	161	1,005	5,546
Provision for the year	–	170	690	95	171	1,126
Disposals/Write-off	–	(504)	(2,145)	(61)	–	(2,710)
Impairment loss	–	–	–	22	–	22
Exchange difference	–	–	(2)	–	(11)	(13)
At 30 June 2006	**–**	**13**	**2,576**	**217**	**1,165**	**3,971**
Provision for the year	**447**	**97**	**547**	**120**	**178**	**1,389**
Disposals	**–**	**–**	**(922)**	**–**	**(330)**	**(1,252)**
Exchange difference	**–**	**(2)**	**(4)**	**(1)**	**(18)**	**(25)**
At 30 June 2007	**447**	**108**	**2,197**	**336**	**995**	**4,083**
Net book value						
At 30 June 2007	**12,964**	**1,466**	**1,385**	**520**	**533**	**16,868**
At 30 June 2006	–	215	1,925	348	308	2,796

13. PROPERTY UNDER DEVELOPMENT

	The Group	
	2007	2006
	RMB'000	RMB'000
Construction and development cost		
At beginning of year	**72,285**	66,263
Additions	**23,506**	6,022
	95,791	72,285
Transfer to property, plant and equipment *(note 12)*	**(13,411)**	–
Transfer to investment properties *(note 14)*	**(82,380)**	–
At end of year	**–**	72,285

Property under development represents property that was constructed for use as investment properties and property, plant and equipment. It is located in the Hi-Tech Industrial Park, the PRC. During the year, the development was completed and the carrying amount of property under development was transferred to property, plant and equipment and investment properties.

14. INVESTMENT PROPERTIES

	The Group	
	2007	2006
	RMB'000	RMB'000
Valuation		
Acquisition of a subsidiary *(note 35)*	**43,207**	–
Transfer from property under development *(note 13)*	**82,380**	–
Transfer from prepaid lease payment *(note 15)*	**1,673**	–
Additions	**1,510**	–
Revaluation surplus	**37,964**	–
Exchange difference	**(41)**	–
At end of year	**166,693**	–

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

	The Group	
	2007	2006
	RMB'000	RMB'000
In Hong Kong:		
Medium-term leases	**44,493**	–
In the PRC:		
Medium-term leases	**122,200**	–
	166,693	–

14. INVESTMENT PROPERTIES *(Continued)*

All the Group's investment properties were held for the purpose of earning rental income or for capital appreciation and are measured using the fair value model. The fair values of the Group's investment properties in Hong Kong as at 30 June 2007 were valued on a market value basis by Vigers Appraisal & Consulting Limited, independent qualified professional valuers. The fair values of the Group's investment properties in the PRC as at 30 June 2007 were valued on a market value basis by RHL Appraisal Ltd., independent qualified professional valuers.

15. PREPAID LEASE PAYMENT

	The Group	
	2007	2006
	RMB'000	RMB'000
Land use right in the PRC under medium-term leases		
Carrying value at beginning of year	**1,987**	2,028
Transfer to investment properties *(note 14)*	**(1,673)**	–
Amortisation for the year	**(41)**	(41)
At end of year	**273**	1,987

Prepaid lease payment represents land use right acquired for the development of properties in respect of investment properties and property, plant and equipment. During the year, the development of the properties have been completed and the relevant portion relating to the investment properties have been transferred and included in the carrying amount of investment properties.

16. AVAILABLE-FOR-SALE SECURITIES

	The Group	
	2007	2006
	RMB'000	RMB'000
Unlisted equity securities, at cost		
At beginning of year	**51,338**	51,940
Additions	**4,000**	–
Effect on change in exchange rate	**–**	(602)
At end of year	**55,338**	51,338
Impairment losses		
At beginning of year	**(51,338)**	(20,024)
Impairment loss for the year	**–**	(31,314)
At end of year	**(51,338)**	(51,338)
Carrying value at end of year	**4,000**	–

Available-for-sale securities as at 30 June 2006 represented the Group's 18.52% unlisted equity interest in the registered capital of Goldwiz Huarui (Tongling) Electronic Material Company Limited, a company incorporated in the PRC, the operation of which has been suspended since December 2005 due to critical liquidity problem.

Available-for-sale securities as at 30 June 2007 represents the Group's 10% equity investment in an unlisted company incorporated in the PRC, Shanghai Pro EnerTech Limited (上海普羅新能源有限公司). The investee has not yet started any operations as at 30 June 2007.

17. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2007	2006
	RMB'000	RMB'000
Unlisted shares, at cost	**68,769**	66,362

Details of the principal subsidiaries as at 30 June 2007 are as follows:

Name of company	Place of incorporation/ operation	Particulars of issued and paid up capital	Percentage of equity interest attributable to the Company *Directly*	*Indirectly*	Principal activities
Usualink Development Limited	British Virgin Islands	1,250 shares of US$1 each	100%	–	Investment holding
德維森實業(深圳)有限公司 (Techwayson Industrial Limited*#)	PRC	HK$50,000,000	–	100%	Design, supply and integration of automation and control systems
Techwayson Management Limited	Hong Kong	10,000 shares of HK$1 each	100%	–	Provision of management services
Techwire Enterprises Limited	British Virgin Islands	100 shares of US$1 each	100%	–	Investment holding
Techwayson Trading Limited (formerly known as Techwayson Automation Limited)	Hong Kong	10,000 shares of HK$1 each	100%	–	Trading of automation products and electronic components
Realtop Limited	British Virgin Islands	100 shares of US$1 each	100%	–	Investment holding
德維森科技(深圳)有限公司 (Techwayson Technology (Shenzhen) Limited*#)	PRC	RMB100,000,000	–	100%	Design, supply and integration of automation and control systems
Smart Gain Asia Limited	Hong Kong	1 share of HK$1	100%	–	Trading of natural resources and other mineral products
Famous State Investments Limited	Hong Kong	1 share of HK$1	100%	–	Investment in listed securities
Weina Land Limited	Hong Kong	2 shares of HK$1 each	100%	–	Property investment
Fame Electronics Limited	Hong Kong	100 shares of HK$1 each	51%	–	Inactive during the year and pending for trading of mobile phones

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

\# *English company names for identification purpose only.*

18. INTEREST IN ASSOCIATES

	The Group	
	2007	2006
	RMB'000	RMB'000
Share of net assets	**–**	–
Amount due from an associate	**10,726**	–
	10,726	–

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

The particulars of associates, all of which are unlisted corporate entities held indirectly by the Company, are as follows:

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

Summary financial information on associates

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

19. INVENTORIES

	The Group	
	2007	2006
	RMB'000	RMB'000
Merchandises	**2,923**	2,459

All inventories, excluding those fully provided for with nil carrying value, are stated at cost.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

At 30 June 2007, the Group had the following financial assets at fair value through profit or loss:

	The Group	
	2007	2006
	RMB'000	RMB'000
Equity securities listed in Hong Kong at fair value	**1,210**	–

The fair values of the listed investments are determined based on the quoted market bid prices on the relevant stock exchange.

21. TRADE RECEIVABLES

Trade receivables consisted of:

	The Group	
	2007	2006
	RMB'000	RMB'000
Trade receivables	**58,168**	23,841
Less: Provision for doubtful debts	**–**	(22,162)
	58,168	1,679

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

In the review of the recoverability of trade receivables at each balance sheet date, the management made their judgement based on factors such as the age of the amount due and the extent of settlements received subsequent to the balance sheet date. For the year ended 30 June 2006, the management recognised a full provision in respect of trade debts of RMB22,162,000 for which the relevant customers were not accessible and such debts have been written-off during the year ended 30 June 2007.

21. TRADE RECEIVABLES *(Continued)*

Ageing analysis of trade receivables at the year end date is as follows:

	The Group	
	2007	2006
	RMB'000	RMB'000
Trade receivables		
0 – 60 days	**36,922**	909
61 – 90 days	**10,178**	97
91 – 365 days	**10,026**	141
Over 365 days	**1,042**	532
	58,168	1,679

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Purchase deposits	**4,313**	183	**–**	–
Prepayments	**185**	481	**–**	–
Utilities and rental deposits	**655**	1,005	**–**	–
Other receivables	**5,837**	4,270	**2**	4,160
	10,990	5,939	**2**	4,160

23. HELD-TO-MATURITY SECURITIES

	The Group	
	2007	2006
	RMB'000	RMB'000
Trust fund investments		
At beginning of year	**–**	150,704
Impairment loss	**–**	(150,704)
At end of year	**–**	–

24. DUE FROM SUBSIDIARIES

	The Company	
	2007	2006
	RMB'000	RMB'000
Due from subsidiaries	**142,391**	48,912
Provision for doubtful debts	**(9,543)**	(10,337)
	132,848	38,575

The amounts due from subsidiaries are unsecured, interest-free and have no fixed term of repayment. The carrying amount of the amounts due approximates their fair values.

25. CASH AND BANK BALANCES

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash at bank and in hand	**7,024**	8,365	**87**	84
Time deposits, unpledged	**38,428**	88,400	**38,428**	67,600
Time deposits, pledged	**12,099**	–	**–**	–
	57,551	96,765	**38,515**	67,684

At the balance sheet date, the effective interest rate of cash and bank balances is approximately 0% – 4.1% per annum (2006: 0% – 3.625%)

26. TRADE PAYABLES AND BILLS PAYABLE

Ageing analysis of trade payables and bills payable at the year end date is as follows:

	The Group	
	2007	2006
	RMB'000	RMB'000
Trade payables		
0 – 60 days	**5,983**	864
61 – 90 days	**3,883**	–
91 – 365 days	**1,012**	25
Over 365 days	**951**	1,753
	11,829	2,642
Bills payable		
0 – 60 days	**21,622**	–

27. PROVISION, ACCURALS AND OTHER PAYABLES

As at 30 June 2007, provision, accruals and other payables included an amount of RMB10,441,000 (2006: RMB15,000,000) set aside in respect of alleged guarantees which are said to be issued by a PRC subsidiary of the Company of which the details have been set out in the Company's annual report for the year ended 30 June 2006. During the year, the Group reached a preliminary settlement agreement with the bank in which the Group agreed to settle the amount and to pledge its property under development (note 13), which was transferred to leasehold buildings and investment properties during the year (notes 12 and 14), as a security. Under the agreement, the Group has settled approximately RMB4,559,000 during the year and, of the total outstanding balance of RMB10,441,000, approximately RMB3,908,000 is repayable after 30 June 2008. However, since the formal execution of the security has not yet been completed, all the outstanding balance due has been classified as current liability.

28. DUE TO A DIRECTOR

The amount due to a director was unsecured, non-interest bearing and fully repaid during the year.

29. DUE TO SUBSIDIARIES

The amounts due to subsidiaries are unsecured, interest-free and have no fixed term of repayment. The carrying amount of the amounts due approximates their fair values.

30. INTEREST-BEARING BORROWINGS

	The Group		**The Company**	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Other loan, unsecured	–	9,478	–	9,478

The above loan was wholly repayable within five years and the maturity is as follows:

	The Group		**The Company**	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
On demand or within one year	–	4,798	–	4,798
More than one year, but not exceeding two years	–	2,340	–	2,340
More than two years, but not exceeding five years	–	2,340	–	2,340
	–	9,478	–	9,478
Less: Amounts due within one year shown under current liabilities	–	(4,798)	–	(4,798)
Non-current portion shown under non-current liabilities	–	4,680	–	4,680

30. INTEREST-BEARING BORROWINGS *(Continued)*

The loan beared interest at LIBOR plus 0.5% per annum and was repayable in 16 equal instalments over a period of 8 years from September 2001. In December 2006, the Company negotiated with the lender through an agent for early settlement and the lender agreed to waive approximately RMB905,000 of the loan balance. The Company made full settlement of the remaining balance accordingly.

31. SHORT TERM BANK LOANS

	The Group	
	2007	2006
	RMB'000	RMB'000
Bank loans, secured	**51,286**	–
Bank loan, unsecured	**88,234**	97,912
	139,520	97,912

The unsecured bank loan is borrowed from the Bank of China Shenzhen Branch ("BOC") by a PRC subsidiary of the Company. It bears interest at 6.372% and was overdue since September 2005. This interest rate has been increased to 9.558% as a penalty imposed by BOC. In December 2006, the Shenzhen Arbitration Committee made a decision in favour of BOC which has however subsequently agreed not to enforce its right to demand immediate repayment from the Group for a period of six months in order to allow the bank to restructure the outstanding debt into a loan secured against the property under development (note 13), which was transferred to property, plant and equipment and investment properties during the year (notes 12 and 14). As at 30 June 2007, the development of the property has been completed but, up to the date of issue of these financial statements, the restructuring of debt and the formal execution of the security has not yet been finalised.

The secured bank loans represent short-term loans borrowed from other banks by other subsidiaries of the Company which bear interest at the prevailing market interest rate and will become due within one year. The effective interest rates of the secured bank loans as at 30 June 2007 were between 5.265% to 6.1856% per annum.

32. SHARE CAPITAL

(a) Ordinary share capital

	2007		2006	
	No. of shares '000	**RMB'000**	No. of shares '000	RMB'000
Authorised:				
Ordinary shares of HK$0.1 (equivalent to RMB0.106) each	**1,000,000**	**106,000**	1,000,000	106,000
Ordinary shares, issued and fully paid:				
At 30 June 2007 and 1 July 2006	**350,000**	**37,100**	350,000	37,100

32. SHARE CAPITAL *(Continued)*

(b) Convertible redeemable preference shares

	2007		2006	
	No. of shares '000	**RMB'000**	No. of shares '000	RMB'000
Convertible redeemable preference shares, issued and fully paid:				
At beginning of year	**250,000**	**104,000**	–	–
Shares issued	**210,000**	**80,653**	250,000	104,000
At end of year	**460,000**	**184,653**	250,000	104,000
Represented by:				
Convertible redeemable preference shares	**350,000**	**142,406**	250,000	104,000
Convertible redeemable preference A shares	**110,000**	**42,247**	–	–
	460,000	**184,653**	250,000	104,000

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

(b) On 29 December 2006, the Company issued 110,000,000 convertible redeemable preference A shares of par value of HK$0.10 at a subscription price of HK$0.40 each in respect of the acquisition of a subsidiary (note 35).

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

(i) For the convertible redeemable preference shares issued on 29 June 2006 and 22 June 2007, the preference shareholder has the right, exercisable at any time from the date of issue (subject to the resumption of trading of the Company's shares) to the date being the 10 business days before the third anniversary of the date of initial issue of the convertible redeemable preference shares ("conversion period"), to convert the preference shares into fully paid ordinary shares. The Company has the right, exercisable following the end of the conversion period and up to the third anniversary of the date of the initial issue of the preference shares, to redeem all or part of the preference shares or to request the subscriber to convert all or part of preference shares into fully paid ordinary shares.

32. SHARE CAPITAL *(Continued)*

(b) Convertible redeemable preference shares *(Continued)*

(ii) For the convertible redeemable preference A shares issued on 29 December 2006, the preference shareholder has the right, exercisable at any time from the date of issue (subject to the resumption of trading of the Company's shares) to the date being the 10 business days before the second anniversary of the date of initial issue of the convertible redeemable preference shares ("conversion period"), to convert the preference shares into fully paid ordinary shares. The Company has the right, exercisable during the conversion period, to redeem all or part of the preference shares. The Company also has the right, exercisable following the end of the conversion period and up to the second anniversary of the date of the initial issue of the preference shares, to request the subscriber to convert all or part of preference shares into fully paid ordinary shares.

(iii) The convertible redeemable preference shares and convertible redeemable preference A shares are not transferable and do not carry the right to vote. Each share is entitled to be paid a fixed cumulative preferential dividend in priority to any payment to the holders of any other class of shares at the rate of 3.5% per annum on the amount paid up or credited as paid up.

Based on their terms and conditions, the convertible redeemable preference shares and convertible redeemable preference A shares have been presented as equity instrument in the balance sheet. The accumulated preferential dividends for the year amounted to RMB4,156,000 (2006: Nil).

33. RESERVES

	The Group					
	Share premium RMB'000	General reserve fund RMB'000 *(Note (a))*	Capital reserve RMB'000 *(Note (b))*	Exchange reserve RMB'000	Accumulated profits (losses) RMB'000	Total RMB'000
At 1 July 2005	7,160	5,309	13,841	–	110,258	136,568
Loss attributable to equity shareholders	–	–	–	–	(247,520)	(247,520)
Exchange difference arising from translation of financial statements of overseas operations	–	–	–	(864)	–	(864)
At 30 June 2006	**7,160**	**5,309**	**13,841**	**(864)**	**(137,262)**	**(111,816)**
Profit attributable to equity shareholders	**–**	**–**	**–**	**–**	**7,864**	**7,864**
Exchange difference arising from translation of financial statements of overseas operations	**–**	**–**	**–**	**(2,520)**	**–**	**(2,520)**
Transfer to profit or loss on disposal of foreign operations	**–**	**–**	**–**	**1,838**	**–**	**1,838**
At 30 June 2007	**7,160**	**5,309**	**13,841**	**(1,546)**	**(129,398)**	**(104,634)**

Notes:

(a) As stipulated by regulations in the PRC, two PRC subsidiaries are required to appropriate 10% of after-tax profit (after offsetting prior year losses) to a general reserve fund until the balance of the fund reaches 50% of its registered capital and thereafter any further appropriation is optional. The general reserve fund can be utilised to offset prior year losses, or for conversion into registered capital on the condition that the general reserve fund shall be maintained at a minimum of 25% of the registered capital after such utilisation.

(b) Capital reserve represents effect of the reorganisation of the Group through which the Company become the holding company of all group companies comprising the Group and capitalisation of shareholders' loans by a subsidiary.

33. RESERVES *(Continued)*

	The Company				
	Share premium	**Contributed surplus**	**Exchange reserve**	**Accumulated losses**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 July 2005	7,160	67,614	–	(52,731)	22,043
Loss attributable to equity shareholders	–	–	–	(15,036)	(15,036)
Exchange alignment	–	–	(1,116)	–	(1,116)
At 30 June 2006	**7,160**	**67,614**	**(1,116)**	**(67,767)**	**5,891**
Loss attributable to equity shareholders	**–**	**–**	**–**	**(651)**	**(651)**
Exchange alignment	**–**	**–**	**(4,895)**	**–**	**(4,895)**
At 30 June 2007	**7,160**	**67,614**	**(6,011)**	**(68,418)**	**345**

Note:

(a) Contributed surplus of the Company represents the difference between the nominal value of the ordinary shares issued by the Company and the net asset value of subsidiaries acquired through an exchange of shares pursuant to the group reconstruction on 16 January 2001.

Under the Companies Law (Revised) of the Cayman Islands, share premium and contributed surplus are distributable to shareholders, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of share premium, capital redemption reserve and contributed surplus if (i) it is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its share capital account.

(b) As at 30 June 2007, the Company's reserves available for distribution to shareholders amounted to RMB345,000 (2006: RMB5,891,000) computed in accordance with the Companies Law (Revised) of the Cayman Islands and the Company's articles of association. This includes the Company's share premium of RMB7,160,000 (2006: RMB7,160,000) and contributed surplus of RMB67,614,000 (2006: RMB67,614,000), less accumulated losses of RMB68,418,000 (2006: RMB67,767,000) and exchange loss of RMB6,011,000 (2006: RMB1,116,000), which is available for distribution provided that immediately following the date on which the dividend is proposed, the Company will be able to pay its debts as they fall due in the ordinary course of business.

34. DEFERRED TAXATION

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

Deferred income tax assets are recognised for tax loss carried forwards and other deductible temporary differences to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax loss of approximately RMB52,878,000 (2006: RMB57,047,000) to carry forward against future taxable income. Of the total amount of unrecognised tax loss, approximately RMB16,914,000 (2006: RMB22,873,000) can be carried forward for 5 years from the year of loss making and the remaining unrecognised tax losses have no expiry date.

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

	Revaluation of properties		**Taxation losses**		**Total**	
	2007 RMB'000	2006 RMB'000	**2007 RMB'000**	2006 RMB'000	**2007 RMB'000**	2006 RMB'000
At beginning of year	**–**	–	**–**	–	**–**	–
Acquisition of a subsidiary	**(1,207)**	–	**1,207**	–	**–**	–
(Charged) Credited to income statement	**(5,611)**	**–**	**5,611**	–	**–**	–
At end of year	**(6,818)**	–	**6,818**	–	**–**	–

35. ACQUISITION OF A SUBSIDIARY

The Group acquired the following subsidiary during the year:

Name	**Principal activities**	**Date of acquisition**	**Percentage of equity interest acquired**	**Component of cost**	**Cost** RMB'000
Weina Land Limited	Property investment	29/12/2006	100%	Issue of convertible redeemable preference A shares	42,247

35. ACQUISITION OF A SUBSIDIARY *(Continued)*

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

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

	Fair value RMB'000
Investment properties	**43,207**
Trade and other receivables	**9,886**
Cash and cash equivalents	**525**
Trade and other payables	**(431)**
Shareholder's loan	**(41,117)**
Short-term bank loan	**(9,602)**
Net assets acquired	**2,468**
Total purchase consideration, net of shareholder's loan acquired	**1,130**
Excess of fair value of identified net assets acquired over purchase consideration recognised in consolidated income statement *(note 3)*	**1,338**
Cash and cash equivalents of the subsidiary acquired	**525**
Net cash inflow from acquisition of the subsidiary	**525**

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

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

36. DISPOSAL OF SUBSIDIARIES

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

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

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

37. EMPLOYEE RETIREMENT BENEFITS

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

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

During the year ended 30 June 2007, the aggregate employer's contributions made by the Group amounted to RMB409,000 (2006: RMB325,000).

38. EMPLOYEE SHARE OPTIONS

The Company has an employee share option scheme, under which it may grant options to employees of the Group (including executive directors of the Company) to subscribe for shares in the Company, subject to a maximum of 10% of the issued share capital of the Company as at the adoption date and as at the approval date of refreshment from time to time, excluding for this purpose shares issued on the exercise of options. The subscription price will be determined by the Company's board of directors and will not be less than the highest of (i) the nominal value of the Company's shares, (ii) the average of the closing price of the shares quoted on the Main Board of The Stock Exchange of Hong Kong Limited on the five trading days immediately preceding the grant date and (iii) the closing price of the shares on the grant date. No option has been granted since the adoption of the share option scheme and up to the balance sheet date.

Subsequent to the balance sheet date, the Company issued 11,228,000 share options to the employees of the Group. The share options are exercisable for the period from 6 July 2007 to 5 July 2008 at an exercise price of HK$1.14 per share.

39. COMMITMENTS

(a) Capital commitments

	2007 **RMB'000**	2006 RMB'000
Authorised and contracted for the capital expenditure in respect of:		
Property under development	**–**	31,592

(b) Operating lease commitments

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

	For premises		**For equipment**	
	2007 **RMB'000**	2006 RMB'000	**2007** **RMB'000**	2006 RMB'000
Within one year	**1,120**	2,087	**17**	17
Between two and five years	**–**	1,268	**49**	72
	1,120	3,355	**66**	89

The Group leases office premises and other equipment under operating leases, which typically run for an initial period of 2 and 5 years respectively. None of the leases includes contingent rentals.

39. COMMITMENTS *(Continued)*

(b) Operating lease commitments *(Continued)*

(ii) The Group leased out all its investment properties under operating leases with average lease terms of 2 years. At the balance sheet date, the Group had total future minimum lease receivables under non-cancellable operating leases as follows:

	2007 **RMB'000**	2006 RMB'000
Within one year	**8,389**	–
Between two and five years	**6,442**	–
	14,831	–

40. PLEDGE OF ASSETS

At 30 June 2007, the Group has pledged certain of its investment properties with carrying value of approximately RMB44,493,000 (2006: Nil) and bank deposits of RMB12,099,000 (2006: Nil) to the banks to secure general banking facilities granted to the Group.

41. FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade receivables and available-for-sale securities. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

At the balance sheet date, the Group has a certain concentration of credit risk, as 11.71% (2006: 38%) and 94.96% (2006: 76%) of the total trade receivables were due from the Group's largest customer and the five largest customers.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. Except for the guarantee given by the Company in respect of loans and general banking facilities granted to subsidiaries of the Company and guarantee allegedly being given by a PRC subsidiary of the Company as disclosed in notes 42 and 43, the Group does not provide any other guarantees which would expose the Group to credit risk.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

41. FINANCIAL INSTRUMENTS *(Continued)*

(c) Interest rate risk

The Group has exposed to both fair value interest rate risk and cash flows interest rate risk through the impact of the rate changes on fixed interest rate bank borrowings and floating interest rate borrowings respectively. The Group currently does not have an interest rate hedging policy.

(d) 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 relate. The currencies giving rise to this risk are primarily Hong Kong dollars and United States dollars. The Group has not used any forward contracts or currency borrowings to hedge its exposure as foreign currency risk is considered to be minimal.

42. FINANCIAL GUARANTEES

At 30 June 2007, the Company had issued corporate guarantees to banks in respect of bank loans and general banking facilities granted to and utilised by its subsidiaries amounting to approximately RMB150,000,000 (2006: approximately RMB98,000,000). The fair value of these guarantees is insignificant.

43. CONTINGENT LIABILITIES

During the year ended 30 June 2006, a claim was made by a PRC bank (the "Bank") against a PRC subsidiary of the Company, Techwayson Industrial Limited ("TWS"), under a corporate guarantee allegedly provided by the subsidiary to the Bank in respect of the outstanding loan indebtedness of approximately RMB60,693,000, together with interest, owed by a third party, Shenzhen Ji Hai Industrial Company. A judgement was made by the relevant court on the litigation regarding the alleged corporate guarantee given by TWS in favour of the Bank. However, the Group was advised by its lawyers that it has strong grounds to defend the case in view of certain irregularities of the alleged guarantee. TWS has made an appeal against the judgement and no provision for this alleged guarantee has been made.

44. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions.

Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 7 and certain of the highest paid employees as disclosed in note 8, is as follows:

	2007 **RMB'000**	2006 RMB'000
Salaries and other short-term employee benefits	**4,310**	2,399

45. POST BALANCE SHEET EVENTS

On 6 July 2007, the Company issued 70,000,000 new ordinary shares by private placing at an issue price of HK$0.30 each.

On 31 August 2007, a wholly-owned subsidiary of the Company entered into a non-binding letter of intent with an independent third party relating to the development of a property located in the PRC. According to the letter of intent, the Group would inject RMB70 million for the development of two buildings and will be entitled to share 60% of the after-tax net profit arising form the sales of property units upon the completion of the development project.

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

At 30 June 2007

A. PROPERTIES IN PRC

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

B. PROPERTIES IN HONG KONG

Location	Usage	Approximate saleable area	Lease term	Group's interest
Unit 302,3/F., Lippo Sun Plaza, No. 28 Canton Road, Kowloon.	Office premises	79.06 sq. m.	Medium	100%
Unit 702,7/F., Lippo Sun Plaza, No. 28 Canton Road, Kowloon.	Office premises	79.06 sq. m.	Medium	100%
Unit 520,5/F., East Ocean Centre, 98 Granville Road, Kowloon.	Office premises	53.51 sq. m.	Medium	100%
Units 708 & 709,7/F., East Ocean Centre, 98 Granville Road, Kowloon.	Office premises	107.02 sq. m.	Medium	100%
Unit 711,7/F., East Ocean Centre, 98 Granville Road, Kowloon.	Office premises	53.51 sq. m.	Medium	100%
Unit 713,7/F., East Ocean Centre, 98 Granville Road, Kowloon.	Office premises	53.51 sq. m.	Medium	100%