1. CORPORATE INFORMATION

The Company was incorporated in Hong Kong as a public limited company and its shares are listed on The Stock Exchange of Hong Kong Limited. The registered office of the Company is located at Units 1205-06, 12th Floor, Office Tower Two, The Harbourfront, 18-22 Tak Fung Street, Hunghom, Kowloon, Hong Kong.

The principal activities of the Company and its subsidiaries are leasing of the 70% owned cruise, the manufacturing and trading of electrical equipment, the provision of electrical engineering and contracting services, the trading of listed securities and property investments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and applicable disclosure provisions of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK$'000) except otherwise indicated.

The HKICPA has issued a number of new and revised HKFRSs which are effective for accounting periods beginning on or after 1 January 2005. A summary of the effect on initial adoption of these new and revised HKFRSs is disclosed in Note 3 to the financial statements.

The preparation of financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustments in the next year are discussed in Note 5 to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A summary of the significant accounting policies followed by the Group in the preparation of the financial statements is set out below:

(a) Basis of preparation

The measurement basis used in the preparation of the financial statements is historical cost as modified for the revaluation of financial instruments and investment properties which are carried at fair value.

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 30 June 2006.

Where a subsidiary operates under severe restrictions which significantly impair control by the Group over its assets and operations for the foreseeable future, the Group's interest in the subsidiary is stated in the consolidated financial statements at the amount at which it would have been included under the equity method of accounting at the date on which the restrictions came into force, less provision for any subsequent impairment in value.

The results of the subsidiaries and associates acquired or disposed of during the year are included in the consolidated income statement from the effective dates of acquisition and up to the effective dates of disposal, as appropriate.

Intra-group transactions and balances and unrealised gains on transactions between group companies are eliminated on consolidation. 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 to ensure consistency with the policies adopted by the Group.

Minority interests representing the interests of outside shareholders in the net assets and operating results of subsidiaries.

(c) Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group interest in the fair value of the identifiable assets and liabilities of a subsidiary or associate at the date of acquisition.

Following on the adoption of HKFRS 3 "Business Combination", the Group ceased amortisation of goodwill from 1 July 2005. All accumulated amortisation of goodwill would be eliminated with a corresponding decrease in the cost of goodwill. From the year ended 30 June 2006 onwards, goodwill is tested annually for impairment.

For the purpose of impairment testing, goodwill arising from acquisition of a subsidiary is allocated to each of the Group's cash generating unit ("CGU") expected to benefit from the synergies of the combination. CGU to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying.

Goodwill arising from acquisition of an associate is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Subsidiaries

Subsidiaries are those entities in which the Company, directly or indirectly, controls the composition of the board of directors, controls more than half the voting power or holds more than half of the issued share capital.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as 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

In the financial statements of the Company, 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 or receivable.

(e) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

An associate is an enterprise in which the Group has significant influence, but not control or joint control, and thereby has the ability to participate in their financial and operating policy decisions.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

The Group's interests in jointly controlled entity are accounted for by proportionate consolidation. The Group combines its share of the joint venture's individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements. The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture that it is attributable to the other venturers. The Group does not recognise its share of profits or losses from the joint venture that result from the Group's purchase of assets from the joint venture until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

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

(g) Recognition of revenue

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

i. Sale of products is recognised when goods are delivered and title has been passed.

ii. When the outcome of a construction contract can be estimated reliably, revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the percentage of revenue certified to date to estimated total contract value. When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable that the costs incurred will be recovered.

iii. Dividend income from investments is recognised when the Company's rights to receive payment has been established.

iv. Sale of securities is recognised when securities are traded on the trade day basis.

v. Interest income from bank deposit is recognised on a time apportioned basis on the principal outstanding and at the rates applicable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Recognition of revenue (Continued)

vi. Services income is recognised when the services are rendered.

vii. Cruise leasing income is recognised on an accrual basis in accordance with terms of the leasing agreement.

(h) Property, plant and equipment

Building held for own use which are situated on leasehold land, where the fair value of the building could be measured separately from the fair value of the leasehold land at the inception. Buildings and cruise ship are shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at historical cost less depreciation and impairment losses.

Depreciation is calculated on the straight line basis to write-off the cost of each items of property, plant and equipment less their estimated realisable value, if any, over their estimated useful lives at the following annual rates:

Buildings	:	Over the term of the leases
Leasehold improvement	:	20%
Furniture, fixtures and equipment	:	15% to 20%
Plant and machinery	:	15%
Motor vehicles	:	25%
Cruise ship	:	5%

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

(i) Investment properties

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Investment properties (Continued)

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 this 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 performed in accordance with the guidance issued by the International Valuation Standards Committee. These valuations are reviewed annually by external valuers.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

Subsequent expenditure is charged to the asset's carrying amount 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 costs are expensed in the income statement during the financial period in which they are incurred.

Changes in fair values are recognised in the income statement.

(j) Leases

(a) Operating lease

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 expensed in the income statement on a straight-line basis over the period of the lease.

(b) Finance lease

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The interest element of the finance cost is recognised in the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The investment properties acquired under finance leases are carried at their fair value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Intangible assets

Development costs

Expenditure on research and development is charged to the consolidated income statement in the year in which it is incurred except where a major project is undertaken and it is reasonably anticipated that development costs will be recovered through future commercial activity. Such development costs are deferred and written off over the life of the project from the date of commencement of commercial operation.

(l) Financial instruments

Financial assets

For the year ended 30 June 2005:

The Group classified its equity investments, other than investment in subsidiaries, as investment in securities.

Investment in securities are measured at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in the fair value of investment securities are recognised in the income statement. Profit or losses on disposal of investment securities, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the income statement as they arise.

From 1 July 2005 onwards:

Financial assets in the scope of HKAS 39 are classifies into financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets, as appropriate. The classifications depend on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Gains or losses on financial assets at fair value through profit or loss are recognised in the income statement.

Loans and receivables

Loans and receivables are non-derivatives financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when loans and receivables are derecognised or impaired, as well as through the amortization process.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Financial instruments (Continued)

Held to maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. During the year, the Group did not hold any investments in this category.

Available-for-sale financial assets

Available-for-sale financial assets are not derivative that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Financial instruments (Continued)

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at fair value through profit or loss and other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss, include financial liabilities held for trading. At each balance sheet date subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Other financial liabilities

Other financial liabilities including trade and other payables, amount due to minority shareholder, borrowings are subsequently measured at amortised cost, using the effective interest rate method. The fair value of the liability portion of a convertible note is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the notes. The remainder of the proceeds allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Equity instruments

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

(m) Interest-bearing bank borrowings

Interests-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interests-bearing borrowings are stated at amortised cost with any different between cost and redemption value being recognised in the income statement over the period of borrowing using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Inventories

Inventories are stated at the lower of cost and the net realisable value. Cost, which comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(o) Construction contracts

When the outcome of a construction contract can be estimated reliably, contract costs are charged to the consolidated income statement by reference to the stage of the completion of the contract activity at the balance sheet date on the same basis as the contract revenue is recognised.

When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the year in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as an amount due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as an amount due to customers for contract work. Amounts received before the related work is performed are included in the balance sheet, as a liability, as advance received. Amounts billed for work performed, but not yet paid by the customer, are included in the balance sheet within trade and other receivables.

(p) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation 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).

2. 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, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation difference on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(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:

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

(2) 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

(3) 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 foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible.

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply to the period when the liability is settled or the asset realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(s) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals (being member of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Cash and cash equivalents

Cash equivalents include cash at bank, short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

(u) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligations.

(v) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group. Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Retirement benefits scheme

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

(ii) Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance and to the state-managed retirement benefits schemes for the employees of the Group's entities in the People's Republic of China (the "PRC") are recognised as an expense in the consolidated income statement as incurred.

(iii) The Group operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option scheme is not recorded in the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the consolidated income statement or consolidated balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

(x) Borrowing costs

Borrowing costs are interests and other costs incurred in connection with the borrowing of funds. All borrowing costs are charged to the income statement in the period in which they are incurred.

(y) 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 are subject to risks and returns that are different from those of segments operating in other economic environments.

3. CHANGES IN ACCOUNTING POLICIES

(i) Adoption of new and revised HKFRSs

In the year ended 30 June 2006, the Group adopted the following new and revised HKFRSs which are relevant to its operations. The 2005 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 11	Construction Contracts
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HK – Int 3	Revenue – Pre Completion Contracts for the Sale of Development Properties
HK – Int 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases
HK – Int 12	Consolidation – Special Purpose Entities
HK – Int 12	Amendment Scope of HKAS – Int 12 Consolidation – Special Purpose Entities
HKAS – Int 15	Operating Leases – Incentives
HKAS – Int 21	Income Taxes – Recovery of Revalued Non Depreciable Assets
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations

3. CHANGES IN ACCOUNTING POLICIES (Continued)

(i) Adoption of new and revised HKFRSs (Continued)

The adoption of the above HKFRSs has no material impact on the accounting policies and the results and financial position of the Group, except for the following:

(a) HKAS 1 – Presentation of Financial Statements

HKAS 1 has affected the presentation of minority interest, share of net after-tax results of associates and other disclosures. In prior years, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and as deduction from net assets. Minority interests in the results of the Group for the year are also separately presented in the consolidated income statement as a deduction before arriving at the profit attributable to the equity holders of the Company. With effect from 1 July 2005, minority interests are now shown within total equity in the consolidated balance sheet. Minority interests are presented as an allocation of the total profit or loss for the year in the consolidated income statement. These charges in presentation have been applied retrospectively with comparatives restated.

(b) HKAS 17 – Leases

In prior years, leasehold land and buildings held for own-use were classified under property, plant and equipment at cost less accumulated depreciation and impairment losses. The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land from property, plant and equipment to operating leases. The up-front prepayments made for the leasehold land are expensed in the income statement on a straight-line basis over the period of the lease or when there is impairment, the impairment is expensed in the income statement. A lease of land and building is split into a lease of land and a lease of building in proportion to the relative fair values of the leasehold interests in land element and the building element of the lease at the inception of the lease. The lease of land is stated at cost and amortised over the period of the lease whereas the building is stated at cost less accumulated depreciation and impairment losses.

The charges in accounting policy have been adopted retrospectively. The adjustments are set out in Note 3(ii) to the financial statements.

(c) HKAS 24 – Related Party Disclosures

HKAS 24 has affected the identification of related parties and some other related-party disclosures.

(d) HKASs 32 and 39 – Financial Instruments

Financial assets

In prior periods, the Group classified its equity investment as investment in securities and other investments. Investments in securities are listed equity securities intended to be held on a short-term basis and are stated at amortised cost less any impairment losses. These investments are stated at their fair values at the balance sheet date on an individual investment basis. The gains or losses arising from changes in the fair value of other investment are credited or charged to the consolidated income statement in the period in which they arise.

Upon the adoption of HKAS 39, the Group classifies its financial assets as financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss are those investments acquired principally for the purpose of trading. Any gain or loss arising from change in fair value of the financial assets is recognised in the income statement.

3. CHANGES IN ACCOUNTING POLICIES (Continued)

(i) Adoption of new and revised HKFRSs (Continued)

(d) HKASs 32 and 39 – Financial Instruments (Continued)

Financial liabilities

Under HKAS 32, convertible notes issued are split into their liability and equity components at initial recognition by recognising the liability component at its fair value which is determined using a market interest rate for equivalent non-convertible notes and attributing to the equity component the difference between the proceeds from issue and the fair value of the liability component. The liability component is subsequently carried at amortised cost. The equity component is recognised in the convertible notes reserve until the notes are either converted (in which case it is transferred to share premium) or the notes are redeemed (in which case it is released directly to retained earnings). The issuance costs incurred for the arrangement of convertible notes were charged to the income statement in the year of issue.

(e) HKAS 36 – Impairment of Assets and HKFRS 3 – Business Combinations

The adoption of HKAS 36 and HKFRS 3 results in a change in accounting policy for goodwill. In prior years, positive or negative goodwill which arose prior to 1 January 2001 was taken directly to reserve at the time it arose, and was not recognised in the income statement until disposal or impairment of the acquired business. Positive goodwill which arose on or after 1 January 2001 was amortised on a straight line basis over its useful life and was subject to impairment testing when there were indications of impairment.

Until 30 June 2005, the Group's goodwill was amortised on a straight line basis over a period of 10 years and assessed for an indication of possible impairment at each balance sheet date.

In accordance with the provisions of HKFRS 3, the Group ceased amortisation of goodwill from 1 July 2005. Accumulated amortisation as at 30 June 2005 has been eliminated with a corresponding decrease in the cost of goodwill. From the year ended 30 June 2006 onwards, goodwill is tested annually for impairment, as well as when there is indication of goodwill. The effect of the above changes are summarised in Note 3(ii) below. In accordance with the transitional provisions of HKFRS 3, comparative figures have not been restated.

(f) HKAS 40 – Investment Property

The adoption of HKAS 40 has resulted in change in accounting policy for the Group's investment properties. In prior years, increase in the valuation of investment property were credited to the investment property revaluation reserve while decrease in the valuation of investment property were firstly set off against the surplus of the investment property revaluation reserve and thereafter charged to the income statement. Following the adoption of HKAS 40, all changes in valuation of the investment property are to be recognised in the income statement.

3. CHANGES IN ACCOUNTING POLICIES (Continued)

(ii) Effect on the consolidated financial statements

Effect on the consolidated balance sheets as at 30 June 2006 and 2005

	Effect of adopting				
	HKFRS 3	HKAS 17	HKAS 39	HKAS 1 Presentation	
	Business		Financial	of Financial	
Effect of new policies	Combination	Leases	Instruments	Statements	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 30 June 2005					
Goodwill	–	–	–	–	–
Accumulated amortisation	–	–	–	–	–
Property, plant and equipment	–	(2,836)	–	(27,700)	(30,536)
Prepaid land premiums	–	2,836	–	–	2,836
Investment in securities	–	–	(1,257)	–	(1,257)
Investment properties	–	–	–	27,700	27,700
Financial assets at fair value through profit or loss	–	–	1,257	–	1,257
	–	–	–	–	–
At 30 June 2006					
Goodwill	(14,259)	–	–	–	(14,259)
Accumulated amortisation	14,259	–	–	–	14,259
Property, plant and equipment	–	–	–	(28,400)	(28,400)
Investment in securities	–	–	(567)	–	(567)
Investment properties	–	–	–	28,400	28,400
Financial assets at fair value through profit or loss	–	–	567	–	567
Convertible notes reserve	–	–	277	–	277
	–	–	277	–	277

3. CHANGES IN ACCOUNTING POLICIES (Continued)

(ii) Effect on the consolidated financial statements (Continued)

Effect on the consolidated income statement for the year ended 30 June 2006 and 2005

	Effect of adopting HKAS 17 Leases
	HK$'000
For the year ended 30 June 2005	
Amortisation of prepaid land premiums	65
Depreciation of property, plant and equipment	(65)
For the year ended 30 June 2006	
Amortisation of prepaid land premiums	71
Depreciation of property, plant and equipment	(71)

There was no material impact on opening accumulated losses as at 1 July 2005 from the adoption of above HKFRSs.

(iii) HKFRSs that are not yet effective for the year ended 30 June 2006

No early adoption of the following HKFRSs that have been issued but are not yet effective. Unless otherwise stated, these HKFRSs are effective for annual periods beginning on or after 1 January 2006:

HKAS 1 (Amendment)	Capital Disclosures
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 & HKFRS 4 (Amendments)	Financial Guarantee Contracts
HKFRS 7	Financial Instruments: Disclosures
HK (IFRIC) – Int 4	Determining whether an Arrangement contains a Lease
HKFRSs 1& 6 (Amendments)	First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HK (IFRIC) – Int 5	Rights to Interest arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK (IFRIC) – Int 6 (effective for accounting period commencing on or after 1 December 2005)	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
HK (IFRIC) – Int 7 (effective for accounting period commencing on or after 1 March 2006)	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies

3. CHANGES IN ACCOUNTING POLICIES (Continued)

(iii) HKFRSs that are not yet effective for the year ended 30 June 2006 (Continued)

HK (IFRIC) – Int 8 (effective for accounting period commencing on or after 1 May 2006)	Scope of HKFRS 2
HK (IFRIC) – Int 9 (effective for accounting period commencing on or after 1 June 2006)	Reassessment of Embedded Derivatives

The HKAS 1 Amendment shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosure about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKAS 39 (Amendment), The Fair Value Option. This amendment changes the definition of financial instruments classified at fair value through profit or loss and restricts the ability to designate financial instruments as part of this category. The Group believes that this amendment should not have a significant impact on the classification of financial instruments, as the Group should be able to comply with the amended criteria for the designation of financial instruments at fair value through profit or loss. The Group will comply this amendment from accounting periods beginning on 1 July 2006.

HKAS 39 and HKFRS 4 (Amendments), Financial Guarantee Contracts. This amendment requires issued financial guarantees, other than those previously asserted by the entity to be insurance contracts, to be initially recognised at their fair value, and subsequently measured at the higher of (a) the unamortised balance of the related fees received and deferred, and (b) the expenditure required to settle the commitment at the balance sheet date. The Company regards its financial guarantees provided to its subsidiaries as insurance contracts.

HKFRS 7 will replace HKAS 32 and has modified the disclosure requirements of HKAS 32 relating to financial instruments. This HKFRS shall be applied for annual period beginning on or after 1 January 2007.

Except as stated above, the Group expects that the adoption of the other pronouncements listed above will not have any significant impact on the Group's financial statements in the period of initial application.

4. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate 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.

(a) Market risk

Foreign exchange risk

The Group operates mainly in Hong Kong, primarily with respect to the Hong Kong dollars. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated balance sheet as financial assets at fair value through profit or loss. The Group is not exposed to commodity price risk.

(b) Credit risk

The credit risk of the Group's other financial assets, which mainly comprise cash and cash equivalents and trade receivables, the Group's exposure to credit risk arises from default of the other party, with a maximum exposure equal to the carrying amount of these instruments. There are no significant concentrations of credit risk within the Group in relation to the other financial assets.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. The Group's exposure to liquidity risk is minimal.

(d) Cash flow and fair value interest rate risk

Borrowings at variable interest rates expose the Group to cash flow interest rate risk and those at fixed rate expose the Group to fair value interest rate risk.

The Group monitors the interest rate risk exposure on a continuous basis and adjusts the portfolio of borrowings where necessary.

4. FINANCIAL RISK MANAGEMENT (Continued)

Fair value estimation

The fair value of financial assets at fair value through profit or loss traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The nominal values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year, including trade and other receivables, amount due from a related company, trade and other payables, amount due to a minority shareholder and current borrowings are assumed to approximate their fair values.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments 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.

Critical accounting estimates and assumptions

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

(i) Estimate impairment of goodwill

The Group performs annual test on whether there has been impairment of intangible assets in accordance with the accounting policy stated in note 2(c). The recoverable amounts of cash-generating units are determined based on value-in-use calculations. These calculations require the use of estimates and assumptions made by management on the future operation of the business, pre-tax discount rates, and other assumptions underlying the value-in-use calculations.

(ii) Impairment of assets

The Group tests annually whether the assets have suffered any impairment. The recoverable amount of an asset or a cash generating unit is determined based on value-in-use calculations which require the use of assumptions and estimates.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

Critical accounting estimates and assumptions (Continued)

(iii) Measurement of convertible notes

On issuance of convertible notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible note; and this amount is carried as current liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in the convertible notes reserve, net of transaction costs. The splitting of the liability and equity components requires an estimation of the market interest rate.

(iv) Estimate of fair value of investment properties

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgment, the Group considers information from a variety of sources including:

(a) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

(b) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainly in the amount and timing of the cash flows.

If information on current or recent prices of investment properties is not available, the fair values of investment properties are determined using discounted cash flow valuation techniques. The Group uses assumptions that are mainly based on market conditions existing at each balance date.

The principal assumptions underlying management's estimation of fair value are those related to: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data, and actual transactions by the Group and those reported by the market.

The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

The Group assesses the fair value of its investment properties based on valuation determined by qualified independent professional valuers in Hong Kong and the PRC.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

Critical accounting estimates and assumptions (Continued)

(v) *Estimated useful lives of property, plant and equipment*

In accordance with HKAS 16, the Group estimates the useful lives of property, plant and equipment to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, and technical obsolescence arising from changes in the market demands or service output of the assets. The Group also performs annual reviews on whether the assumptions made on useful lives continue to be valid.

(vi) *Net realisable value of inventories*

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

6. SEGMENT INFORMATION

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

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

(a) the electrical equipment segment consisted of the manufacture and sale of electrical equipment;

(b) the listed securities segment consisted of the purchase and sale of listed securities;

(c) the electrical engineering and contracting services segment consisted of the provision of electrical engineering and contracting services;

(d) the entertainment segment consisted of the production and distribution of musical and entertainment products and the celebrities management; and

(e) the cruise segment consisted of the leasing and management of the cruise.

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

6. SEGMENT INFORMATION (Continued)

(a) Business segments

THE GROUP

2006

	Sale of electrical equipments 2006 *HK$'000*	Cruise leasing 2006 *HK$'000*	Trading of listed securities 2006 *HK$'000*	Electrical engineering and contracting services 2006 *HK$'000*	Entertainment 2006 *HK$'000*	Consolidated 2006 *HK$'000*
Segment revenue:						
Sales/services to external customers	59,828	27,000	–	16,306	–	103,134
Segment results	8,114	11,996	–	2,472	–	22,582
Other revenue						4,112
Other income						948
Distribution costs	(1,174)	–	–	–	–	(1,174)
General and administrative expenses	(4,981)	(1,400)	(611)	(1,313)	(40)	(8,345)
Unallocated administrative expenses						(6,247)
Profit from operating activities						11,876
Finance costs						(1,226)
Profit before taxation						10,650
Taxation						(1,047)
Profit before minority interests						9,603
Minority interests						(2,456)
Net profit for the year						7,147
Segment assets	55,930	197,205	32,030	9,385	1	294,551
Unallocated assets						59,970
Total assets						354,521
Segment liabilities	12,737	48,625	7,839	2,909	35	72,145
Unallocated liabilities						41,660
Total liabilities						113,805
Other segment information:						
Capital expenditure	69	94,131	–	–	–	94,200
Unallocated amounts						569
						94,769
Depreciation and amortisation	599	15,004	82	–	–	15,685
Unallocated amounts						75
						15,760
Other non-cash expenses:						
Impairment loss recognised in respect of inventories	203	–	–	–	–	203
Impairment loss in respect of trade and other receivables	–	–	264	–	–	264

6. SEGMENT INFORMATION (Continued)

(a) Business segments

THE GROUP

2005

	Sales of electrical equipments 2005 *HK$'000* (Restated)	Trading of listed securities 2005 *HK$'000* (Restated)	Electrical engineering and contracting services 2005 *HK$'000* (Restated)	Entertainment 2005 *HK$'000* (Restated)	Consolidated 2005 *HK$'000* (Restated)
Segment revenue:					
Sales/services to external customers	60,665	–	16,344	–	77,009
Segment results	6,212	–	1,993	–	8,205
Other revenue					1,432
Other income					500
Distribution costs	(1,462)	–	–	–	(1,462)
General and administrative expenses	(6,387)	(4,208)	(1,386)	(136)	(12,117)
Unallocated expenses					(7,037)
Loss from operating activities					(10,479)
Finance costs					(129)
Loss before taxation					(10,608)
Taxation					(366)
Loss before minority interests					(10,974)
Minority interests					(379)
Net loss for the year					(11,353)
Segment assets	52,861	8,704	7,641	80	69,286
Unallocated assets					216,768
Total assets					286,054
Segment liabilities	11,338	3,021	3,610	120	18,089
Unallocated liabilities					37,129
Total liabilities					55,218
Other segment information:					
Capital expenditure	3	–	–	–	3
Unallocated amounts					97,029
					97,032
Depreciation and amortisation	417	–	–	–	417
Unallocated amounts					390
					807
Other non-cash expenses:					
Impairment loss in respect of trade and other receivables	129	–	–	–	129
Fair value loss on financial assets at fair value through profit or loss	–	5,050	–	–	5,050

6. SEGMENT INFORMATION (Continued)

(b) Geographical segments

THE GROUP

	Hong Kong		The PRC		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:						
Sales/services to external customers	**103,134**	77,009	**–**	–	**103,134**	77,009
Segment results	**22,582**	8,205	**–**	–	**22,582**	8,205
Other segment information:						
Segment assets	**326,072**	258,334	**28,449**	27,720	**354,521**	286,054
Segment liabilities	**96,535**	38,154	**17,270**	17,064	**113,805**	55,218
Capital expenditure	**94,769**	97,032	**–**	–	**94,769**	97,032

7. TURNOVER AND OTHER REVENUE

	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Turnover		
Manufacturing and trading of electrical equipments	**59,828**	60,665
Provision of electrical engineering and contracting services	**16,306**	16,344
Rental income from leasing of the cruise	**27,000**	–
	103,134	77,009
Other revenue		
Interest income	**2,864**	264
Commission received	**83**	26
Dividend income – listed securities	**2**	2
Gains on disposal of financial assets at fair value through profit or loss	**582**	–
Rental income	**133**	133
Sundry income	**448**	1,007
	4,112	1,432

8. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

The Group's profit/(loss) from operating activities is arrived at after charging:

	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Amortisation of development costs	**330**	609
Amortisation of prepaid land premiums	**71**	65
Auditors' remuneration	**723**	665
Depreciation of property, plant and equipment	**15,503**	462
Depreciation of property, plant and equipment held under finance leases	**–**	425
Operating lease charges in respect of land and buildings	**628**	1,560
Fair value losses on financial assets at fair value through profit or loss	**–**	5,050
Total staff costs, excluding directors' remuneration	**11,355**	11,420
Mandatory provident fund contributions	**468**	334
Impairment loss recognised in respect of trade and other receivables	**264**	129
Loss on disposal of property, plant and equipment	**198**	–
Impairment loss recognised on obsolescence of inventories	**203**	–
Cost of inventories	**41,587**	49,765

and after crediting:		
Other income:		
Fair value gain on investment properties	**700**	500
Fair value gain on financial assets at fair value through profit or loss	**155**	–
Gain on disposal of property, plant and equipment	**40**	–
Gain on disposal of a subsidiary	**53**	–
	948	500

9. FINANCE COSTS

	2006	2005
	HK$'000	*HK$'000*
Interest on bank overdrafts and other borrowings wholly repayable within five years	**92**	64
Interest on finance leases	**36**	65
Interest on convertible notes	**1,098**	–
	1,226	129

10. DIRECTORS' REMUNERATION

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

THE GROUP

Name of Director	Fees	Basic salaries	Provident fund contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2006:				
Executive directors				
Mr. Lin Cheuk Fung	**–**	**960**	**12**	**972**
Mr. Lau Kwok Hung	**–**	**660**	**12**	**672**
Mr. Chan Shiu Kwong, Stephen	**–**	**600**	**12**	**612**
Mr. Lau Kwok Keung	**100**	**–**	**–**	**100**
Mr. Chen Chak Man	**–**	**–**	**–**	**–**
Ms. Chik Siu Yin, Urica	**–**	**133**	**7**	**140**
Independent non-executive directors				
Mr. Chow Pui Fung	**60**	**–**	**–**	**60**
Mr. Yue Fu Wing	**60**	**–**	**–**	**60**
Mr. Wong Yuk Man	**20**	**–**	**–**	**20**
Mr. Hung Shui Nam	**40**	**–**	**–**	**40**
	280	**2,353**	**43**	**2,676**
2005:				
Executive directors				
Mr. Lin Cheuk Fung	–	–	–	–
Mr. Lau Kwok Hung	–	703	12	715
Mr. Chan Shiu Kwong, Stephen	–	98	2	100
Mr. Lau Kwok Keung	100	–	–	100
Mr. Chen Chak Man	–	–	–	–
Ms. Chik Siu Yin, Urica	–	248	12	260
Independent non-executive directors				
Mr. Chow Pui Fung	–	–	–	–
Mr. Yue Fu Wing	28	–	–	28
Mr. Hung Shui Nam	–	–	–	–
Mr. Chan Ping Yim	17	–	–	17
Mr. Fok Po Tin	25	–	–	25
	170	1,049	26	1,245

During the year, no share options were granted to the directors under the Company's share options scheme. There were no arrangements under which a director waived or agreed to waive any remuneration during the year (2005: Nil).

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2005: one) directors, details of whose remuneration are set out in Note 10 above. Details of the remuneration of the remaining two (2005: four) highest paid, non-director employees are as follows:

	2006	2005
	HK$'000	*HK$'000*
Salaries and other benefits	**1,060**	1,744
Mandatory provident fund contributions	**21**	48
	1,081	1,792

Their emoluments are within the following bands:

	Number of employees	
	2006	2005
Nil – HK$1,000,000	**2**	4

12. TAXATION

(a) Income tax expenses

Hong Kong Profits Tax has been provided in the financial statements at a rate of 17.5% (2005: 17.5%) on the estimated assessable profits of the subsidiaries for the year. No provision for tax is required for the Company and its associates as no assessable profits were earned by the Company and the associates during the year.

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
Current year provision:		
Hong Kong	**716**	394
Over-provision in previous year	**–**	(28)
Deferred taxation *(Note 12b)*	**331**	–
	1,047	366

12. TAXATION (Continued)

(a) Income tax expenses (Continued)

Reconciliation between tax expense and accounting profit at applicable tax rates:

	2006		
	Hong Kong	**The PRC**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Profit before taxation	**9,913**	**737**	**10,650**
Tax at the domestic income rate	**1,735**	**243**	**1,978**
Tax effect of expenses that are not deductible in determining taxable profit	**702**	**–**	**702**
Tax effect of income that are not taxable in determining taxable profit	**(5,254)**	**–**	**(5,254)**
Over-provision in previous year	**–**	**–**	**–**
Tax effect of estimated tax loss not recognised	**3,633**	**(12)**	**3,621**
Tax charge at the effective tax rate for the year	**816**	**231**	**1,047**

	2005		
	Hong Kong	The PRC	Total
	HK$'000	*HK$'000*	*HK$'000*
	(Restated)	(Restated)	(Restated)
(Loss)/profit before taxation	(11,082)	474	(10,608)
Tax at the domestic income rate	(1,939)	83	(1,856)
Tax effect of expenses that are not deductible in determining taxable profit	3,404	–	3,404
Tax effect of income that are not taxable in determining taxable profit	(2,505)	(111)	(2,616)
Over-provision in previous year	28	–	28
Tax effect of estimated tax loss not recognised	1,378	28	1,406
Tax charge at the effective tax rate for the year	366	–	366

12. TAXATION (Continued)

(b) Deferred taxation

The followings are the major deferred tax liabilities ad assets recognised by the Group and movements thereon:

	Accelerated tax depreciation	**Deferred tax on fair value gains on investment properties**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 July 2005/2004	–	–	–
Charge to income statement	100	231	331
At 30 June 2006/2005	100	231	331
Deferred tax liabilities to be settled after more than 12 months			331

13. EARNINGS/(LOSS) FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

	2006	2005
	HK$'000	*HK$'000*
Dealt with in the financial statements of the Company	**4,221**	(7,957)
Attributable to subsidiaries	**2,926**	(3,396)
	7,147	(11,353)

14. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of the basic profit per ordinary share is based on the net profit for the year of HK$7,147,000 (2005: loss of HK$11,353,000) and the weighted average of 12,397,630,000 (2005: 10,051,671,000) ordinary shares in issue during the year.

No diluted profit per ordinary share has been presented for the year ended 30 June 2006 as there were no dilutive potential ordinary shares in existence during the year ended 30 June 2006. No diluted loss per ordinary share has been presented for the year ended 30 June 2005 as the effect of the assumed conversion of the Company's outstanding convertible notes would result in a decrease in net loss per ordinary share for the year ended 30 June 2005.

15. PROPERTY, PLANT AND EQUIPMENT

(a) The Group

	Buildings in Hong Kong HK$'000 (Restated)	Leasehold improve-ments HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Cruise ship HK$'000	Total HK$'000
At cost/fair value:								
At 1 July 2004	6,031	–	336	3,039	268	2,488	–	12,162
Effect on adoption of HKAS 17	(2,836)	–	–	–	–	–	–	(2,836)
As restated at 1 July 2004	3,195	–	336	3,039	268	2,488	–	9,326
Additions upon acquisition of a subsidiary	–	–	–	–	–	–	97,000	97,000
Transfer in	–	–	–	–	–	–	–	–
Additions	–	–	–	3	29	–	–	32
Increase in fair value	–	–	–	–	–	–	–	–
At 30 June 2005 and 1 July 2005	3,195	–	336	3,042	297	2,488	97,000	106,358
Effect of adoption of HKAS 40	–	–	–	–	–	–	–	–
Additions	–	42,460	19,937	159	33	–	32,180	94,769
Disposals	–	–	–	(31)	(11)	(2,488)	–	(2,530)
At 30 June 2006	3,195	42,460	20,273	3,170	319	–	129,180	198,597
Depreciation:								
At 1 July 2004	297	–	250	2,103	172	1,653	–	4,475
Written back on revaluation	(57)	–	–	–	–	–	–	(57)
Charge for the year	80	–	30	296	56	425	–	887
At 30 June 2005	320	–	280	2,399	228	2,078	–	5,305
Charge for the year	80	6,354	2,268	295	47	–	6,459	15,503
Written back on disposal	–	–	–	(5)	–	(2,078)	–	(2,083)
At 30 June 2006	400	6,354	2,548	2,689	275	–	6,459	18,725
Net book value:								
At 30 June 2006	**2,795**	**36,106**	**17,725**	**481**	**44**	**–**	**122,721**	**179,872**
At 30 June 2005	2,875	–	56	643	69	410	97,000	101,053

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) The Company

	Office equipment HK$'000	Leasehold improvement HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At cost:					
At 1 July 2004	20	–	45	1,700	1,765
Additions	–	–	29	–	29
At 30 June 2005 and 1 July 2005	20	–	74	1,700	1,794
Additions	89	447	33	–	569
Disposal	(11)	–	(11)	(1,700)	(1,722)
At 30 June 2006	98	447	96	–	641
Depreciation:					
At 1 July 2004	6	–	30	865	901
Charge for the year	4	–	12	425	441
At 30 June 2005 and 1 July 2005	10	–	42	1,290	1,342
Charge for the year	13	52	10	–	75
Written back on disposal	(5)	–	(1)	(1,290)	(1,296)
At 30 June 2006	18	52	51	–	121
Net Book value:					
At 30 June 2006	**80**	**395**	**45**	**–**	**520**
At 30 June 2005	10	–	32	410	452

(c) At 30 June 2006, the net book value of property, plant and equipment pledged to secure general banking facilities granted to the Group amounted to approximately HK$5,438,000 (2005: HK$5,589,000).

(d) At 30 June 2006, the net book value of property, plant and equipment of the Company and the Group held under finance leases amounted to HK$Nil (2005: HK$410,000).

16. INVESTMENT PROPERTIES

The Group's investment properties in the PRC were revalued at 30 June 2006 by an independent valuer, Chung, Chan & Associates, on an open market value. In accordance with HKAS 40, the net increase in fair value of HK$500,000 based on the valuation reports has been credited to the income statement.

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
		(Restated)
At valuation:		
At 1 July 2005/2004	**27,700**	–
Additions	**–**	27,200
Fair value gain on investment properties	**700**	500
At 30 June 2006/2005	**28,400**	27,700

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Representing:		
Leasehold land in PRC:		
Medium term lease	**12,000**	11,700
Long term lease	**16,400**	16,000
	28,400	27,700

17. PREPAID LAND PREMIUMS

The Group's interest in leasehold land and land use rights represent prepaid operating lease payment and their net book value are analysed as follows:

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
		(Restated)
At cost:		
As previously reported on 1 July 2005/2004	**2,836**	–
Effect of adopting HKAS 17	**–**	2,836
As 30 June 2006/2005, as restated	**2,836**	2,836
Accumulated amortisation:		
At 1 July 2005/2004	**122**	57
Charge for the year	**71**	65
At 30 June 2006/2005	**193**	122
Carrying amount at 30 June 2006/2005	**2,643**	2,714

17. PREPAID LAND PREMIUMS (Continued)

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Representing:		
Leasehold land in Hong Kong:		
Medium term lease	**2,643**	2,714

At the balance sheet date, the Group's leasehold land with a net carrying amount of approximately HK$2,643,000 (2005: HK$2,714,000) were mortgaged to a bank for securing general banking facilities granted to the Group.

18. DEVELOPMENT COSTS

	HK$'000
THE GROUP	
At cost:	
At 1 July 2004, 30 June 2005 and 30 June 2006	4,673
Accumulated amortisation:	
At 1 July 2004	3,734
Charge for the year	609
At 30 June 2005 and 1 July 2005	4,343
Charge for the year	330
At 30 June 2006	4,673
Net book value:	
At 30 June 2006	**–**
At 30 June 2005	330

19. GOODWILL

	HK$'000
THE GROUP	
At cost:	
At 1 July 2004	14,259
Additions	45
At 30 June 2005 and 1 July 2005	14,304
Eliminated upon the adoption of HKFRS 3	(14,259)
At 30 June 2006	**45**
Accumulated amortisation:	
At 1 July 2004 and 30 June 2005	14,259
Eliminated upon the adoption of HKFRS 3	(14,259)
At 30 June 2006	**–**
Net book value:	
At 30 June 2006	**45**
At 30 June 2005	45

Until 30 June 2005, goodwill had been amortised over 10 years.

Impairment test for goodwill

Goodwill is allocated to the Group's cash-generating unit (CGUs) identified according to the location of operation and business segment as follows:

	2006	2005
	HK$'000	*HK$'000*
Cruise leasing	**45**	45

During the year ended 30 June 2006, management of the Company determines that there is no impairment of goodwill. The recoverable amount of the CGU is determined on a value in use calculation. That calculation used cash flow projections based on the financial budgets approved by management covering a 5-year period. Cash flows is beyond five year period extrapolated using the estimated rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

19. GOODWILL (Continued)

Impairment test for goodwill (Continued)

Key assumptions used for value-in-use calculations:

Gross margin	44%
Growth rate	3%
Discount rate	5%

Management determined the budget gross margin based on past performance and its expectations for the market development. The weighted average growth rate used are based on the management's expectation on the market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

20. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Unlisted investments, at cost	**104,420**	104,420
Less: Impairment loss in respect of investment cost	**(5,000)**	(5,000)
	99,420	99,420
Amounts due from subsidiaries	**229,204**	155,522
Less: Impairment loss in respect of amounts due from subsidiaries	**(150,750)**	(95,790)
	177,874	159,152

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

The directors of the Group had reviewed the net asset values of the Company's subsidiaries as at 30 June 2006 and considered provision for impairment in values should be made in respect of the investment in subsidiaries and the amounts due from subsidiaries to their net recoverable values.

20. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the Company's subsidiaries at 30 June 2006 are as follows:

Name of subsidiary	Place of incorporation/ registration/ operation/ establishment	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued ordinary share capital/ registered capital held by the Company		Principal activity
			Directly	Indirectly	
			%	%	
Great Well Global Limited	The British Virgin Islands	US$1	100	–	Leasing
Gold Winner Asia Limited	The British Virgin Islands	US$1	100	–	Securities trading
Jumbo Profit Investments Limited	The British Virgin Islands	US$1	100	–	Securities trading
Lexwin Company Limited	Hong Kong	HK$2	100	–	Assets holding
Goalstar Holdings Limited	The British Virgin Islands	US$1	100	–	Investment holding
Linfield International Limited*	The British Virgin Islands	US$2,850,000	80	–	Investment holding
Metrix Engineering Company Limited*	Hong Kong	HK$600,000	–	80	Manufacture and trading of electrical equipment
Metrix Engineering (China) Limited*	Hong Kong	HK$500,000	–	80	Inactive
Metrix Engineering International Limited*	Hong Kong	HK$22,000,000	–	80	Investment holding
Metrix E & M Services Limited*	Hong Kong	HK$500,000	–	80	Provision of electrical engineering and contracting services
Discovery Net Limited	The British Virgin Islands	US$50,000	–	100	Securities trading
Sources Investments Limited	Hong Kong	HK$2	100	–	Securities trading

20. INTERESTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ registration/ operation/ establishment	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued ordinary share capital/ registered capital held by the Company		Principal activity
			Directly %	Indirectly %	
World Target International Limited	The British Virgin Islands	US$1	100	–	Securities trading
Tenin Investments Limited	Hong Kong	HK$2	–	100	Property development
Anwill Investments Limited	Hong Kong	HK$2	–	100	Property development
Century Element Celebrities Management (HK) Limited	Hong Kong	HK$2	–	100	Celebrities management
Century Element Entertainment (HK) Limited	Hong Kong	HK$2	–	100	Entertainment
Eagles Wing Limited	Hong Kong	HK$2	100	–	Distribution
Massive Resources Corporation (China) Limited	Hong Kong	HK$2	100	–	Investment holding
Smart Brilliance Development Limited	Hong Kong	HK$10,000	100	–	Licence holders
Talent Ascent Limited	Hong Kong	HK$2	100	–	Securities trading
Beijing Massive Resources Culture & Communication Co., Limited	Hong Kong	HK$2	–	100	Investment holding
Walden Maritime S.A.	Republic of Panama	US$10,000	70	–	Cruise leasing

* Companies not audited by HLB Hodgson Impey Cheng.

None of the subsidiaries had any loan capital outstanding at the end of the year, or at any time during the year.

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

21. SUBSIDIARY NOT CONSOLIDATED

In February 2001, Goalstar Holdings Limited ("Goalstar"), a wholly-owned subsidiary of the Company, purportedly entered into an agreement whereby Goalstar would purchase 60% of the issued shares and the shareholders' loan of M-Star Limited ("M-Star"). Having obtained legal advice, Goalstar duly rescinded the purported agreement. The Group's investment in M-Star had not been incorporated into these financial statements and as prudence, a full impairment of HK$16,043,000 for the investment in M-Star had been made in the year ended 30 June 2002. Official receiver had been appointed for the liquidation of M-Star during the year ended 30 June 2003.

M-Star was dissolved by compulsory winding up on 23 November 2005. No gain or loss on dissolution on the subsidiary was recognised in the income statement during the year. The dissolved subsidiary had not been incorporated into these financial statements.

22. INTEREST IN AN ASSOCIATE

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Investment in an associate	**25,201**	25,201
Loan advanced to an associate	**4,199**	4,199
	29,400	29,400
Less: Provision for impairment loss	**(29,400)**	(29,400)
	–	–

At 30 June 2006, the Group had interest in the following associate:

Name of Company	**Principal place of operation**	**Nature of business**	**Percentage of ownership interest**	**Percentage of voting power**	**Percentage of profit/loss sharing**
Fu Tai Vacationing Village Development Company Limited	Hong Kong	Property development	38%	40%	38%

The associate has not yet commenced business as at 30 June 2006. The directors of the Company determined the fair value of the investment in an associate based on the present value of the estimated future cash flows discounted using prevailing market rate at balance sheet date and considered that full provision for impairment loss of the investment cost should be made.

23. JOINT VENTURE

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
Unlisted shares at cost	**–**	10,000
Advance to a joint venture	**–**	3,844
	–	13,844
Less: Provision for impairment loss	**–**	(13,844)
	–	–

At 30 June 2005, the Group had interest in the following jointly controlled entity:

Name of Company	Principal place of operation	Nature of business	Percentage of ownership interest	Percentage of voting power	Percentage of profit/loss sharing
北京世紀元素娛樂有限公司	People's Republic of China	Provision and distribution of musical and related products	50%	50%	50%

On 20 June 2006, the Group disposed of 50% interest in 北京世紀元素娛樂有限公司 to an independent third party for a cash consideration of HK$1. The disposal did not contribute significantly to the Group's cash and did not have material impact on the Group results as a whole.

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Equity securities:		
Listed in Hong Kong at market value	**567**	1,257

The Group classified its equity investments, other than investment in subsidiaries, as investment securities for the year end 30 June 2005. From 1 July 2005 onwards, the Group classified the investment securities as financial assets at fair value through profit or loss.

25. INVENTORIES

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Raw materials	**13,669**	12,293
Work in progress	**2,889**	2,104
Less: Impairment loss recognised on obsolescence of inventories	**(203)**	–
	16,355	14,397

The directors of the Group had considered the net realisable values and conditions of the Group's inventories as at 30 June 2006 and considered provision for impairment in values should be made in respect of the net realisable value.

26. CONSTRUCTION CONTRACTS

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
Amounts due from contract customers included in trade and other receivables *(Note 27)*	**1,675**	710
Amounts due to contract customers included in trade and other payables *(Note 28)*	**(2,905)**	(2,984)
	(1,230)	(2,274)
Contract costs incurred plus recognised profits less recognised losses to date	**22,025**	14,916
Less: Progress billings	**(23,255)**	(17,190)
	(1,230)	(2,274)

At 30 June 2006, no retention (2005: Nil) was held by customers for contract works as included in trade and other receivables under current assets.

27. TRADE AND OTHER RECEIVABLES

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Trade receivables	**29,490**	20,375
Sundry deposit and prepayments *(note iii)*	**1,607**	1,439
Other receivables	**1,913**	1,853
Amounts due from contract customers *(Note 26)*	**1,675**	710
	34,685	24,377

The movements of trade receivables were as follows:

Trade receivables	**29,735**	20,620
Less: Impairment loss recognised in respect of trade receivables	**(245)**	(245)
	29,490	20,375

Aging analysis of trade receivables net of provision for impairment loss is set out below:

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
0-30 days	**12,199**	8,540
Over 30 days	**7,725**	3,197
Over 60 days	**5,980**	2,911
Over 90 days	**3,586**	5,727
	29,490	20,375

The movements in provision for impairment loss on trade receivables are as follows:

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
At 1 July 2005/2004	**245**	213
Impairment loss recognised in respect of trade receivables	**–**	32
At 30 June 2006/2005	**245**	245

27. TRADE AND OTHER RECEIVABLES (Continued)

Notes:

(i) The credit terms for customers are generally granted in between 30-60 days.

(ii) The directors of the Group considered that the carrying amounts of trade and other receivables approximates their fair values.

(iii) Sundry deposit and prepayments was net of impairment loss of approximately HK$264,000. The directors of the Group had assessed the recoverability of the sundry deposit and prepayments as at 30 June 2006 and considered provision for impairment should be made to reflect its fair value.

28. TRADE AND OTHER PAYABLES

	THE GROUP		THE COMPANY	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade creditors	**9,077**	6,919	**–**	–
Other payables	**21,443**	129	**–**	–
Accruals	**3,552**	7,942	**1,895**	3,854
Provision for legal claim for rental	**1,883**	1,592	**–**	–
Advance received	**205**	1,202	**–**	–
Amounts due to contract customers *(Note 26)*	**2,905**	2,984	**–**	–
Finance lease payables	**–**	215	**–**	215
	39,065	20,983	**1,895**	4,069

Aging analysis of trade creditors is set out below:

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
0-30 days	**3,536**	1,433
Over 30 days	**2,919**	3,141
Over 60 days	**2,591**	2,184
Over 90 days	**31**	161
	9,077	6,919

29. CONVERTIBLE NOTES

	THE GROUP AND THE COMPANY	
	2006	2005
	HK$'000	*HK$'000*
Fair value of convertible notes issued	**40,000**	–
Equity component	**(277)**	–
Liability component on initial recognition	**39,723**	–
Interest expenses	**(100)**	–
Amortised cost on initial recognition at 22 October 2005	**39,623**	–
Interest expenses	**1,097**	–
Interest payable	**(955)**	–
Amortised cost at 30 June 2006	**39,765**	–

Pursuant to the convertible notes subscription agreement dated 12 September 2005, the Company issued convertible notes in the principal of HK$40,000,000 (the "Notes") to two independent third parties (the "Noteholders"). The Notes bear interest at the rate of 5% per annum on the outstanding principal amount of the Notes. The Company shall repay such principal moneys outstanding under the Notes to the Noteholders together with all interest accrued thereon up to and including the date of repayment falling 12 months from the date of issue of the Notes. The Noteholders may at any business day after the date of issue of the Notes up to and including the date prior to the anniversary to the date of issue of the Notes convert the whole or any part in an amount of integral multiple of HK$1,000,000 of the principal amount of the Notes into shares of HK$0.02 each in the share capital of the Company, at the conversion price of HK$0.02 per share.

The fair value of the liability component, included in current liabilities, was calculated using a market interest rate for an equivalent non-convertible bond. The remaining balance represented the equity conversion component, is included in shareholers' equity named as convertible notes reserve.

29. CONVERTIBLE NOTES (Continued)

The fair value of the liability component of the Notes as at 30 June 2006, amounted to approximately HK$39,765,000. The fair value is calculated using cash flows discounted at a rate based on the borrowing rate per annum of the Group.

	Carrying amounts		Fair values	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Convertible notes	**39,765**	–	**39,765**	–
	39,765	–	**39,765**	–

The fair value of the liability component of the convertible notes at 30 June 2006 amounted to HK$39,765,000. The fair value is calculated using cash flows discounted using a rate based on the borrowings rate of 5.85% (2005: Nil).

Interest expenses on the convertible notes is calculated using the effective interest method by applying the effective interest rate of 5.85% (2005: Nil) to the liability component.

30. SHARE CAPITAL

	THE GROUP AND THE COMPANY	
	2006	2005
	HK$'000	*HK$'000*
Authorised:		
50,000,000,000 ordinary shares of HK$0.02 each (2005: 50,000,000,000 ordinary shares of HK$0.02 each)	**1,000,000**	1,000,000
Issued and fully paid:		
12,397,630,000 ordinary shares of HK$0.02 each (2005: 12,397,630,000 ordinary shares of HK$0.02 each)	**247,953**	247,953

Share options

Under the terms of the Share Option Scheme adopted by the Company on 30 November 2000 (the "Scheme"), the board of directors may, at its discretion, invite employees, including the directors of the Company and its subsidiaries, to take up options to subscribe for shares in the share capital of the Company. The subscription price for the Company's shares under the Scheme is determined by the board of directors and will not be less than 80% of the average of the closing prices of the Company's shares listed on the Stock Exchange on the five trading days immediately preceding the date of offer of the option or the nominal value of the Company's shares, whichever is the higher. The maximum number of shares in respect of which options may be granted may not exceed 10% of the issued share capital of the Company (excluding shares issued under the Scheme) from time to time and that the maximum number of shares in respect of which options may be granted to any one employee shall not exceed 25% of the aggregate number of shares under the Scheme.

30. SHARE CAPITAL (Continued)

The Scheme was adopted prior to the new rules on share option schemes under the Listing Rules coming into operation. The Company may only grant further options under the Scheme if the options are granted in accordance with the requirements of the new rules of Chapter 17 of the Listing Rules which include, inter alia, the followings:

(i) the total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes must not in aggregate exceed 10% of the relevant class of shares of the Company (or its subsidiaries) in issue as at the date of approval of the Scheme. Subject to compliance with the Listing Rules, the limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes must not exceed 30% of the relevant class of shares of the Company in issue from time to time;

(ii) the maximum number of shares issuable under share options to each eligible participant within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting. Grant of options to connected persons are subject to more stringent requirements; and

(iii) the exercise price of the share options is determined by directors, but may not be less than the higher of (a) the Stock Exchange closing price of the Company's share on the date of offer of the grant of the share options; and (b) the average of the Stock Exchange closing price of the Company's shares of the five trading days immediately preceding the date of the offer of the grant of the share options.

During the year, no share options have been granted nor exercised. At 30 June 2006, the Company had no outstanding options granted to eligible employees to subscribe for shares of the Company.

31. RESERVES

THE GROUP

	Share premium *HK$'000*	Convertible notes *HK$'000*	Non-distributable reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 July 2004	17,198	–	2,264	(77,868)	(58,406)
Net loss for the year	–	–	–	(11,353)	(11,353)
Issue of shares	46,153	–	–	–	46,153
Share issue expenses	(1,897)	–	–	–	(1,897)
At 30 June 2005 and 1 July 2005	61,454	–	2,264	(89,221)	(25,503)
Convertible notes – equity component	–	277	–	–	277
Net profit for the year	–	–	–	7,147	7,147
At 30 June 2006	61,454	277	2,264	(82,074)	(18,079)

31. RESERVES (Continued)

THE COMPANY

	Share premium	Convertible notes	Non-distributable reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 July 2004	17,198	–	1,264	(40,683)	(22,221)
Net loss for the year	–	–	–	(20,957)	(20,957)
Issue of shares	46,153	–	–	–	46,153
Share issue expenses	(1,897)	–	–	–	(1,897)
At 30 June 2005 and 1 July 2005	61,454	–	1,264	(61,640)	1,078
Convertible notes – equity component	–	277	–	–	277
Net loss for the year	–	–	–	(55,363)	(55,363)
At 30 June 2006	61,454	277	1,264	(117,003)	(54,008)

32. AMOUNT DUE TO A MINORITY SHAREHOLDER

The amount due is unsecured, interest free and repayable on demand.

33. AMOUNT DUE FROM A RELATED COMPANY

Name of company	Maximum balance during the year	THE GROUP 2006	THE GROUP 2005
	HK$'000	*HK$'000*	*HK$'000*
Company in which two directors of subsidiaries have beneficial interests			
Gason Electrical Contracting Ltd.	**831**	**710**	830

The amount due is unsecured, interest free and recoverable on demand.

34. AMOUNT DUE TO A SUBSIDIARY

The amount due is unsecured, interest-free and has no fixed terms of repayments.

35. OPERATING LEASE COMMITMENTS

(a) The Group's total future minimum lease payments under non-cancellable operating leases are receivables as follows:

	2006	2005
	HK$'000	*HK$'000*
Within 1 year	**36,000**	275
After 1 year but within 5 years	**9,000**	868
	45,000	1,143

(b) At 30 June 2006, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
Within 1 year	**907**	154
After 1 year but within 5 years	**1,063**	288
	1,970	442

36. RETIREMENT BENEFITS SCHEME

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

At the balance sheet date, the total amount of forfeited contributions, which arose upon employees leaving the defined contribution retirement benefits scheme and which are available to reduce the contributions payable in the future years was HK$1,190 (2005: HK$14,000).

The employees of the Company's subsidiary in the People's Republic of China (the "PRC") are members of the state-sponsored retirement benefit scheme organised by the relevant local government authority in the PRC. The subsidiary is required to contribute, based on a certain percentage of the basic salary of its employees, to the retirement benefit scheme and has no further obligations for the actual payment of pensions or post-retirement benefits beyond the annual contributions. The state-sponsored retirement benefit scheme represent for the entire pension obligations payable to retired employees.

37. BANK AND OTHER BORROWINGS

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
Bank overdrafts, unsecured	**528**	334
Bank loan, secured	**1,564**	2,064
	2,092	2,398
The maturity profile of the above bank and other borrowings is as follows:		
Within one year	**2,092**	771
In the second year	**–**	453
In the third to fifth years, inclusive	**–**	1,174
	2,092	2,398
Portion classified as current liabilities	**(2,092)**	(771)
Non-current portion	**–**	1,627

As at 30 June 2006, the bank facilities of the Group were secured by the Group's leasehold land and buildings in Hong Kong with carrying values of HK$5,438,000 (2005: HK$5,589,000) and fixed deposits of a subsidiary of HK$4,451,000 (2005: HK$3,000,000).

38. MATERIAL RELATED PARTY TRANSACTIONS

(a) The Group

During the year, the Group had entered into transactions with related parties which, in the opinion of the directors, were carried out on normal commercial terms and in the ordinary course of the Group's business, as shown below:

Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in Note 10 is as follows:

	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Short term employee benefits	**2,943**	1,604
MPF Contribution	**63**	47
	3,006	1,651

38. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(a) The Group (Continued)

During the year, the Group had the following material transactions with related parties:

Name of related parties	Relationship	Nature of transactions	2006	2005
			HK$'000	*HK$'000*
Gason Electrical Contracting Ltd. *(Note a)*	Company in which two directors of subsidiaries have beneficial interests	Sales – received	**16,304**	16,328
		– receivable	**710**	830
		Rent	**7**	–
Gold Arch Engineering Ltd. *(Note b)*	Company in which two directors of subsidiaries have beneficial interests	Management fee paid	**360**	360

Notes:

a. The transactions were carried out at market price or, where no market price was available, at cost plus a percentage profit mark-up.

b. The transactions were based on amounts agreed between the parties concerned.

(b) The Company

In addition to the transactions and balances disclosed elsewhere in these financial statements, during the year ended 30 June 2006, the Company had entered into the following material related party transactions:

Nature of related party relationship	Nature of transactions	2006	2005
		HK$'000	*HK$'000*
Subsidiary	Management fee received	**4,500,000**	–
Subsidiary	Management fee paid	**–**	1,560,000

39. ACQUISITION OF A SUBSIDIARY

During the year ended 30 June 2005, the Group acquired 70% interests in Walden Maritime S.A. which is principally engaged in cruise ship. The effect of the acquisition of the subsidiary to the financial statements were as follows:

	2006	2005
	HK$'000	*HK$'000*
Net assets acquired		
Cruise ship	–	97,000
Amounts due from directors	–	78
Amounts due to shareholders	–	(97,000)
Minority interest	–	(23)
	–	55
Goodwill	–	45
Shareholders' loan acquired	–	67,900
	–	68,000
Satisfied by:		
Cash consideration	–	20,000
Share consideration	–	48,000
	–	68,000
Analysis of net outflow of cash and cash equivalents in connection with the acquisition of subsidiaries	–	20,000

The subsidiary acquired during the year ended 30 June 2005 did not have any significant effect on the Group's cash flows for the year ended 30 June 2005.

40. DISPOSAL OF SUBSIDIARY

On 20 June 2006, the Group entered into a sale and purchase agreement to dispose of its 100% equity interest in 北京駿雷文化傳播有限公司 to an individual third party for a cash consideration of HK$1, the principal activity of which is investment holding. The gain on disposal of 北京駿雷文化傳播有限公司 amounted to approximately HK$53,000 has been credited to the income statement for the year.

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
Net assets disposed of:		
Property, plant and equipment	**20**	–
Inventories	**2**	–
Cash and cash equivalent	**53**	–
Trade and other payables	**(126)**	–
Taxation payable	**(2)**	–
	(53)	–
Gain on disposal of a subsidiary	**53**	–
Consideration satisfied by cash	**–**	–

Analysis of the net cash outflow in respect of the disposal of a subsidiary is set out below:

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
Cash consideration received	**–**	–
Cash and cash equivalent disposed of	**(53)**	–
Net cash outflow in respect of the disposal of a subsidiary	**(53)**	–

The subsidiary disposed of during the year ended 30 June 2006 did not contribute significantly to the Group's cash and did not have material impact on the Group's results as a whole.

41. CONTINGENT LIABILITIES

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
Irrevocable letters of credit	**1,384**	–
Other trade guarantees	**136**	68
	1,520	68

As at 30 June 2006, certain Hong Kong employees have achieved the required number of years of service to the Group and the possible future long service payment to such employees amounted to HK$62,389 (2005: HK$1,572,000).

On 1 September 2004, a writ of summons and statement of claim was made by The Center (49) Limited against the Company in respect of the office previously rented by the Group. The claim is for a sum of approximately HK$3.3 million together with interest and cost. In the opinion of the directors, the amount claimed is unreasonable. The Group would vigorously contest against such claim. After obtaining legal advice, a provision of approximately HK$1.6 million has been made in the financial statements for the year ended 30 June 2004. During the year ended 30 June 2006, there has been no significant progress. As at the date of approval of these financial statements, the case is still pending for hearing.

42. SUBSEQUENT EVENTS

Subsequent to the year end date, the convertible notes holders, Mr. Chan Yan To and Ms. Lam Wai Han have confirmed to extend the repayment of the principal amount of convertible notes together with interest to 21 October 2007 and all terms and conditions of the convertible notes will remain unchanged.

43. COMPARATIVE FIGURES

As further explained above, due to the adoption of the new/revised HKFRSs during the current year, the accounting treatment and presentation of certain items in the consolidated financial statements have been restated to conform with the current year's presentation.

44. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 24 October 2006.