ANNUAL REPORT
2008

新移動

新世界移動控股有限公司

New World Mobile Holdings Limited

(Stock Code : 862)

Contents

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

Mr. Lo Lin Shing, Simon *(Chairman)*
Mr. Ho Hau Chong, Norman

Independent Non-executive Directors:

Mr. Lau Wai Piu
Mr. Tsui Hing Chuen, William, *JP*
Mr. Lee Kee Wai, Frank

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Mr. Tang Chi Kei

INDEPENDENT AUDITOR

PricewaterhouseCoopers

LEGAL ADVISER

Iu, Lai & Li

PRINCIPAL BANKER

Standard Chartered Bank

AUDIT COMMITTEE

Mr. Lau Wai Piu *(Chairman)*
Mr. Tsui Hing Chuen, William, *JP*
Mr. Lee Kee Wai, Frank

REMUNERATION COMMITTEE

Mr. Lau Wai Piu *(Chairman)*
Mr. Tsui Hing Chuen, William, *JP*
Mr. Lee Kee Wai, Frank

REGISTERED OFFICE

P.O. Box 309
Ugland House
South Church Street
George Town
Grand Cayman
Cayman Islands
British West Indies

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1502-5, New World Tower I
16-18 Queen's Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR

Butterfield Fund Services (Cayman) Limited
Butterfield House
P.O. Box 705
George Town
Grand Cayman
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Tricor Abacus Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

STOCK CODE

862

WEBSITE

www.nwmhl.com.hk

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

On behalf of the board of directors (the "Board"), I hereby present to the shareholders the annual results of New World Mobile Holdings Limited (the "Company") and its subsidiaries (the "Group") for the year ended 30 June 2008.

RESULTS SUMMARY

– Turnover declined 75.7% to HK$3.4 million (2007: HK$14.2 million)
– Loss attributable to equity holders of the Company was HK$11.6 million (2007: Profit of HK$293.1 million)
– Basic loss per share was HK$0.12 (2007: Earnings per share of HK$3.03)

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The wireless value-added business almost came to a standstill for the year ended 30 June 2008. The revenue decreased dramatically was primarily due to the ongoing negative impact of the implementation of new mobile operator policies in PRC since 2006. The PRC market for wireless value-added services is intensely competitive and changing rapidly. The recently announced restructuring of the PRC telecom industry created further uncertainty in this market segment. In response to the continuous drop in revenue, the management took swift actions to downsize the wireless value-added operations in order to contain operating costs.

During the year, the Group acquired a network solutions and project services business. The acquisition was completed in late April 2008. This newly acquired business contributed approximately HK$2.9 million of turnover to the Group. For the network solutions services, it provides network solutions to users relating to broadband, multimedia and wireless applications. For the project services, it mainly provides installation services of radio and microwave infrastructure for major telecom equipment vendors in Hong Kong such as ZTE Corporation and Alcatel-Lucent.

In order to further diversify the businesses of the Group, the Company announced on 15 April 2008 to acquire a company holding an investment property in Beijing, PRC (the "Property"). The investment property comprises a 3-storey detached villa house with private garden and carport. The acquisition was completed immediately before year ended. The Property was subject to a tenancy which was expired on 30 June 2008. Following the completion of the original tenancy, the Property was subject to certain renovation works in order to maintain and improve its competitiveness. The Property was revalued for the amount of approximately HK$7.4 million at 30 June 2008 by RHL Appraisal Limited (a third party valuer independent of the Company) on an open market basis.

Financial Review

1. *Results Analysis*
   For the year ended 30 June 2008, turnover dropped by 75.7% to HK$3.4 million (2007: HK$14.2 million). The significant shrinkage in turnover was primarily due to the continue deterioration in the mobile value-added business. For current year's turnover, approximately 84.4% of which was contributed by the newly acquired network solutions and project services business.

CHAIRMAN'S STATEMENT

Operating loss before finance costs was HK$11.6 million (2007: Operating profit before finance costs of HK$284.1 million). In 2007, the operating profit before finance costs included a one-off gain on the disposal of a subsidiary of HK$305.8 million. By eliminating this non-recurring gain, the operating loss before finance costs was in fact reduced by HK$10.1 million when compared to last accounting year.

No finance costs were incurred for the year ended 30 June 2008 (2007: HK$53.6 million) because the Group has no gearing.

2. *Liquidity and capital resources*
   As at 30 June 2008, the capital and reserves attributable to the equity holders of the Company was HK$44.1 million (2007: HK$55.7 million). The Group has no bank or other borrowings as at year ended date (2007: Nil). The Group's bank balances were HK$36.0 million (2007: HK$55.5 million). The Group has sufficient liquidity and financial resources to meet its daily operational needs and make additional investments should opportunities arise.

3. *Foreign Exchange*
   The key operations of the Group are located in Hong Kong and mainland China. The Group's assets and liabilities are mainly denominated in Hong Kong dollar, United States dollar and Renminbi. The Group does not have a foreign currency hedging policy. However, the management of the Group continues to monitor foreign exchange exposure and will consider hedging significant currency exposures should the need arises.

4. *Contingent liabilities*
   As at 30 June 2008, the Group did not have significant contingent liabilities (2007: Nil).

Outlook

In the coming year, the Group will concentrate on the businesses of network solutions, project services and property investments.

The strength in our project services is in cellular and wireless system installations. The Group will seek new business opportunities by working with mobile operators and partnering with other global system vendors to be their qualified contractor.

With the promotion of free wireless LAN communication in the public areas of Hong Kong government premises, more wireless LAN project opportunities appear in the market from different industry segments such as hotels, shopping malls etc. The Group has already positioned itself to tap these new market opportunities by offering unique wireless LAN solutions with add-ons features such as guest access time limitation, voice over Wi-Fi and interference free wireless solution.

CHAIRMAN'S STATEMENT

The Office of the Telecommunications Authority of Hong Kong planned to conduct the auction of new broadband wireless access licenses by the end of 2008. Our Group has already partnered with a global Wi-Max vendor, AirSpan, to offer end-to-end solution from base station to customer premises equipment. In order to seize business opportunities in this new market, the Group is currently working with one of the potential customer on trial tests.

As China's overall economy continues to maintain steady growth, the management of the Company is optimistic about the future of the PRC property market. The Property will be renting out as soon as possible after the completion of the necessary renovation works in order to enhance the Group revenue.

HUMAN RESOURCES

As at 30 June 2008, the Group had employed a total of 25 full-time employees (2007: 79) in Hong Kong and PRC. Remuneration packages are structured to take into account the level and composition of pay and the general market conditions in the respective geographical locations and businesses in which the Group operates. The remuneration policies of the Group are reviewed on periodic basis. Apart from retirement schemes, year-end bonuses and share options are awarded to the employees according to the assessment of individual performance and industry practice. Appropriate training programs are also offered for staff training and development.

APPRECIATION

On behalf of the Board, I would like to thank our management and all colleagues for their hard work and dedication during the previous year as well as valued shareholders, customers and working partners who have stood by the Group.

Lo Lin Shing, Simon
Chairman
Hong Kong, 6 October 2008

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board recognises the importance of maintaining a high standard of corporate governance to protect and enhance the benefits of shareholders and has applied the principles of the code provisions of the Code on Corporate Governance Practices contained in Appendix 14 (the "CG Code") of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

For the year ended 30 June 2008, the Company has complied with the code provisions of the CG Code with deviations from the code provision A.2.1, A.4.1 and A.4.2 of the CG Code as summarised below:

i. In accordance with CG Code provision A.2.1 stipulates that the roles of chairman and chief executive officer ("CEO") should be separated and should not be performed by the same individual.

   Mr Lo Lin Shing, Simon is the chairman of the Company and has also carried out the responsibility of CEO. Mr Lo possesses the essential leadership skills to manage the Board and extensive knowledge in the business of the Group. The Board considers the present structure is more suitable for the Company because it can promote the efficient formulation and implementation of the Company's strategies.

ii. Under the code provision A.4.1 and A.4.2 of the CG Code, (a) non-executive directors should be appointed for a specific term and subject to re-election; and (b) all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment, and every directors, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

   None of the existing non-executive directors of the Company is appointed for a specific term. This constitutes a deviation from code provision A.4.1 of the CG Code. However, they are subject to the retirement by rotation in accordance with the provisions of the Company's articles of association. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted its own code of conduct regarding securities transactions by directors and employees who are likely to be in possession of unpublished price sensitive information of the Company on terms no less exacting than those set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") in Appendix 10 of the Listing Rules.

Upon specific enquiry by the Company, all directors of the Company have confirmed that they have complied with the required standards set out in Model Code throughout the year ended 30 June 2008.

CORPORATE GOVERNANCE REPORT

ATTENDANCE RECORD AT BOARD, AUDIT AND REMUNERATION COMMITTEES' MEETING

The following was an attendance record of the Board and board committees meetings held during the year ended 30 June 2008:

	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting
Number of meetings	**4**	**2**	**1**
Executive directors			
Mr. Lo Lin Shing, Simon	3/4	N/A	N/A
Mr. Ho Hau Chong, Norman	3/4	N/A	N/A
Independent non-executive directors and Members of Audit and Remuneration Committees			
Mr. Lau Wai Piu	4/4	2/2	1/1
Mr. Tsui Hing Chuen, William, *JP*	4/4	2/2	1/1
Mr. Lee Kee Wai, Frank	4/4	2/2	1/1

BOARD

a) Board Composition

The Board currently comprises two executive directors and three independent non-executive directors, serving the important function of guiding the management.

The Board members for the year ended 30 June 2008 and up to the date of the annual report were:

Executive directors
Mr. Lo Lin Shing, Simon
Mr. Ho Hau Chong, Norman

Independent non-executive directors
Mr. Lau Wai Piu
Mr. Tsui Hing Chuen, William, *JP*
Mr. Lee Kee Wai, Frank

None of the members of the Board is related to one another.

CORPORATE GOVERNANCE REPORT

The Company is in full compliance with the relevant Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director processing appropriate accounting qualification.

All independent non-executive directors are financially independent from the Company and any of its subsidiaries. The Company has received written annual confirmation of independence from each of the existing independent non-executive directors pursuant to Rule 3.13 of the Listing Rules. Accordingly, the Company considers all independent non-executive directors to be independent.

b) Role and Function

The Board is responsible for formulating the strategic business development, reviewing and monitoring the business performance of the Group, as well as preparing and approving financial statements. The directors, collectively and individually, are aware of their responsibilities to shareholders, for the manner in which the affairs of the Company are managed and operated. In the appropriate circumstances and as when necessary, directors will consent to the seeking of independent professional advice at the Group's expense, ensuring that Board procedures, and all applicable rules and regulations, are followed.

The Board gives clear directions as to the powers delegated to the management for the management and administration functions of the Group, in particular, with respect to the circumstances where management should report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Group. The Board will review those arrangements on a periodic basis to ensure that they remain appropriate to the needs of the Group.

For the year ended 30 June 2008, the Board:–

i. reviewed the performance of the Group and formulated business strategy of the Group;

ii. reviewed and approved the annual and interim results of the Group;

iii. reviewed the internal controls of the Group;

iv. reviewed and approved the general mandates to issue shares of the Company;

v. reviewed and approved the price-sensitive transactions;

vi. reviewed and approved the notifiable transactions of the Company; and

vii. reviewed and approved the auditor's remuneration and recommend the re-appointment of Pricewaterhouse Coopers as the independent auditor of the Group respectively.

CORPORATE GOVERNANCE REPORT

c) Accountability and Audit

The directors are responsible for preparing the accounts of each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. The directors also ensure that the financial statements of the Group are prepared in accordance with the statutory requirements and applicable accounting policies.

In preparing the financial statements, the directors consider that the financial statements of the Group are prepared on the going concern basis and appropriate accounting policies have been consistently applied. The directors have also made judgments and estimates that are prudent and reasonable in the preparation of the financial statements.

The statement of the auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 23-24.

d) Internal Control and Risk Management

The Board is responsible for the Group's system of internal control so as to maintain sound and effective internal controls to safeguard the shareholders' investment and the assets of the Group.

The Board has established an on-going process for identifying, evaluating and managing the significant risks faced by the Group. This process includes continuous updating of the internal control system of the Group in response to the changing business environment and regulatory requirements. The Board is also conducting a review of the internal controls of the Group to ensure that the policies and procedures in place are adequate. During the year, an independent professional consultant was engaged to conduct an internal control review of the Group and reported to the Audit Committee and the Company. No major issue but only minor areas for improvement had been identified. The Board assesses the effectiveness of the Group's internal control system which covers all material controls, including financial, operational and compliance controls and risk management functions.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

The Board has also established the following committees with defined terms of reference:

* Audit Committee

* Remuneration Committee

Each board committee makes decisions on matters within its terms of reference and applicable limits of authority. The terms of reference as well as the structure and membership of each committee will be reviewed from time to time.

Audit Committee

The audit committee currently consists of three independent non-executive directors.

a) *Composition of audit committee members during the year and up to the date of this report*
Mr. Lau Wai Piu *(Chairman of Audit Committee)*
Mr. Tsui Hing Chuen, William, *JP*
Mr. Lee Kee Wai, Frank

b) *Role and Function*
The audit committee is mainly responsible for:

i. to review the Group's financial and accounting policies and financial statements half yearly before submission to, and provide advice and comments thereon to the Board;

ii. to discuss with the independent auditor the nature and scope of audit and review audit issues raised by the independent auditor;

iii. to review the financial controls, internal controls and risk management systems of the Group; and

iv. to consider the appointment, resignation or dismissal of external auditors and their audit fees.

CORPORATE GOVERNANCE REPORT

Remuneration Committee

The remuneration committee currently consists of three independent non-executive directors.

a) *Composition of remuneration committee members during the year and up to the date of this report*
   Mr. Lau Wai Piu *(Chairman of Remuneration Committee)*
   Mr. Tsui Hing Chuen, William, *JP*
   Mr. Lee Kee Wai, Frank

b) *Role and Function*
   The remuneration committee is mainly responsible for:

   i. reviewing and approving the compensation payable to executive directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company;

   ii. ensuring the remuneration offer is appropriate for the duties and in line with market practice;

   iii. making recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management and engage an independent consultant to conduct a report on emoluments review; and

   iv. ensuring that no director or any of his associates is involved in deciding his own remuneration. Where circumstances are considered appropriate, the remuneration committee decisions are approved by way of written resolutions passed by all the remuneration committee members.

CORPORATE GOVERNANCE REPORT

INDEPENDENT AUDITOR

It is the auditor's responsibility to form an independent opinion, based on their audit, on those financial statements and to report their opinion solely to the Company, as a body, and for no other purpose. They do not assume responsibility towards or accept liability to any other person for the contents of the independent auditor's report. Apart from the provision of annual audit services, PricewaterhouseCoopers, the independent auditor of the Company also prepared accountants' report of circulars of the Group.

For the year ended 30 June 2008, PricewaterhouseCoopers provided the following services to the Group:

	HK$'000
Audit services	1,200
Non-audit services	831

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

DIRECTORS' AND SENIOR MANAGEMENT PROFILE

EXECUTIVE DIRECTORS

Mr. Lo Lin Shing, Simon

Mr. Lo, aged 52, joined the Company in March 2000 and is currently an executive director of the Company. Mr. Lo has over 20 years of experience in the financial, securities and futures industries, including many trans-border transactions. Mr. Lo is the chairman of Mongolia Energy Corporation Limited, deputy chairman of Taifook Securities Group Limited, executive director of International Entertainment Corporation, all of which are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Mr. Ho Hau Chong, Norman

Mr. Ho, aged 53, was appointed as a non-executive director of the Company in November 2000 and re-designated as executive director in 11 January 2007. Mr. Ho has over 20 years of experience in management and property development. He is a member of the Institute of Chartered Accountants in England and Wales, and a fellow member of The Hong Kong Institute of Certified Public Accountants. Mr. Ho is a director of CITIC Pacific Limited, Starlight International Holdings Limited, Taifook Securities Group Limited, Miramar Hotel and Investment Company, Limited, Hong Kong Ferry (Holdings) Company Limited, Lee Hing Development Limited and Shun Tak Holdings Limited, all of which are listed on the Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tsui Hing Chuen, William, *JP*

Mr. Tsui, aged 57, was appointed as an independent non-executive director in September 2006. Mr. Tsui is the founding partner of Messrs. Lo, Wong & Tsui, Solicitors & Notaries since 1980. He has been a solicitor of the High Court of Hong Kong since 1977, a solicitor of the Supreme Court of England & Wales since 1980, and a barrister and solicitor of the Supreme Court of Victoria, Australia since 1983. He has also been an advocate and solicitor of the Supreme Court of Republic of Singapore since 1985 and a notary public appointed by the Archbishop of Canterbury, England since 1988. Mr. Tsui was appointed as a Justice of the Peace by the Government of Hong Kong in 1997. He is also an independent non-executive director of Taifook Securities Group Limited, Mongolia Energy Corporation Limited and International Entertainment Corporation, all of which are listed on the Stock Exchange.

Mr. Lee Kee Wai, Frank

Mr. Lee, aged 49, was appointed as an independent non-executive director in April 2007. Mr. Lee is the Senior Partner of Messrs. Vincent T.K. Cheung, Yap & Co., Solicitors and Notaries. Mr. Lee is a qualified solicitor in the respective jurisdictions of Hong Kong, England, Singapore and the Australian Capital Territory. He is also a China-Appointed Attesting Officer and a member of the Chartered Institute of Arbitrators. Mr. Lee is a graduate of Bachelor of Laws from the London School of Economics & Political Science and has also obtained a Master of Laws degree from Cambridge University. Mr. Lee is also a non-executive director of Pico Far East Holdings Limited, a company listed on the Stock Exchange.

DIRECTORS' AND SENIOR MANAGEMENT PROFILE

Mr. Lau Wai Piu

Mr. Lau, aged 44, was appointed as an independent non-executive director in March 2007. Mr. Lau has over 20 years extensive experience in accounting and financial management. He is a member of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants. Mr. Lau is also an independent non-executive director of Taifook Securities Group Limited, Mongolia Energy Corporation Limited and International Entertainment Corporation, all of which are listed on the Stock Exchange.

SENIOR MANAGEMENT

Mr. Choi Wing Kin, Ricky

Mr. Choi, aged 48, is the chief operating officer of the Company's major subsidiary overseeing its overall business operation. Mr. Choi has over 20 years' experience in IT and telecommunications industry. Mr. Choi possesses a Professional Chartered Engineer qualification from the Engineering Council (UK). He is a member of The Institution of Engineers (Australia) and a member of the Institution of Electrical Engineers (UK). Mr. Choi has a Bachelor of Science degree in Electronics & Computer Science from the Chinese University of Hong Kong.

DIRECTORS' REPORT

The directors present their report together with the audited financial statements of the Company and its subsidiaries for the year ended 30 June 2008.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding and the activities of its principal subsidiaries are set out in note 20 to the financial statements.

The analysis of the principal activities and geographical locations of the operations of the Group for the year ended 30 June 2008 is set out in note 7 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 June 2008 are set out in the Consolidated Income Statement on page 25.

No interim dividend was declared for the year ended 30 June 2008 (2007: Nil) and the directors do not recommend the payment of a final dividend for the year ended 30 June 2008 (2007: Nil).

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the share capital and the share options of the Company during the year are set out in note 29 to the financial statements.

RESERVES

Movements in reserves of the Group and the Company during the year are set out in note 30 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment of the Group during the year are set out in note 18 to the financial statements.

GROUP FINANCIAL INFORMATION

A summary of results, assets and liabilities of the Group for the five years ended 30 June 2008 is set out on page 77.

DIRECTORS' REPORT

MAJOR SUPPLIERS AND CUSTOMERS

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases

the largest supplier	32%
five largest suppliers in aggregate	47%

Sales

the largest customer	21%
five largest customers in aggregate	65%

None of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) has any interest in the Group's five largest suppliers or customers.

DIRECTORS

The directors of the Company during the year and up to the date of this report are as follows:

Executive directors

Mr. Lo Lin Shing, Simon
Mr. Ho Hau Chong, Norman

Independent non-executive directors

Mr. Lau Wai Piu
Mr. Tsui Hing Chuen, William, *JP*
Mr. Lee Kee Wai, Frank

In accordance with article 116 of the Company's articles of association, Mr. Ho Hau Chong, Norman and Mr. Tsui Hing Chuen, William, JP retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The directors of the Company, including the independent non-executive directors are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's articles of association.

DIRECTORS' REPORT

The directors' and the senior management profile of the Group are set out on pages 13 and 14.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices.

Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 6 to 12.

DIRECTORS' INTERESTS AND SHORT POSITIONS

As at 30 June 2008, the interests or short positions of the directors of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

1 Long positions in the shares

Name of director	Capacity	Number of shares interested	Percentage of shareholding
Mr. Lo Lin Shing, Simon	Interest of a controlled corporation *(Note)*	55,355,406	56.55%
Mr. Ho Hau Chong, Norman	Beneficial	78,000	0.08%

Note: These shares are beneficially owned by Moral Glory International Limited, a company wholly-owned by Mr. Lo Lin Shing, Simon.

DIRECTORS' REPORT

2 Long positions in the underlying shares

Name of director	Capacity	Number of underlying shares Interested	Percentage of shareholding
Mr. Lo Lin Shing, Simon	Personal	78,000	0.08%

Save as disclosed above and the section headed "Share Option Schemes", as at 30 June 2008, none of the directors, chief executives and their respective associates had any interest in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register maintained by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS/ OTHER PERSONS UNDER THE SFO

The register of interests in shares and short positions maintained under section 336 of the SFO showed that as at 30 June 2008, the Company had been notified of the following interests in shares representing 5% or more of the Company's issued share capital:

Long position and short position of substantial shareholders in the shares and/or underlying shares

Name	Capacity in which such interest is held	Number of shares	Percentage of shareholding
Ms. Ku Ming Mei, Rouisa *(Note 1)*	Interest of spouse	55,433,406	56.63%
Moral Glory International Limited *(Note 2)*	Beneficial owner	55,355,406	56.55%

Notes:–

1. Ms. Ku Ming Mei, Rouisa is the spouse of Mr. Lo Lin Shing, Simon ("Mr. Lo") and accordingly, she is deemed to be interested in 55,433,406 shares under the SFO.

2. Moral Glory International Limited is wholly-owned by Mr. Lo.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year and up to the date of this report, to the best knowledge of the directors, none of the directors and their respective associates were considered to have any interests in the businesses which compete or were likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the directors were appointed as directors to represent the interests of the Company and/or the Group.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

DIRECTORS' SERVICE CONTRACTS

None of the directors proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the businesses of the Company were entered into or existed during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed under the section headed "Share Option Scheme" below, at no time during the year was the Company or any of its subsidiaries a party to any other arrangements to enable the directors or chief executive or any of their spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in the Company, its subsidiaries or any other body corporate.

SHARE OPTION SCHEME

At an extraordinary general meeting of the Company held on 28 May 2002, the shareholders of the Company approved the termination of the share option scheme adopted by the Company on 11 September 1998 (the "1998 Share Option Scheme") and the adoption of a new share option scheme (the "2002 Share Option Scheme") in compliance with the requirements of the Listing Rules. Upon termination of the 1998 Share Option Scheme, no further options could be granted under the 1998 Share Option Scheme. However, the outstanding share options granted thereunder would continue to be valid and exercisable in accordance with the provisions of the 1998 Share Option Scheme.

DIRECTORS' REPORT

The following is a summary of the terms of the 2002 Share Option Scheme:

1. Purpose

The purpose of the 2002 Share Option Scheme is to enable the Company to grant options to the participants as incentive or rewards for their contributions to the Group.

2. Participants

The eligible participants of the 2002 Share Option Scheme include any director, employee, consultant, agent, supplier, customer or shareholder of the Group or any entity in which the Group holds any equity interest.

3. Number of shares available for issue

The total number of shares available for issue under the 2002 Share Option Scheme is 9,769,206 shares which represents 9.98% of the issued share capital of the Company as at the date of this report.

4. Maximum entitlement of each participant

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including exercised, cancelled and outstanding options) in any 12-month period must not exceed 1% of the shares of the Company in issue unless separately approved by the shareholders in general meeting.

5. Option period

An option may be exercised in accordance with the terms of the 2002 Share Option Scheme at any time during the period as the board of directors in its absolute discretion determine and in any event such period of time shall not be more than 10 years from the date upon which the offer of the option is made to the grantee.

6. Vesting period

The directors may, if consider appropriate, determine the minimum period for which an option must be held before it can be exercised.

7. Amount payable on acceptance of option

Upon acceptance of the offer for an option, the grantee shall pay HK$1.00 as consideration for the grant.

DIRECTORS' REPORT

8. Subscription price

The subscription price for a share in respect of any option granted shall be a price determined by the board of directors in its absolute discretion but shall be at least the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant; and (iii) the nominal value of a share.

9. Life of the scheme

The 2002 Share Option Scheme is valid and effective for a term of 10 years commencing 28 May 2002.

Movements of the share options granted under the 1998 Share Option Scheme and the 2002 Share Option Scheme during the year were as follows:

Name of director	Date of grant	Exercise price HK$	Exercise period	As at 1 July 2007	Cancelled during the year	Exercised during the year	As at 30 June 2008
Mr. Lo Lin Shing, Simon	8/2/2002	2.440	9/2/2002 to 8/2/2008	200,000	–	200,000	–
	28/1/2005	1.260	28/1/2005 to 31/12/2010	78,000	–	–	78,000
				278,000	–	200,000	78,000

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

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

PRE-EMPTIVE RIGHTS

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

DIRECTORS' REPORT

AUDIT COMMITTEE

The audit committee of the Company currently comprises Mr. Lau Wai Piu, Mr. Tsui Hing Chuen, William, *JP* and Mr. Lee Kee Wai, Frank who are independent non-executive directors of the Company and their principal duties include the review and supervision of the Company's financial reporting process, internal control procedures and relationship with the Company's external auditors.

The audited financial statements for the year ended 30 June 2008 have been reviewed by the audit committee.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, the Company maintained the prescribed public float under the Listing Rules throughout the year ended 30 June 2008.

INDEPENDENT AUDITOR

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Lo Lin Shing, Simon
Chairman

Hong Kong, 6 October 2008

INDEPENDENT AUDITOR'S REPORT

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TO THE SHAREHOLDERS OF NEW WORLD MOBILE HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of New World Mobile Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 25 to 76, which comprise the consolidated and Company balance sheets as at 30 June 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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.

INDEPENDENT AUDITOR'S REPORT

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2008 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 6 October 2008

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 30 June 2008 HK$'000	2007 HK$'000
Turnover	6	**3,438**	14,155
Cost of sales	10	**(3,067)**	(5,590)
Gross profit		**371**	8,565
Other revenue	8	**1,248**	1,770
Other (losses)/gains – net	9	**(271)**	312,480
Selling expenses	10	**(274)**	(7,234)
Administrative expenses	10	**(12,723)**	(31,515)
Operating (loss)/profit before finance costs		**(11,649)**	284,066
Finance costs	11	**–**	(53,590)
Operating (loss)/profit before share of profit of associates		**(11,649)**	230,476
Share of profit of associates	21	**–**	62,577
(Loss)/profit before income tax		**(11,649)**	293,053
Income tax expense	14	**–**	–
(Loss)/profit for the year		**(11,649)**	293,053
(Loss)/profit attributable to equity holders of the Company		**(11,649)**	293,053
(Loss)/earnings per share attributable to the equity holders of the Company during the year			
Basic (loss)/earnings per share	15	**(HK$0.12)**	HK$3.03
Diluted (loss)/earnings per share	15	**(HK$0.12)**	HK$3.03

The notes on pages 30 to 76 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

	Note	As at 30 June 2008 HK$'000	2007 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*18*	**4,601**	5,383
Investment property	*19*	**7,370**	–
Goodwill	*22*	**3,592**	–
		15,563	5,383
Current assets			
Trade receivables	*23*	**3,047**	1,185
Inventories	*24*	**1,231**	–
Prepayments, deposits and other receivables		**1,069**	1,556
Amount due from a related company	*25*	**–**	813
Restricted bank balances	*26*	**1,000**	829
Cash and bank balances	*27*	**35,000**	54,652
		41,347	59,035
Total assets		**56,910**	64,418
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	*29*	**97,892**	97,692
Other reserves	*30*	**12,740**	12,901
Accumulated losses		**(66,556)**	(54,907)
Total equity		**44,076**	55,686
LIABILITIES			
Current liabilities			
Trade payables	*28*	**4,586**	190
Accrued charges, other payables, deposits received and deferred revenue		**7,802**	8,542
Amount due to a related company	*25*	**446**	–
Total liabilities		**12,834**	8,732
Total equity and liabilities		**56,910**	64,418
Net current assets		**28,513**	50,303
Total assets less current liabilities		**44,076**	55,686

On behalf of the Board

Lo Lin Shing, Simon
Director

Ho Hau Chong, Norman
Director

The notes on pages 30 to 76 are an integral part of these consolidated financial statements.

BALANCE SHEET

	Note	As at 30 June 2008 HK$'000	2007 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*18*	**–**	–
Investments in subsidiaries	*20*	**19,302**	49,506
		19,302	49,506
Current assets			
Amount due from a related company	*25*	**224**	225
Prepayments, deposits and other receivables		**576**	188
Cash and bank balances	*27*	**30,440**	47,445
		31,240	47,858
Total assets		**50,542**	97,364
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	*29*	**97,892**	97,692
Other reserves	*30*	**14,243**	12,062
Accumulated losses		**(68,333)**	(15,520)
Total equity		**43,802**	94,234
LIABILITIES			
Current liabilities			
Amounts due to subsidiaries		**4,640**	2,171
Accrued charges and other payables		**2,100**	959
Total liabilities		**6,740**	3,130
Total equity and liabilities		**50,542**	97,364
Net current assets		**24,500**	44,728
Total assets less current liabilities		**43,802**	94,234

On behalf of the Board

Lo Lin Shing, Simon
Director

Ho Hau Chong, Norman
Director

The notes on pages 30 to 76 are an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

	Note	Year ended 30 June 2008 HK$'000	2007 HK$'000
Cash flows from operating activities			
Cash used in operations	*32*	**(14,598)**	(39,888)
Interest paid		**–**	(119,973)
Net cash used in operating activities		**(14,598)**	(159,861)
Cash flows from investing activities			
Purchase of property, plant and equipment	*18*	**(486)**	(792)
Acquisition of subsidiaries, net of cash acquired	*33(a) & (b)*	**(5,939)**	–
Proceeds from disposal of a subsidiary	*21(b)*	**–**	169,547
Dividend received from an associate	*21(a)*	**–**	17,228
Repayment of amount due from an associate		**–**	113,328
Proceeds from sale of property, plant and equipment	*32*	**204**	24
Interest received	*8*	**1,248**	1,770
Net cash (used in)/generated from investing activities		**(4,973)**	301,105
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		**488**	2,970
Dividend paid to Company's shareholders	*16*	**–**	(117,230)
Net cash generated from/(used in) financing activities		**488**	(114,260)
Net (decrease)/increase in cash and cash equivalents		**(19,083)**	26,984
Cash and cash equivalents at the beginning of the year		**54,652**	26,921
Effect on foreign exchange rate changes		**(569)**	747
Cash and cash equivalents at the end of the year		**35,000**	54,652

The notes on pages 30 to 76 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2008

	Share capital HK$'000	Other reserves HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 July 2006	16,154	(82,905)	(30,538)	(97,289)
Currency translation differences	–	839	–	839
Profit for the year	–	–	293,053	293,053
Total recognised income for the year	–	839	293,053	293,892
Issue of ordinary shares	2,356	614	–	2,970
Reversal of reserve due to early extinguishment of subscription note and convertible bond upon the Disposal *(Note 21(b))*	–	(26,657)	–	(26,657)
Transfer *(Notes 29 and 30(a))*	79,182	121,010	(200,192)	–
Dividend paid *(Note 16)*	–	–	(117,230)	(117,230)
At 30 June 2007 and 1 July 2007	97,692	12,901	(54,907)	55,686
Currency translation differences	–	(449)	–	(449)
Loss for the year	–	–	(11,649)	(11,649)
Total recognised loss for the year	–	(449)	(11,649)	(12,098)
Issue of ordinary shares	200	288	–	488
At 30 June 2008	97,892	12,740	(66,556)	44,076

The notes on pages 30 to 76 are an integral part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

New World Mobile Holdings Limited (the "Company") and its subsidiaries (together, the "Group") are principally engaged in the provision of network solutions, project services, technology related business and property investment.

The Company is a limited liability company incorporated in the Cayman Islands. The address of its principal place of business is Room 1502-5, 15/F, New World Tower I, 16-18 Queen's Road Central, Hong Kong.

The Company is listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 6 October 2008.

2 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of investment property at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 5.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, except certain balances have been reclassified for presentation purpose.

(a) The adoption of new/revised standards and interpretations

The following new/revised standards and interpretations are mandatory for financial year ended 30 June 2008. The Group adopted these HKFRS which are relevant to its operations.

HKAS 1 (Amendment)	Presentation of Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions

These new/revised standards and interpretations above do not have material financial impact to the Group other than the disclosure impact on the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) The adoption of new/revised standards and interpretations *(Continued)*

The following new/revised standards and interpretations have been published and are mandatory for the Group's accounting periods beginning on or after 1 July 2008 or later periods, but the Group has not early adopted them:

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]

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

HKAS 1 (Revised), "Presentation of Financial Statements" (effective from 1 January 2009). HKAS 1 (Revised) requires all owner changes in equity to be presented in a statement of changes in equity. All comprehensive income is presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). It requires presenting a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements when there are retrospective adjustments or reclassification adjustments. However, it does not change the recognition, measurement or disclosure of specific transactions and other events required by other HKFRSs. The Group will apply HKAS 1 (Revised) from 1 July 2009.

HKAS 23 (Revised), "Borrowing Costs" (effective from 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply HKAS 23 (Revised) from 1 July 2009, but it is not expected to have any material impact on the Group's financial statements.

HKAS 27 (Revised), "Consolidated and Separate Financial Statements" (effective from annual period beginning on or after 1 July 2009). The amendment requires non-controlling interests (i.e. minority interests) to be presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. Total comprehensive income must be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity. When control of a subsidiary is lost, the assets and liabilities and related equity components of the former subsidiary are derecognised. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost. The Group will apply HKAS 27 (Revised) from 1 July 2009.

NOTES TO THE FINANCIAL STATEMENTS

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) The adoption of new/revised standards and interpretations *(Continued)*

HKFRS 3 (Revised), "Business Combination" (effective for business combinations with acquisition date on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The amendment may bring more transactions into acquisition accounting as combinations by contract alone and combinations of mutual entities are brought into the scope of the standard and the definition of a business has been amended slightly. It now states that the elements are 'capable of being conducted' rather than 'are conducted and managed'. It requires considerations (including contingent consideration), each identifiable asset and liability to be measured at its fair value at acquisition date, except leases and insurance contracts, reacquired right, indemnification assets as well as some assets and liabilities required to be measured in accordance with other HKFRSs. They are income taxes, employee benefits, share-based payment and non current assets held for sale and discontinuing operations. Any non-controlling interest in an acquiree is measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. The Group will apply HKFRS 3 (Revised) from 1 July 2009.

HKFRS 8 "Operating segments", (effective from 1 January 2009). HKFRS 8 replaces HKAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply HKFRS 8 from 1 July 2009. The expected impact is still being assessed by management.

The following new/revised standards and interpretations have been published and are mandatory for the Group's accounting periods beginning on or after 1 July 2008 or later periods but are not relevant for the Group's operations or have no material impact to the Group.

HKAS 32 & HKAS1 (Amendment)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
HK(IFRIC)-Int 12	Service Concession Arranagements[2]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[3]
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[2]

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 January 2008
[3] Effective for annual periods beginning on or after 1 July 2008

NOTES TO THE FINANCIAL STATEMENTS

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Group accounting

(i) Consolidation

The consolidated financial statements include the financial statements of the Company and of all its direct and indirect subsidiaries made up to 30 June.

To comply with the Chinese laws and regulations that prohibit or restrict foreign ownership of companies that provide wireless value-added telecommunications services (the "VAS"), which includes wireless Internet services and Internet content services, the Group conducts substantially all of its VAS operations through 易圖通信息技術有限公司 ("易圖通"), 南京逆火軟件有限公司 ("南京逆火") and 北京新世界科技發展有限公司 and its subsidiaries (collectively the "Variable Interest Entities"). They are legally owned by certain citizens of the People's Republic of China (the "PRC") or the PRC local company whose equity interest are beneficially owned by citizens of the PRC (collectively "the Registered Shareholders").

Certain contractual arrangements have been made among Shanghai New Era Link Telecom Technology Co., Ltd ("Shg TDT"), a subsidiary of the Company, the Variable Interest Entities and the Registered Shareholders so that the decision–making rights and operating and financing activities of these Variable Interest Entities are ultimately controlled by Shg TDT. Shg TDT is also entitled to all of the operating profits and residual benefits generated by the Variable Interest Entities under these arrangements. In particular, the Registered Shareholders are required under their contractual arrangements with the Group to transfer these interests in the Variable Interest Entities to Shg TDT or Shg TDT's designee upon Shg TDT's request at a pre-agreed nominal consideration.

The Group has granted loans to the Registered Shareholders to finance their investments in the Variable Interest Entities. The direct equity interest in the Variable Interest Entities has been pledged as collateral for the loans.

As a result, the Variable Interest Entities are accounted for as subsidiaries of the Group for accounting purposes.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

NOTES TO THE FINANCIAL STATEMENTS

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Group accounting *(Continued)*

(i) Consolidation (Continued)

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary in the consolidated financial statements to ensure consistency with the policies adopted by the Group.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets.

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

(ii) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units that are expected to benefit from business combination in which the goodwill arose.

NOTES TO THE FINANCIAL STATEMENTS

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Property, plant and equipment

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

Property, plant and equipment are depreciated at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Computer equipment	20%
Furniture, fixtures and equipment	20%
Leasehold improvements	shorter of the lease term or 20%
Motor vehicle	20%

Building situated in leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion.

Historical costs of property, plant and equipment include expenditures that are directly attributable to the acquisition of the assets. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other (losses)/gains – net in the income statement.

(d) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are at least tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

NOTES TO THE FINANCIAL STATEMENTS

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Investment property

Investment property is property held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed annually by external valuers. Changes in fair values are recorded in the consolidated income statement as part of other income.

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.

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out ("FIFO") method. The cost of finished goods and work in progress comprises raw material, direct labour, and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(g) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the assets' carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in the consolidated income statement within administrative expenses.

When trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against administrative expense in the consolidated income statement.

NOTES TO THE FINANCIAL STATEMENTS

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of within three months.

(i) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(j) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(k) Employee benefits

(i) Retirement benefits

For employees in Hong Kong, a mandatory provident fund scheme ("MPF Scheme") has been established pursuant to the Hong Kong Mandatory Provident Fund Scheme Ordinance under which the Group's Hong Kong eligible employees are compulsorily required to join the MPF scheme. Employer's mandatory contributions are 100% vested in the employees as soon as they are paid to the MPF scheme.

Contributions made by the Group under the MPF Scheme are charged to the income statement as they become payable in accordance with the rules of the scheme. The assets of the MPF Scheme are held separately from those of the Group and managed by independent professional fund managers.

For employees in the Mainland China, the Group contributes to retirement schemes established by municipal government in respect of certain subsidiaries in the PRC.

(ii) Employee leave entitlements

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

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

NOTES TO THE FINANCIAL STATEMENTS

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Employee benefits *(Continued)*

(iii) Bonus

Provisions for bonus due wholly within twelve months after balance sheet date are recognised when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(iv) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(l) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

(m) Trade payables

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

NOTES TO THE FINANCIAL STATEMENTS

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue derived from network solutions is recognised when the delivery of goods to the customers and/or the installation work is completed.

Revenue derived from project services is recognised on stage of completion method, measured by reference to the agreed milestones of work performed.

Warranty and maintenance service income is recognised in the period the services are provided, using a straight line basis over the term of the contract.

The Group derives technology related services revenue from the provision of value-added telecommunications services ("VAS"). The Group recognises its revenue net of applicable business taxes and other related taxes. Wireless VAS revenue is derived principally from providing mobile phones users with short messaging services, multimedia messaging services and wireless application protocol. These services are substantially billed on a monthly subscription basis or a per message basis (the "Service Fees"). These services are predominately delivered through the platforms of various subsidiaries of China Mobile Communications Corporation and they also collect the Service Fees on behalf of the Group.

Interest income is recognised on a time proportion basis using the effective interest method.

(o) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(p) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

NOTES TO THE FINANCIAL STATEMENTS

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Foreign currency translation

(i) Functional and presentation currency

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 (the "functional currency"). The consolidated financial statements are presented in HK dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances

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.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(c) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in the PRC operations and of borrowings are taken to shareholders' equity. When a foreign operation is potentially disposed of or sold, exchange differences that were recorded in equity are recognized in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(r) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

NOTES TO THE FINANCIAL STATEMENTS

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk, credit risk, and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the senior management. The management manages and monitors these risk exposures to ensure appropriate measures are implemented on a timely and effective manners.

(a) Market risk

(i) Foreign exchange risk

The Group operates in Hong Kong and the Mainland China and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United State Dollars ("USD") and Renminbi ("RMB"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments.

The Group manages its foreign exchange risk by having economic hedge in terms of transactional currency risk to the extent that majority of the Group's sales, purchases and operating expenses are denominated in local currencies.

At 30 June 2008, if HK dollar had weakened/strengthened by 10% against the USD with all other variables held constant, post-tax loss for the year would have been HK$82,000 (2007: post-tax profit of HK$320,000) lower/higher, mainly as a result of foreign exchange gains/losses on translation of USD-denominated cash and bank balances, trade and other receivables and trade and other payables.

At 30 June 2008, if HK dollar had weakened/strengthened by 10% against the RMB with all other variables held constant, post-tax loss for the year would have been HK$27,000 (2007: post-tax profit of HK$195,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of RMB-denominated cash and bank balances, trade and other receivables and trade and other payables.

(ii) Price risk

The Group is not exposed to significant price risk.

(iii) Cash flow and fair value interest rate risk

The Group's principal interest bearing assets are bank deposits. The Group manages cash balances and deposits by comparing quotations from banks, with a view to select for the terms that are most favourable to the Group.

The Group is not significantly exposed to fair value interest rate risks as the Group has no significant interest-bearing assets, except for cash at banks, and has no borrowings. The Group's income and operating cashflows are substantially independent from changes in market interest rates.

NOTES TO THE FINANCIAL STATEMENTS

4 FINANCIAL RISK MANAGEMENT *(Continued)*

4.1 Financial risk factors *(Continued)*

(b) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group's sales are made to several major customers and there is concentration of credit risks. Collections of outstanding receivable balances are closely monitored on an ongoing basis to minimise such credit risk.

The maximum exposure to credit risk at the reporting date is the carrying amounts of aforementioned assets. Management does not expect losses from non-performance by these counterparties.

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and cash equivalents, and the availability of funding from an adequate amount of committed credit facilities. Management maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flow.

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

NOTES TO THE FINANCIAL STATEMENTS

4 FINANCIAL RISK MANAGEMENT *(Continued)*

4.1 Financial risk factors *(Continued)*

(c) Liquidity risk (Continued)

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000
Group				
At 30 June 2008				
Trade and other payables	11,809	–	–	–
At 30 June 2007				
Trade and other payables	8,732	–	–	–
Company				
At 30 June 2008				
Other payables	2,100	–	–	–
At 30 June 2007				
Other payables	959	–	–	–

4.2 Capital risk management

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of equity attributable to the equity holders of the Group comprising share capital and reserves.

The management of the Group reviews the capital structure regularly, taking into account of the cost and risk associated. The Group will then balance its capital structure through the payment of dividends and new shares issues.

4.3 Fair value estimation

The carrying value less impairment provision of trade receivables and payables are a reasonable approximation of their fair values.

NOTES TO THE FINANCIAL STATEMENTS

5 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below.

(a) Revenue Recognition

The Group uses the stage of completion method in accounting for its fixed-price contracts to deliver project services. Use of the stage of completion method requires the Group to estimate the services performed to date as a proportion of the total services to be performed. Where the proportion of services performed to total services to be performed differ by 10% from management's estimates, the amount of revenue recognised in the year would be increased by HK$27,000 if the proportion performed was increased, or would be decreased by HK$27,000 if the proportion performed was decreased.

(b) Allowance for obsolete inventories

The management reviews the inventories listing at each balance sheet date and identifies obsolete and slow moving inventory items which are no longer suitable for use in production or diminution in net realisable value. Allowance was made by reference to the latest market value for those inventories identified. In addition, management carries out an inventory review on a product-by-product basis at balance sheet date and makes the necessary write-down for obsolete items.

(c) Impairment of receivables

Management determines the provision for impairment of trade and other receivables based on the credit history of its customers and the current market condition. The Group reassesses the provision on each of the balance sheet date.

Significant judgement is exercised on the assessment of the collectibility of trade receivables from each customer. In making its judgement, management considers a wide range of factors such as results of follow-up procedures performed by sales personnel, customer payment trends including subsequent payments and customers' financial position. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

(d) Investment property

Investment property is carried in the balance sheet at fair value as determined by professional valuation. In determining the fair value of the investment property, the valuer uses assumptions and estimates that reflect, amongst other things, comparable market transactions. Judgement is required to determine the principal valuation assumptions to determine the fair value of the investment property. Changes in fair value of investment property are recorded in the consolidated income statement as part of other income.

NOTES TO THE FINANCIAL STATEMENTS

6 TURNOVER

The Group is principally engaged in the provision of network solutions, project services, technology related services and property investment (2007: technology related services). Turnover recognised during the year are as follows:

	2008 HK$'000	2007 HK$'000
Network solutions	**1,928**	–
Project services	**975**	–
Technology related services	**535**	14,155
	3,438	14,155

No revenue was generated from property investment as the Group just newly acquired this business in June 2008.

7 SEGMENT INFORMATION

(a) Primary reporting format – business segments

For the year ended 30 June 2008, the Group operates in four business segments which are network solutions, project services, technology related services and property investment.

Network solutions – Provision of total system solution including data networking solution, synchronisation, timing solution, wireless local area network solution and network access control solution.

Project services – Provision of infrastructure installation services which include cellular base station and antenna system installation service, structural cabling installation service and microware installation service.

Technology related services – Provision of Internet content services and tele-communication value-added services in the PRC.

Property investment – Investment in property market in the PRC.

NOTES TO THE FINANCIAL STATEMENTS

7 SEGMENT INFORMATION *(Continued)*

(a) Primary reporting format – business segments *(Continued)*

The segment results for the year ended 30 June 2008 are as follows:

	Network solutions HK$'000	Project services HK$'000	Technology related services HK$'000	Property investment HK$'000	Total HK$'000
Turnover	1,928	975	535	–	3,438
Segment results	450	72	(9,198)	–	(8,676)
Unallocated expenses					(3,950)
Other revenue					1,248
Other losses					(271)
Loss before income tax expense					(11,649)
Income tax expense					–
Loss for the year					(11,649)
Other segment information					
Depreciation	3	1	1,030	–	1,034
Unallocated depreciation					145
					1,179
Capital expenditures	64	4	466	–	534
Unallocated capital expenditures					383
					917

NOTES TO THE FINANCIAL STATEMENTS

7 SEGMENT INFORMATION *(Continued)*

(a) Primary reporting format – business segments *(Continued)*

For the year ended 30 June 2007, the Group only operated in one business segment, which is the technology related business.

The segment results for the year ended 30 June 2007 are as follows:

	Technology related services HK$'000	Total HK$'000
Turnover	14,155	14,155
Segment results	(15,279)	(15,279)
Unallocated expenses		(14,905)
Other revenue	–	1,770
Other net gains	–	312,480
Operating profit		284,066
Finance costs	–	(53,590)
Operating profit		230,476
Share of results of associate	–	62,577
Profit before income tax expense		293,053
Income tax expense	–	–
Profit for the year		293,053
Other segment information		
Depreciation	1,170	1,170
Unallocated depreciation		272
		1,442
Capital expenditures	116	116
Unallocated capital expenditures		676
		792
Gain on disposal of a subsidiary	–	305,790
Reversal of impairment of trade receivables	1,079	1,079

NOTES TO THE FINANCIAL STATEMENTS

7 SEGMENT INFORMATION *(Continued)*

(a) Primary reporting format – business segments *(Continued)*

The segment assets and liabilities as at 30 June 2008 are as follows:

	Network solutions HK$'000	Project services HK$'000	Technology related services HK$'000	Property investment HK$'000	Unallocated HK$'000	Total HK$'000
Segment assets	**1,816**	**2,604**	**5,000**	**8,163**	**39,327**	**56,910**
Segment liabilities	**2,832**	**2,605**	**2,211**	**599**	**4,587**	**12,834**

The segment assets and liabilities as at 30 June 2007 are as follows:

	Technology related services HK$'000	Unallocated HK$'000	Total HK$'000
Segment assets	9,050	55,368	64,418
Segment liabilities	7,624	1,108	8,732

(b) Secondary reporting format – geographical segments

The Group is operating in two main geographical areas:

Hong Kong: Network solutions, project services and technology related services (2007: Technology related services)

Mainland China: Technology related services and property investment (2007: Technology related services)

There are no sales nor other transactions between the geographical segments.

	Segment assets		Turnover		Capital expenditure	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Hong Kong	**44,242**	55,318	**2,903**	–	**451**	676
Mainland China	**12,668**	9,100	**535**	14,155	**466**	116
	56,910	64,418	**3,438**	14,155	**917**	792

NOTES TO THE FINANCIAL STATEMENTS

8 OTHER REVENUE

	2008 HK$'000	2007 HK$'000
Bank interest income	**1,248**	1,770

9 OTHER (LOSSES)/GAINS – NET

	2008 HK$'000	2007 HK$'000
Loss on disposal of property, plant and equipment	**(271)**	(218)
Gain on early extinguishment of non-current liabilities *(Note 21(b))*	**–**	6,908
Gain on disposal of a subsidiary *(Note 34)*	**–**	305,790
	(271)	312,480

10 EXPENSES BY NATURE

Major expenses included in cost of sales, selling expenses and administrative expenses are analysed as follows:

	2008 HK$'000	2007 HK$'000
Cost of inventories	**1,453**	–
Auditor's remuneration	**1,442**	1,040
Depreciation of property, plant and equipment *(Note 18)*	**1,179**	1,442
Exchange losses/(gains) – net	**562**	(235)
Employee benefit expenses, including directors' emoluments *(Note 12)*	**8,969**	16,204
Impairment loss on property, plant and equipment *(Note 18)*	**165**	–
Operating lease rentals for land and buildings	**679**	1,729

NOTES TO THE FINANCIAL STATEMENTS

11 FINANCE COSTS

	2008 HK$'000	2007 HK$'000
Interest on loans from a fellow subsidiary	–	5,544
Interest on promissory note issued to a fellow subsidiary	–	22,855
Interest on convertible bond	–	443
Interest on subscription note	–	24,748
	–	53,590

12 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2008 HK$'000	2007 HK$'000
Wages and salaries	**8,248**	11,514
Bonuses	**19**	2,736
Pension costs – defined contribution plans	**702**	1,954
	8,969	16,204

The retirement benefit costs under MPF Scheme charged to the consolidated income statement represent the net contribution after netting off with forfeited contributions of HK$179,000 (2007: nil). At 30 June 2008, no contribution was payable to the scheme and there was no unutilised forfeited contributions (2007: Nil).

NOTES TO THE FINANCIAL STATEMENTS

13 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The aggregate amounts of emoluments paid and payable to directors of the Company during the year are as follows:

	2008 HK$'000	2007 HK$'000
Fees	560	682
Other emoluments:		
Salaries and allowances	–	1,954
Bonuses	–	2,485
Pension costs – defined contribution plans	–	131
	560	5,252

None of the directors of the Company waived any emoluments during the year. (2007: Nil)

Details of the emoluments paid and payable to the directors of the Company are as follows:

	Year ended 30 June 2008				
Name of Director	Fees HK$'000	Salaries and allowances HK$'000	Bonuses HK$'000	Pension costs HK$'000	Total HK$'000
Executive Directors					
Mr. Lo Lin Shing, Simon	100	–	–	–	100
Mr. Ho Hau Chong, Norman	100	–	–	–	100
Independent Non-executive Directors					
Mr. Lau Wai Piu	120	–	–	–	120
Mr. Tsui Hing Chuen, William, *JP*	120	–	–	–	120
Mr. Lee Kee Wai, Frank	120	–	–	–	120
	560	–	–	–	560

NOTES TO THE FINANCIAL STATEMENTS

13 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

	Year ended 30 June 2007				
Name of Director	Fees HK$'000	Salaries and allowances HK$'000	Bonuses HK$'000	Pension costs HK$'000	Total HK$'000
Executive Directors					
Dr. Wai Fung Man, Norman *	30	1,954	1,775	131	3,890
Dr. Cheng Kar Shun, Henry *	71	–	–	–	71
Mr. Doo Wai Hoi, William, *JP* *	30	–	–	–	30
Mr. To Hin Tsun, Gerald *	30	–	355	–	385
Mr. Chow Yu Chun, Alexander *	30	–	355	–	385
Mr. Lo Lin Shing, Simon #	70	–	–	–	70
Mr. Ho Hau Chong, Norman #	70	–	–	–	70
Independent Non-executive Directors					
Mr. Wei Chi Kuan, Kenny **	53	–	–	–	53
Mr. Kwong Che Keung, Gordon *	71	–	–	–	71
Mr. Hui Chiu Chung, *JP* *	71	–	–	–	71
Mr. Lau Wai Piu	38	–	–	–	38
Mr. Tsui Hing Chuen, William, *JP*	97	–	–	–	97
Mr. Lee Kee Wai, Frank	21	–	–	–	21
	682	1,954	2,485	131	5,252

* Resigned on 1 February 2007.

** Resigned on 8 September 2006.

Mr. Lo Lin Shing, Simon and Mr. Ho Hau Chong, Norman have been re-designated from Non-executive Director to executive Director of the Company on 11 January 2007.

NOTES TO THE FINANCIAL STATEMENTS

13 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(b) Five highest paid individuals

None of the directors were included in the five highest paid individuals for the year ended 30 June 2008. The five individuals whose emoluments were the highest in the Group for the year ended 30 June 2007 include one director whose emolument is reflected in the analysis presented above. The emoluments payable to the five (2007: four) individuals during the year are as follows:

	2008 **HK$'000**	2007 HK$'000
Salaries and allowances	**2,670**	1,459
Bonuses	**90**	192
Pension costs – defined contribution plans	**88**	75
	2,848	1,726

The emoluments of the individuals fell within the following bands:

	Number of individuals	
	2008	2007
Emolument bands		
– HK$1 to HK$1,000,000	**4**	4
– HK$1,000,001 to HK$1,500,000	**1**	–

NOTES TO THE FINANCIAL STATEMENTS

14 INCOME TAX

No provision for Hong Kong profits tax and overseas taxation (2007: Nil) has been made for the year as the Company and a number of its subsidiaries have no assessable profit for the year.

The tax on the Group's operating (loss)/profit differs from the theoretical amount that would arise using the prevailing taxation rate in the countries in which the Group operates, as follows:

	2008 HK$'000	2007 HK$'000
(Loss)/profit before income tax	**(11,649)**	293,053
Calculated at a taxation rate of 16.5% (2007: 17.5%)	**(1,922)**	51,284
Effect of different taxation rates in other countries	**(903)**	(1,927)
Income not subject to tax	**(276)**	(66,212)
Expenses not deductible for taxation purposes	**463**	5,531
Unrecognised tax losses	**2,638**	11,324
Income tax expense	**–**	–

The Group has no deferred tax asset and liability recognised for the year (2007: Nil). Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. In this regard, the Group has estimated tax losses of HK$173,353,000 (2007: HK$270,091,000) to carry forward against future taxation income. Except for the tax losses of HK$85,620,000 (2007: HK$84,343,000) expiring within 5 years, the balance has no expiry date. These tax losses have not been recognised due to uncertainty of their future recoverability.

Note: On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the reduction in the Hong Kong Tax rate from 17.5% to 16.5% effective for the year of assessment 2008/2009. The effect of the change has been reflected for the year ended 30 June 2008 of the Group.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "New CIT Law"), pursuant to which the corporate income tax rates for domestic and foreign enterprises are unified at 25% effective from 1 January 2008. The effect of the change has been reflected for the year ended 30 June 2008 of the Group.

NOTES TO THE FINANCIAL STATEMENTS

15 (LOSS)/EARNINGS PER SHARE

The calculations of basic and diluted (loss)/earnings per shares are based on following information:

	2008 **HK$'000**	2007 HK$'000
(Loss)/profit attributable to shareholders	**(11,649)**	293,053
Number of shares		
Weighted average number of ordinary shares in issue for the purpose of calculating basic (loss)/earnings per share	**97,779,192**	96,692,965
Effect of dilutive potential ordinary shares:		
Share options *(Note)*	–	35,951
Weighted average number of ordinary shares in issue for the purpose of calculating diluted (loss)/earnings per share *(Note)*	**97,779,192**	96,728,916

Note: Diluted loss per share is the same as basic loss per share presented for the year ended 30 June 2008 as there is no dilutive effect from the exercise of share options on the loss attributable to shareholders.

16 DIVIDEND

	2008 **HK$'000**	2007 HK$'000
Special dividend of HK$1.2 per share (2008: Nil)	–	117,230

At a meeting held on 4 January 2007, the Directors declared a special dividend of HK$1.2 per ordinary share. The Directors did not propose to declare a final dividend for the year ended 30 June 2008 (2007: Nil).

17 LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders is dealt with in the financial statements of the Company to the extent of HK$52,813,000 for the year ended 30 June 2008 (2007: HK$1,109,000).

NOTES TO THE FINANCIAL STATEMENTS

18 PROPERTY, PLANT AND EQUIPMENT – GROUP AND COMPANY

(a) Group

	Leasehold building HK$'000	Computer equipment HK$'000	Furniture, fixtures and equipment HK$'000	Leasehold improvements HK$'000	Motor vehicle HK$'000	Total HK$'000
Cost						
At 1 July 2006	3,900	2,196	240	115	858	7,309
Additions	–	75	97	228	392	792
Disposals	–	(10)	(210)	(343)	(489)	(1,052)
Exchange differences	–	82	21	–	6	109
At 30 June 2007 and 1 July 2007	3,900	2,343	148	–	767	7,158
Additions	–	202	20	–	264	486
Acquisition of subsidiaries	–	–	381	50	–	431
Impairment loss	–	(165)	–	–	–	(165)
Disposals	–	(2,538)	(160)	–	(544)	(3,242)
Exchange differences	–	177	10	–	119	306
At 30 June 2008	3,900	19	399	50	606	4,974
Accumulated depreciation						
At 1 July 2006	25	606	100	98	297	1,126
Charge for the year	102	921	106	77	236	1,442
Disposals	–	(4)	(137)	(192)	(477)	(810)
Exchange differences	–	–	–	17	–	17
At 30 June 2007 and 1 July 2007	127	1,523	69	–	56	1,775
Charge for the year	101	806	87	9	176	1,179
Disposals	–	(2,435)	(134)	–	(198)	(2,767)
Exchange differences	–	121	5	–	60	186
At 30 June 2008	228	15	27	9	94	373
Net book value						
At 30 June 2007	3,773	820	79	–	711	5,383
At 30 June 2008	3,672	4	372	41	512	4,601

The leasehold building is situated on leasehold land in the PRC and is held on a medium term lease.

Depreciation expense of HK$1,179,000 (2007: HK$1,442,000) has been charged in administrative expenses.

NOTES TO THE FINANCIAL STATEMENTS

18 PROPERTY, PLANT AND EQUIPMENT – GROUP AND COMPANY *(Continued)*

(b) Company

	Computer equipment HK$'000	Furniture, fixtures and equipment HK$'000	Leasehold improvements HK$'000	Motor vehicle HK$'000	Total HK$'000
Cost					
At 30 June 2006	–	–	–	–	–
Additions	10	91	228	32	361
Disposals	(10)	(91)	(228)	(32)	(361)
At 30 June 2007 and 2008	–	–	–	–	–
Accumulated depreciation					
At 30 June 2006	–	–	–	–	–
Charge for the year	4	30	77	32	143
Disposals	(4)	(30)	(77)	(32)	(143)
At 30 June 2007 and 2008	–	–	–	–	–
Net book value					
At 30 June 2007	–	–	–	–	–
At 30 June 2008	–	–	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

19 INVESTMENT PROPERTY – GROUP

	2008 **HK$'000**
At beginning of the year	–
Acquisition of a subsidiary *(Note 33(b))*	7,370
At end of the year	7,370

The Group's investment property was revalued on an open market value basis at 30 June 2008 by RHL Appraisal Limited, an independent professionally qualified valuer. Valuation was based on current prices in an active market.

The investment property is located in the PRC and is held on lease of between 50 to 99 years.

20 INVESTMENTS IN SUBSIDIARIES – COMPANY

	2008 **HK$'000**	2007 HK$'000
Unlisted investments, at costs *(Note a)*	**42,670**	31,939
Amounts due from subsidiaries *(Note b)*	**159,879**	325,031
	202,549	356,970
Less: Provision for impairment	**(183,247)**	(307,464)
	19,302	49,506

NOTES TO THE FINANCIAL STATEMENTS

20 INVESTMENTS IN SUBSIDIARIES – COMPANY *(Continued)*

Notes:

(a) Particulars of the principal subsidiaries of the Company at 30 June 2008 are as follows:

Name	Place of incorporation/ establishment and operation	Particulars of issued share/ registered capital	Interest held by the Company	Interest held by the Group	Principal activities
Jetco Technologies Limited	Hong Kong	1,250,000 Ordinary shares of HK$1 each	–	100%	Investment holding
Cyber On-Air (Asia) Limited	Hong Kong	100 ordinary shares of HK$1 each and 100,000 Non-voting deferred shares of HK$1 each	–	100%	Provision of network solutions and project services
上海易圖通信息技術有限公司	The PRC	Registered capital of Renminbi (RMB) 10,000,000	–	100%	Provision of Internet content services and tele-communication value-added services in the PRC
Lipro Prosper Limited	Hong Kong	2 ordinary shares of HK$1 each	–	100%	Property investment

(b) The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

NOTES TO THE FINANCIAL STATEMENTS

21 INVESTMENTS IN ASSOCIATES – GROUP

	2008 HK$'000	2007 HK$'000
At beginning of the year	–	2,142,737
Share of profit of associates		
– Profit before income tax	–	78,434
– Income tax expense	–	(15,857)
	–	2,205,314
Dividend income *(Note a)*	–	(17,228)
Disposal of associates *(Note b)*	–	(2,188,086)
At end of the year	–	–

(a) In prior year, the Group received dividend income of HK$17,228,000 from an associate, CSL NWM, in which the Company indirectly held 23.6% interest of its issued share capital. The associate was disposed of on 4 January 2007.

(b) On 4 January 2007, the Company completed the disposal of associates through the disposal of entire issued share capital of Upper Start Holdings Limited ("Upper Start"), the wholly owned subsidiary which holds 23.6% interest in the CSL NWM Group (the "Disposal"), at the consideration of HK$2,500 million to New World Development Limited ("NWD").

The consideration of the Disposal was satisfied by way of set-off against a sum equivalent to the aggregate amounts due to fellow subsidiaries, owing under the subscription note, the convertible bond, the promissory note and the loans from the group companies of NWD, which resulting in full discharge of the subscription note, the convertible bond, the promissory note and the loans; and the remaining amount of HK$169,547,000 (Note 31) was settled in cash upon the completion of Disposal. The disposal resulted in a gain on disposal of a subsidiary, net of the related legal and professional fees of HK$6,124,000, of HK$305,790,000 (Note 9). The early extinguishment of the subscription note and convertible bond upon the Disposal resulted in a gain of HK$6,908,000 (Note 9) and a reversal of convertible bond reserve of HK$26,657,000 (Note 30(a)).

22 GOODWILL – GROUP

	HK$'000
At 1 July 2006 and 2007	–
Acquisition of subsidiaries *(Note 33(a) & (b))*	3,592
At 30 June 2008	3,592

NOTES TO THE FINANCIAL STATEMENTS

23 TRADE RECEIVABLES – GROUP

	2008 HK$'000	2007 HK$'000
Trade receivables	**3,079**	7,382
Less: Provision for impairment of trade receivables	**(32)**	(6,197)
Trade receivables – net	**3,047**	1,185

The Group allows an average credit period of 30 to 60 days to its subscribers and customers. The ageing analysis of trade receivables is as follows:

	Group	
	2008 HK$'000	2007 HK$'000
1 – 30 days	**268**	137
31 – 60 days	**1,128**	245
61 – 90 days	**182**	329
Over 90 days	**1,469**	474
	3,047	1,185

As of 30 June 2008, trade receivables of HK$2,779,000 (2007: HK$803,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2008 HK$'000	2007 HK$'000
Past due 1 – 30 days	**1,128**	329
Past due 31 – 60 days	**182**	92
Past due 61 – 90 days	**291**	106
Past due over 90 days	**1,178**	276
	2,779	803

As of 30 June 2008, trade receivables of HK$32,000 (2007: HK$6,197,000) were impaired, and full provision were made on these trade receivables. The individually impaired receivables mainly relate to several customers, which are in unexpected difficult economic situations. The ageing of these trade receivables is over 90 days.

NOTES TO THE FINANCIAL STATEMENTS

23 TRADE RECEIVABLES – GROUP *(Continued)*

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2008 HK$'000	2007 HK$'000
HK dollars	**2,851**	–
Renminbi	**29**	1,185
US dollars	**167**	–
	3,047	1,185

The carrying amount of trade receivables approximates its fair values.

Movements on the provision for impairment of trade receivables are as follows:

	2008 HK$'000	2007 HK$'000
At the beginning of the year	**6,197**	6,363
Acquisition of subsidiaries	**32**	–
Provision for receivables impairment	**–**	1,079
Provision written off during the year as uncollectible	**(6,197)**	(166)
Write back of provision	**–**	(1,079)
At the end of the year	**32**	6,197

The creation and release of provision for impaired receivables have been included in administrative expenses in the consolidated income statement.

The maximum exposure to credit risk at the reporting date is the fair value of trade receivables mentioned above. The Group does not hold any collateral as security.

NOTES TO THE FINANCIAL STATEMENTS

24 INVENTORIES – GROUP

	2008 HK$'000	2007 HK$'000
Raw materials	**200**	–
Work in progress	**843**	–
Finished goods	**188**	–
	1,231	–

The cost of inventories recognised as expense and included in cost of goods sold amounted to HK$1,453,000 (2007: Nil).

25 AMOUNTS DUE FROM/(TO) A RELATED COMPANY – GROUP AND COMPANY

The amounts due from/(to) a related company are unsecured, interest-free and repayable on demand.

Mr. Lo Lin Shing, Simon, a director of the Company, is also a director of the related company.

26 RESTRICTED BANK BALANCES – GROUP

	2008 HK$'000	2007 HK$'000
Restricted bank balances *(Note)*	**1,000**	829

Note:

As at 30 June 2008, restricted bank balance denominated in HK dollar represents mandatory reserve deposits placed by a newly acquired subsidiary in a bank as pledges against facilities granted. The weighted average effective interest rate per annum on restricted bank balances was 0.84%.

As at 30 June 2007, bank balances denominated in RMB of certain subsidiaries of the Group in the amount of approximately HK$829,000 have been frozen under the PRC court order in relation to claims filed against the subsidiaries. The claims have been settled and closed during the current year.

NOTES TO THE FINANCIAL STATEMENTS

27 CASH AND BANK BALANCES – GROUP AND COMPANY

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Balance with original maturities of three months or less *(Note)*	**35,000**	54,652	**30,440**	47,445
Maximum exposure to credit risk	**34,882**	54,584	**30,436**	47,443

Note:

The cash and bank balances of the Group as at 30 June 2008 included balances with the PRC banks totalling HK$746,000 (30 June 2007: HK$1,568,000) which were denominated in RMB, HKD and USD. The remittance of these balances outside the PRC is subject to foreign exchange control rules and regulations of the PRC.

The weighted average effective interest rate on short-term bank deposits was 1.54% (2007: 4.02%) per annum. The maturity days of the short-term bank deposit ranged from one week to one month.

28 TRADE PAYABLES – GROUP

The ageing analysis of the trade payables is as follows:

	2008	2007
	HK$'000	HK$'000
1 – 30 days	**2,813**	55
31 – 60 days	**1,022**	–
61 – 90 days	**69**	–
Over 90 days	**682**	135
	4,586	190

The carrying amount of trade payables approximates its fair value.

NOTES TO THE FINANCIAL STATEMENTS

29 SHARE CAPITAL

	Group HK$'000
At 1 July 2006	16,154
Issue of new ordinary shares *(Note a)*	2,356
Transfer from accumulated losses *(Note b)*	79,182
At 30 June 2007 and at 1 July 2007	97,692
Issue of new ordinary shares *(Note a)*	200
At 30 June 2008	97,892

	Company Ordinary shares of HK$1.00 each	
	No. of shares	HK$'000
Authorised:		
At 1 July 2006, 30 June 2007 and 2008	2,000,000,000	2,000,000
Issued and fully paid:		
At 1 July 2006	95,336,069	95,336
Issue of new ordinary shares *(Note a)*	2,356,000	2,356
At 30 June 2007 and at 1 July 2007	97,692,069	97,692
Issue of new ordinary shares *(Note a)*	200,000	200
At 30 June 2008	97,892,069	97,892

NOTES TO THE FINANCIAL STATEMENTS

29 SHARE CAPITAL *(Continued)*

(a) Share option schemes

At an extraordinary general meeting of the Company held on 28 May 2002, the shareholders of the Company approved the termination of the share option scheme adopted by the Company on 11 September 1998 (the "1998 Share Option Scheme") and the adoption of a new share option scheme (the "2002 Share Option Scheme") in compliance with the requirements of the Rules Governing the Listing of Securities on the Stock Exchanges (the "Listing Rules"). Upon termination of the 1998 Share Option Scheme, no further options could be granted under the 1998 Share Option Scheme. However, the outstanding share options granted there under would continue to be valid and exercisable in accordance with the provisions of the 1998 Share Option Scheme.

The 2002 Share Option Scheme is valid and effective for a period of 10 years commencing on 28 May 2002. The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares in issue from time to time unless separately approved by the shareholders in general meeting.

An option may be exercised in accordance with the terms of the 2002 Share Option Scheme at any time during the period as the board of directors at their absolute discretion determine and in any event such period shall not be more than 10 years from the date upon which the offer of the option is made to the grantee. The directors may, if consider appropriate, determine the minimum period for which an option must be held before it can be exercised.

Upon acceptance of the offer for an option, the grantee shall pay HK$1.00 as consideration for the grant. The subscription price of a share in respect of any option granted shall be determined by the board of directors at their absolute discretion but shall be at least the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant; and (iii) the nominal value of a share.

Movements in the share options are as follows:

	Exercise period	Exercise price HK$	Number of options
1998 Share Option Scheme:			
At 1 July 2006 and at 30 June 2007			200,000
Exercised	9.2.2002 to 8.2.2008	2.440	(200,000)
At 30 June 2008			–

NOTES TO THE FINANCIAL STATEMENTS

29 SHARE CAPITAL *(Continued)*

(a) Share option schemes *(Continued)*

	Exercise period	Exercise price HK$	Number of options
2002 Share Option Scheme:			
At 1 July 2006			2,916,000
Exercised	28.1.2005 to 31.12.2010	1.260	(2,278,000)
Exercised	8.4.2005 to 31.12.2010	1.276	(78,000)
Lapsed/cancelled	28.1.2005 to 31.12.2010	1.260	(482,000)
At 30 June 2007 and at 30 June 2008			78,000

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Exercise period	Exercise price HK$	As at 30 June 2008 Number of options	As at 30 June 2007 Number of options
9.2.2002 to 8.2.2008	2.440	–	200,000
28.1.2005 to 31.12.2010	1.26	78,000	78,000
		78,000	278,000

(b) On 4 January 2007, the Company disposed of the entire issued share capital of Upper Start which holds 23.6% equity interest in the CSL NWM Group and CSL NWM Group ceased to be the associates of the Group accordingly. After the Disposal (Note 21(b)), a total of HK$85,784,000 has been transferred from accumulated losses to share capital of HK$79,182,000 and share premium of HK$6,602,000 (Note 30(a)) so as to restate the equity structure of the Group to be consistent with that of the Company.

NOTES TO THE FINANCIAL STATEMENTS

30 OTHER RESERVES

(a) Group

	Share premium HK$'000	Consolidation reserve HK$'000	Convertible bond reserve HK$'000	Currency translation reserve HK$'000	Total HK$'000
At 1 July 2006	4,846	(200,446)	112,695	–	(82,905)
Currency translation differences	–	–	–	839	839
Premium on issue of new ordinary shares	614	–	–	–	614
Reversal of reserve due to early extinguishment of subscription note and convertible bond upon the Disposal *(Note 21(b))*	–	–	(26,657)	–	(26,657)
Transfer from/(to) accumulated losses *(Note)*	6,602	200,446	(86,038)	–	121,010
At 30 June 2007 and 1 July 2007	12,062	–	–	839	12,901
Currency translation differences	–	–	–	(449)	(449)
Premium on issue of new ordinary shares	288	–	–	–	288
At 30 June 2008	12,350	–	–	390	12,740

Note:

Upon the completion of the Disposal on 4 January 2007, the Group has eliminated the consolidation reserve arising from the reverse acquisition completed on 6 July 2004 by transferring it to the accumulated losses. Simultaneously, the Group also eliminated convertible bond reserve by transferring it from accumulated losses as full repayments of the convertible bond and subscription note have been made by the Group upon the Disposal.

NOTES TO THE FINANCIAL STATEMENTS

30 OTHER RESERVES *(Continued)*

(b) Company

	Share premium HK$'000	Convertible bond reserve HK$'000	Currency translation reserve HK$'000	Total HK$'000
At 1 July 2006	11,448	112,695	–	124,143
Premium on issue of new ordinary shares	614	–	–	614
Reversal of reserve due to early extinguishment of subscription note and convertible bond upon the Disposal *(Note 21(b))*	–	(26,657)	–	(26,657)
Transfer to accumulated losses	–	(86,038)	–	(86,038)
At 30 June 2007 and at 1 July 2007	12,062	–	–	12,062
Premium on issue of new ordinary shares	288	–	–	288
Currency translation differences	–	–	1,893	1,893
At 30 June 2008	12,350	–	1,893	14,243

Note: The share premium is to be applied as the directors of the Company may consider appropriate subject to the compliance with the laws of Cayman Islands.

NOTES TO THE FINANCIAL STATEMENTS

31 PROMISSORY NOTE ISSUED TO AND LOANS FROM A FELLOW SUBSIDIARY, CONVERTIBLE BOND AND SUBSCRIPTION NOTE – GROUP AND COMPANY

All the amounts have been repaid on 4 January 2007 by way of set-off against the considerations of the Disposal (Note 21(b)).

The carrying values are as follows:

	4 January 2007 HK$'000
Promissory note and loans	1,222,488
Convertible bond	28,863
Subscription note	1,079,102
	2,330,453
Less: Consideration	2,500,000
Net cash received from the Disposal	169,547

NOTES TO THE FINANCIAL STATEMENTS

32 NOTE TO CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of (loss)/profit before income tax to net cash used in operations:

	2008 **HK$'000**	2007 HK$'000
(Loss)/profit before income tax	**(11,649)**	293,053
Depreciation of property, plant and equipment	**1,179**	1,442
Loss on disposal of property, plant and equipment	**271**	218
Gain on early extinguishment of non-current liabilities	**–**	(6,908)
Gain on disposal of a subsidiary	**–**	(311,914)
Interest income	**(1,248)**	(1,770)
Interest expenses	**–**	53,590
Impairment loss on property, plant and equipment	**165**	–
Share of profit from the associates	**–**	(62,577)
Changes in working capital (excluding the effects of acquisitions and exchange differences on consolidation):		
– trade receivables	**1,225**	3,081
– prepayments, deposits and other receivables	**704**	(188)
– inventories	**(553)**	–
– trade payables	**106**	(619)
– accrued charges, other payables, deposits received and deferred revenue	**(4,627)**	(7,237)
– restricted bank balances	**(171)**	(59)
Net cash used in operations	**(14,598)**	(39,888)

In the cash flow statement, proceeds from sale of property, plant and equipment comprise:

	2008 **HK$'000**	2007 HK$'000
Net book amount	**475**	242
Loss on disposal of property, plant and equipment	**(271)**	(218)
Proceeds from disposal of property, plant and equipment	**204**	24

NOTES TO THE FINANCIAL STATEMENTS

33 BUSINESS COMBINATIONS

(a) Acquisition of Cyber On-Air Group ("COA Group")

On 25 April 2008, the Company acquired 100% of the share capital of COA Group from International Entertainment Corporation ("IEC") at a consideration of HK$2,000,000. COA Group is principally engaged in the provision of network solutions and project services. It contributed revenue of HK$2,903,000 and net loss of HK$814,000 to the Group for the period from 25 April 2008 to 30 June 2008. If the acquisition had occurred on 1 July 2007, the Group's revenue would have been HK$25,997,000; loss before income tax would have been HK$11,187,000. Details of net assets acquired and goodwill are as follows:

	HK$'000
Purchase consideration:	
Cash consideration	2,000
Direct costs incurred for the acquisition	1,409
Total purchase consideration	3,409
Fair value of net assets acquired – shown as below	(75)
Goodwill	3,334

The goodwill is attributable to workforce of the acquired business.

NOTES TO THE FINANCIAL STATEMENTS

33 BUSINESS COMBINATIONS *(Continued)*

(a) Acquisition of Cyber On-Air Group ("COA Group") *(Continued)*

The fair value and carrying amount of the assets and liabilities of COA Group at the date of acquisition were as follows:

	Fair value HK$'000	Acquiree's carrying amount HK$'000
Property, plant and equipment	431	431
Trade receivables	3,082	3,105
Inventories	678	678
Prepayments, deposits and other receivables	196	196
Cash and bank balances	4,525	4,525
Trade payables	(4,290)	(4,158)
Other payables and accruals	(1,883)	(1,883)
Amount due to related companies	(1,259)	(1,259)
Taxation payable	(1,405)	(1,405)
Net assets	75	230
Cash and bank balances acquired		4,525
Cash consideration		(2,000)
Direct costs paid for the acquisition		(1,409)
Cash inflow on acquisition		1,116

Mr. Lo Lin Shing, Simon, a director of the Company, is also a director of IEC.

NOTES TO THE FINANCIAL STATEMENTS

33 BUSINESS COMBINATIONS *(Continued)*

(b) Acquisition of Ideal Honour Group on 27 June 2008

On 27 June 2008, the Company acquired 100% of the share capital of Ideal Honour Group from a third party at a consideration of HK$7,197,000. It is principally engaged in the property investment in the PRC. If the acquisition had occurred on 1 July 2007, the Group's revenue would have been HK$3,877,000; loss before income tax would have been HK$11,612,000. Details of net assets acquired and goodwill are as follows:

	HK$'000
Purchase consideration:	
Cash consideration	7,197
Direct costs incurred for the acquisition	125
	7,322
Fair value of net assets acquired – shown as below	(7,064)
Goodwill	258

The goodwill is attributable to the synergy expected to arise after the Group's acquisition of Ideal Honour Group.

The fair value and carrying amounts of the assets and liabilities of the Ideal Honour Group at the date of acquisition were as follows:

	Fair value HK$'000	**Acquiree's carrying amount** HK$'000
Investment property	7,370	7,370
Trade receivables	5	5
Prepayments, deposit and other receivables	21	21
Cash and bank balances	267	267
Accrued charges	(599)	(599)
Net assets	7,064	7,064
Cash and bank balances acquired		267
Cash consideration		(7,197)
Direct costs paid for the acquisition		(125)
Cash outflow on acquisition		(7,055)

There were no acquisitions in the year ended 30 June 2007.

NOTES TO THE FINANCIAL STATEMENTS

34 DISPOSAL OF A SUBSIDIARY

As mentioned in Note 21(b), the Group disposed of its interests in Upper Start on 4 January 2007.

Details of net assets disposed of and gain on the disposal were as follows:

	HK$'000
Sales consideration	2,500,000
Net book values of net assets disposed of	(2,188,086)
Legal and professional fees incurred for the Disposal	(6,124)
Gain on disposal of a subsidiary	305,790

The assets disposed of at the date of disposal were as follows:

Investments in associates	2,188,086

35 OPERATING LEASE COMMITMENTS

At 30 June 2008, the Group had total future aggregate minimum lease payments under non-cancellable operating leases which expire as follows:

	2008 **HK$'000**	2007 HK$'000
No later than 1 year	**383**	352
Later than 1 year	**–**	–
	383	352

The Group did not have any operating lease receivable as at 30 June 2008 and 2007.

NOTES TO THE FINANCIAL STATEMENTS

36 RELATED PARTY TRANSACTIONS

The Group is controlled by Moral Glory International Limited (incorporated in the British Virgin Islands), which owns 56.55% of the Company's shares. The remaining 43.45% of the shares are widely held. In the opinion of the Directors, the ultimate holding company of the Company is Moral Glory International Limited.

(a) The Group undertook the following material transactions with related parties, which were carried out in the normal course of the business, during the year:

	Note	2008 HK$'000	2007 HK$'000
Rental expenses paid/payable to fellow subsidiaries	*(a)*	–	(382)
Loan interest paid/payable to a fellow subsidiary	*(b)*	–	(5,544)
Interest paid/payable for the promissory note issued to a fellow subsidiary	*(b)*	–	(22,855)
Interest paid/payable for the subscription note to an immediate holding company	*(c)*	–	(24,748)
Interest paid/payable for the convertible bond to a fellow subsidiary	*(d)*	–	(443)

Notes:

(a) Rental expenses were charged at a fixed monthly fee subject to the terms of the contract signed by the parties involved.

(b) Interest was charged at 0.65% above HIBOR per annum.

(c) Interest was charged at 0.75% per annum.

(d) Interest was charged at 3% per annum and was payable semi-annually in arrears.

(b) The year end balance with a related party is as follows:

	2008 HK$'000	2007 HK$'000
(Payable to)/receivable from a related company – Mongolia Energy Corporation (Greater China) Ltd	**(446)**	813

A Director and a substantial shareholder of the Company is also the common director of a related company.

The maximum balance due from the related party during the year was HK$813,000 (2007: HK$813,000).

The balances are unsecured, interest free and repayable on demand.

(c) Key management compensation of the Group for the year is as follows:

	2008 HK$'000	2007 HK$'000
Salaries and other short-term employee benefits	**1,406**	5,074

FIVE-YEAR FINANCIAL SUMMARY

The historical figures represent financial information of NWPCS Group for the year of 2004 and the Group for the period from 2005 to 2008.

CONSOLIDATED INCOME STATEMENT

	For the year ended 30 June				
	2004 HK$'000 (Restated)	2005 HK$'000 (Restated)	2006 HK$'000	2007 HK$'000	**2008** **HK$'000**
Turnover *(Note a)*	–	4,261	16,515	14,155	**3,438**
Profit/(loss) attributable to shareholders	111,177	(10,399)	911,642	293,053	**(11,649)**
Basic earnings/(loss) per share *(Note b)*	HK$2.67	(HK$0.13)	HK$10.08	HK$3.03	**(HK$0.12)**

CONSOLIDATED BALANCE SHEET

	As at 30 June				
	2004 HK$'000 (Restated)	2005 HK$'000 (Restated)	2006 HK$'000	2007 HK$'000	**2008** **HK$'000**
Non-current assets					
Property, plant and equipment	1,186,236	1,068,301	6,183	5,383	**4,601**
Investment property	–	–	–	–	**7,370**
Investments in associated companies	–	–	2,142,737	–	**–**
Goodwill	–	65,964	–	–	**3,592**
Deferred taxation	188,487	167,472	–	–	**–**
Rental and other deposits	10,659	8,882	–	–	**–**
Total non-current assets	1,385,382	1,310,619	2,148,920	5,383	**15,563**
Net current (liabilities)/assets	(1,274,163)	(297,072)	124,833	50,303	**28,513**
Total assets less current liabilities	111,219	1,013,547	2,273,753	55,686	**44,076**
Representing:					
Share capital	1	300	16,154	97,692	**97,892**
Other reserves	999	(88,051)	(82,905)	12,901	**12,740**
Accumulated losses	(931,781)	(942,180)	(30,538)	(54,907)	**(66,556)**
Total equity/(total equity holders' deficit)	(930,781)	(1,029,931)	(97,289)	55,686	**44,076**
Non-current liabilities					
Non-current portion of long-term liabilities	102,500	–	–	–	**–**
Amount due to the immediate holding company	933,592	–	–	–	**–**
Loans from a fellow subsidiary	–	877,500	278,024	–	**–**
Promissory note issued to a fellow subsidiary	–	–	886,749	–	**–**
Convertible bond	–	28,250	28,261	–	**–**
Subscription note	–	1,131,199	1,178,008	–	**–**
Asset retirement obligations	5,908	6,529	–	–	**–**
	111,219	1,013,547	2,273,753	55,686	**44,076**

Notes:

(a) The turnover of the NWPCS Group has been reclassified to profit from discontinued operations as a result of the adoption of HKFRS 5.

(b) The calculation of basic earnings per share for the year 2004 is based on the NWPCS Group's profit attributable to shareholders and the deemed ordinary shares outstanding of 41,666,666 shares.

SCHEDULE OF PRINCIPAL PROPERTY

INVESTMENT PROPERTY

Location	Purpose	Term of lease	Group Interest %
House No. 2B of Beijing Riviera 1 Xiang Jiang North Road Chaoyang District, Beijing, The PRC.	Commercial	Long term	100