



Wonderful World Holdings Limited 榮德豐控股有限公司*

(Incorporated in Bermuda with limited liability)

Stock Code: 00109

Annual Report 2008



* for identification purposes only



**Wonderful World Holdings Limited
Annual Report 2008**

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

Mr. Ng Leung Ho (*Chairman*)
Mr. Ho Kam Hung
(*Vice-Chairman and Managing Director*)
Mr. Zheng Jie
Mr. Li Xiangjun (*resigned on 15 August 2008*)

Independent Non-Executive Directors:

Mr. Law Wai Fai
Mr. Lo Wan Sing, Vincent
Mr. Chau On Ta Yuen

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Mr. Chan Chi Ming, Tony

AUTHORIZED REPRESENTATIVES

Mr. Ng Leung Ho
Mr. Chan Chi Ming, Tony

AUDIT COMMITTEE

Mr. Law Wai Fai (*Chairman of Audit Committee*)
Mr. Lo Wan Sing, Vincent
Mr. Chau On Ta Yuen

REMUNERATION COMMITTEE

Mr. Lo Wan Sing, Vincent
(*Chairman of Remuneration Committee*)
Mr. Ng Leung Ho
Mr. Law Wai Fai
Mr. Chau On Ta Yuen
Mr. Ho Kam Hung

NOMINATION COMMITTEE

Mr. Chau On Ta Yuen
(*Chairman of Nomination Committee*)
Mr. Ng Leung Ho
Mr. Law Wai Fai
Mr. Lo Wan Sing, Vincent
Mr. Ho Kam Hung

GENERAL COMMITTEE

Mr. Law Wai Fai (*Chairman of General Committee*)
Mr. Ng Leung Ho
Mr. Ho Kam Hung

REGISTERED OFFICE OF THE COMPANY

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS OF THE COMPANY IN HONG KONG

Unit 3312
33rd Floor, West Tower
Shun Tak Centre
168-200 Connaught Road Central
Sheung Wan
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke, HM 08
Bermuda



CORPORATE INFORMATION (continued)

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited

26th Floor, Tesbury Centre
No. 28 Queen's Road East, Wanchai
Hong Kong

LEGAL ADVISERS

On Hong Kong law:

D.S. Cheung & Co, Solicitors

1910-1913, Hutchison House,
10 Harcourt Road, Central
Hong Kong

C.L. Chow & Mackision Chan, Solicitors

Rooms 501-503, 5th Floor, Hang Seng Building
No. 77 Des Voeux Road Central
Hong Kong

Pang Wan & Choi, Solicitors

Rooms 1007-8, 10th Floor, Hang Seng Building
No. 77 Des Voeux Road Central
Hong Kong

Louis K.Y. Pau & Company, Solicitors

24th Floor, Euro Trade Centre
Nos. 13-14 Connaught Road Central
Hong Kong

On Bermuda law:

Conyers Dill & Pearman

2901, One Exchange Square
No. 8 Connaught Place
Central
Hong Kong

AUDITOR

Shu Lun Pan Horwath Hong Kong CPA Limited

20th Floor, Central Plaza
18 Harbour Road
Wanchai
Hong Kong

PRINCIPAL BANKERS

ABN AMRO Bank

Bank of China (Hong Kong) Limited
Chiyu Banking Corporation Ltd.

Chong Hing Bank Limited
Wing Hang Bank, Limited

STOCK CODE

SEHK 00109

WEBSITE

www.wonderfulw.com



CHAIRMAN'S STATEMENT

BUSINESS REVIEW

A net loss of approximately HK\$42,390,000 of the Group incurred in current year in comparison to a profit of HK\$103,000 in last year and our turnover has decreased by approximately HK\$18,949,000 to approximately HK\$6,988,000. The turning into loss position was mainly due to decrease in values of listed shares investments held-for-trading on hand during the current year under the worldwide slow-down economy and more awareness of the extent of impact of the sub-prime crisis leading to poor investment atmosphere and price slump globally.

We continue adopting a prudent approach for our business in investment and financial services to mitigate unnecessary financial losses pertaining to the surmounting recession cycles, in turn there had been a reduction in turnover from investment and financial services activities.

The Group's trading of children's playground equipment, rubber tiles manufactured from recycled rubber shreds, and the related accessories started in May 2006 has been performing on target and has brought increase in trading activities for current year and remained the major revenue contributor to our distribution and trading business.

OUTLOOK

Our focus is to continue pursuing diversification of our business into various revenue sources and in particular we are paying attention to avoid arena which will be hard hit by the sub-prime crisis.

In respect of the recycled rubber tiles which is the major revenue driver for us, our envisage that the global trend of awareness of the clean technology will bring fruitful results to increase purchase and use of our products by the end customers have proven to be correct, this global trend has reflected and represented by increased revenue generated up-to-date, we anticipate that the recycled rubber tiles will be less hit by the sub-prime crisis based on past performance of the tiles trading and will be cautiously managing this business responding to latest market development.

The Group will continue to concentrate on its existing core business of investment and financial services and distribution and trading. We will pursue business development of complementary products which can out-perform other arenas under a recession environment and reduce downside risks to us with extreme due care paid on the selection process. Our placement of new shares approved on 28th September, 2007 in a special general meeting of the shareholders which raised approximately HK\$198.3 million for us has put us into a relatively cash-rich position, we will carefully and diligently apply our financial resources to explore and investigate on our other core business segments which can survive a global slow-down economy, and should there be opportunities arising as the economic cycles further evolve around the world, the Group will make necessary assessments and may re-activate our other core segments under a recession aware and highly protective investment guidelines fulfilling our business objectives, top priority has been and will be placed on risk control measures and asset protection aspects of our segments' portfolio.



CHAIRMAN'S STATEMENT (continued)

APPRECIATION

On behalf of the Board of Directors, I would like to thank our valued customers, suppliers and business associates for their invaluable contributions and support. I also want to express my gratitude to our management team and all staff of the Group for their hard work during the year. Last but not least, I am most grateful to our shareholders for their continuous support and confidence.

Ng Leung Ho

Chairman

Hong Kong, 16th October, 2008



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the year ended 30th June, 2008, the turnover of the Group decreased by approximately HK\$18,949,000 to approximately HK\$6,988,000 (2007: approximately HK\$25,937,000), representing a decrease of approximately 73% from last year. Decrease in turnover was primarily caused by decrease in turnover related to business activities in investment and financial services with less frequent buy and sell trades of investment portfolio causing a reduction in the turnover.

In view of the increasing volatility of the global financial markets due to surfacing of the subprime crisis in the United States and more unsettled local market in the second half of 2007 up to end of the current year, the Group's business in investment and financial services had been managed on an increasing prudent manner to prevent over-exposure to volatility risk. As a result, the Group incurred fewer trading transactions for shares under the investment and financial services during the current year. However, business activities in distribution and trading gradually recorded a growth of almost 66% to approximately HK\$6,455,000 (2007: approximately HK\$3,891,000) for the year under review.

The Group incurred a net loss of approximately HK\$42,390,000 for the year under review compared to a net profit of approximately HK\$103,000 of last year. With the deteriorating global investment atmosphere in year 2008, listed shares investments held-for-trading which stated at market value at year end date had led to recognition of accounting loss for the year ended 30th June, 2008 of approximately HK\$25,295,000 (2007: profit of approximately HK\$3,363,000). On 13th March, 2008, the Group settled its legal case by payment of a settlement of approximately HK\$7 million, in which, approximately HK\$1,004,000 not previously provided for as provision for legal claim was recognised as expense in the current year.

BUSINESS REVIEW

The Group continues to reinforce its strategic planning focus towards a diversified income source which could bring performance to the Group under a slow down economic environment. Notwithstanding the slow down of economy in China, the turnover from distribution and trading business maintained its growth during the year under review and become main portion of the Group's turnover. The expansion pace and development of stable income source is the priority of the Group.

The Group's trading of children's playground equipment, rubber tiles manufactured from recycled rubber shreds, and the related accessories continues to be the major revenue contributor in distribution and trading business. Project orders had been consistently and continuously reaching expectations of the Group.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

FUTURE PROSPECTS

The Group is cautious on any investment which could be hard hit by the aftermath of the Subprime crisis sweeping the world, volatility and return will be well considered and only investments with long term prospect which can counter-balance the volatility will be included for further assessment under our slow and prudent investment process. We anticipate after the full impact of the sub-prime crisis have been absorbed into the pricing of the stock market, the recovery of the market will lead to both our existing investment portfolio and additional investments to be made contributing to the Group's turnover in a positive manner.

We will persist to explore recession-proof and relatively secured industries within China which can give the Group stable and constant returns with healthy growth rate, aiming to achieve further diversification of business scope and to capture the recovery as the world evolves from the sub-prime crisis.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintains its strong financial position with cash and cash equivalents of approximately HK\$142,224,000 (2007: approximately HK\$21,959,000). The Group is basically debt-free and at a net cash position.

As at 30th June, 2008, the Group had a net current assets of approximately HK\$182,421,000 (2007: approximately HK\$17,060,000). The shareholders' equity was approximately HK\$183,590,000 (2007: approximately HK\$18,184,000) and there is no outstanding bank loan and other borrowings, hence maintaining a zero gearing ratio.

DIVIDEND

The Directors do not recommend the payment of dividend for the year ended 30th June, 2008.

SETTLEMENT OF LITIGATION

On 10th November, 2000, the Company was named as a defendant in a legal action in which a claim was made against the Company for failure to pay, as the guarantor, an amount of HK\$5,996,000 and interest thereon. In January 2003, the Company's lawyers had sought discovery of the original copies of the relevant documents from the plaintiff and yet the plaintiff had failed to respond or furnish any of the requested documents. The plaintiff had since then not taken any further steps to activate the proceedings which had then become dormant for over a year. In July 2004, the Company was informed by the plaintiff of its decision to re-activate the proceedings. The Directors, after seeking legal advice, had made a provision of HK\$5,996,000 for potential liability during the year ended 30th June, 2004. The Company applied for an order to strike out the proceedings during the year ended 30th June, 2005, but the application for striking out was subsequently dismissed.

On 22nd February, 2008, the Company and the plaintiff filed a joint application by way of Consent Summons to the court. The Company agreed to pay to the plaintiff a sum of HK\$7,000,000 in full and final settlement of the plaintiff's claim inclusive of interest on or before 14th March, 2008. The amount of settlement was fully paid during the year, resulting in an additional legal claim cost charged to the income statement of HK\$1,004,000.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

EMPLOYMENT AND REMUNERATION POLICIES

As at 30th June, 2008, the Group employed approximately 18 employees. The Remuneration Committee and the Directors of the Group reviewed remuneration policies regularly. The structure of the remuneration packages would take into account the level and composition of pay and the general market conditions in the respective countries and businesses.

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

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 30th June, 2008.

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied throughout the year ended 30th June, 2008 with the Code on Corporate Governance Practices (the "Code") as set out by the Stock Exchange in Appendix 14 to the Listing Rules, except for the following deviation:

Under the code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term, subject to re-election. All independent non-executive Directors of the Company are not appointed for a specific term. However, they are subject to retirement by rotation in the annual general meeting according to the provisions of the Company's Bye-Laws.

SHARE OPTION SCHEME

The Company has a share option scheme to enable the directors of the Company to grant options to eligible participants, including executive directors, of the Company and its subsidiaries to subscribe for shares in the Company. Details of movements in the Company's share options during the year ended 30th June, 2008 are set out in note 23 to the financial statements.



DIRECTORS AND SENIOR MANAGEMENT'S PROFILES

EXECUTIVE DIRECTORS

Mr. NG Leung Ho ("Mr. Ng"), aged 56, was appointed as an Executive Director and Chairman of the Company on 14th June, 2007. He was also appointed members of Remuneration Committee, Nomination Committee and General Committee of the Company with effect from 14th June, 2007. He is also the director of certain subsidiary of the Company. He is the founder, the Chairman and an executive director of China Grand Forestry Green Resources Group Limited ("CGFGR"), the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited. He is also the chairman of Zhongke Nanotech Engineering Centre Co., Ltd., the jointly controlled entity of CGFGR engaged in the business of Nano technology applications. Mr. Ng has more than 36 years of experience in the design, manufacture, and trading of men's suits in Hong Kong and in the People's Republic of China (the "PRC"). Mr. Ng is currently a JP and a member of the Chinese People's Political Consultative Conference and is a visiting professor at the Fujian Teachers University.

Mr. HO Kam Hung ("Mr. Ho"), aged 57, was appointed as an Executive Director, Managing Director of the Company, the Vice Chairman of the Company, a member of each of the Remuneration Committee, Nomination Committee and General Committee of the Company on 20th November, 2007. Mr. Ho is also the director of Able Business Developments Limited, an entity engaged in sales and marketing of apparel products. Mr. Ho was an executive director of another listed company in Hong Kong and has more than 33 years of experience in the apparel business and general management.

Mr. ZHENG Jie ("Mr. Zheng"), aged 39, was appointed as an Executive Director of the Company on 15th August, 2008. Mr. Zheng is also a director of 中國江蘇省金鼎置業有限公司, a company involved in the development and sales of properties in the JiangSu Province of the PRC. Mr. Zheng graduated from the department of law at Fujian Institute of Engineering in 1991. Mr. Zheng has expensive experience in tourism, property development and large scale project management and has held various senior management positions for those areas within the PRC.

Mr. LI Xiangjun ("Mr. Li"), aged 36, was appointed as an Executive Director of the Company on 14th June, 2007 and he resigned from the position of Executive Director on 15th August, 2008. He holds a bachelor degree in law. He received a bachelor degree in law in 1996. In 2003, he obtained the certificate of graduation from the master degree program for international economic law of the University of International Business and Economics. Mr. Li has been engaged in the legal services industry since 1999. He is currently a practicing lawyer in the PRC and a member of the Beijing Lawyers' Association. He was a partner of the Beijing Genesis Law Firm, and is currently a partner of the Beijing Tianshi Law Firm. Mr. Li has been engaged in the legal profession for years. He used to be the Corporate Law Consultant or Legal Consultant for Special Affairs for large state-owned enterprises, including China FAW Group, Lenovo Group and China Life Insurance Group, and large foreign enterprises, including Asia Link Group Inc., Zhenglin Food Co., Ltd. and Dongguan Hsu Chi Foods Company Limited.



DIRECTORS AND SENIOR MANAGEMENT'S PROFILES (continued)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LAW Wai Fai (“Mr. Law”), aged 40, was appointed as an Independent Non-Executive Director of the Company on 3rd July, 2007. He was also appointed as the Chairman of Audit Committee, the Chairman of General Committee, a member of each of the Remuneration Committee and Nomination Committee of the Company on 3rd July, 2007. He is currently an executive director of Superb Summit International Timber Company Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited. Mr. Law has extensive experience in financial management. He holds a master of Business Administration degree from the Hong Kong Polytechnic University and a bachelor degree in Accountancy from the City University of Hong Kong. He is also a member of the Hong Kong Institute of Certified Public Accountants and a member of The Institute of Chartered Accountants in England and Wales.

Mr. LO Wan Sing, Vincent (“Mr. Lo”), aged 60, was appointed as an Independent Non-Executive Director of the Company on 3rd July, 2007. He was also appointed as the Chairman of Remuneration Committee, a member of each of the Audit Committee and Nomination Committee of the Company on 3rd July, 2007. He has more than 30 years of experience in the field of jewelry and property investment. He is currently the president of Plateria Jewelry Limited and Kwok Cheong Ind. Limited, and also the managing director of Hong Kong New Century Real Estate Limited. He is a member of the Chinese People’s Political Consultative Conference of the PRC.

Mr. CHAU On Ta Yuen (“Mr. Chau”), aged 60, was appointed as an Independent Non-Executive Director of the Company on 3rd July, 2007. He was also appointed the Chairman of Nomination Committee, a member of each of the Audit Committee and Remuneration Committee of the Company on 3rd July, 2007. He graduated from Xiamen University majoring in Chinese language and literature. Mr. Chau is also Chairman and executive director of Wonson International Holdings Limited and an independent non-executive director and a member of the audit committee of Everpride Biopharmaceutical Company Limited, both of these companies are listed on the Main Board of The Stock Exchange of Hong Kong Limited. From March 2000 to November 2006, he was appointed as the executive director and the deputy chairman of Everbest Energy Holdings Limited (formerly known as “Everbest Century Holdings Limited”) which is listed on the Main Board of The Stock Exchange of Hong Kong Limited. He is a member of the Chinese People’s Political Consultative Conference of the People’s Republic of China.

SENIOR MANAGEMENT

Mr. CHAN Chi Ming, Tony (“Mr. Chan”), aged 40, chief financial officer and company secretary of the Company, is responsible for strategic investment and financial management of the Company. Mr. Chan graduated from Australian National University, with a Bachelor Degree in Commerce (Major in Accounting). Mr. Chan is a member of the CPA Australia and has over 17 years’ experience in the field of business advisory, accounting and auditing. Mr. Chan was formerly senior manager of an international accounting firm.



CORPORATE GOVERNANCE REPORT

The Company is committed to upholding good corporate governance practices and procedures to ensure greater transparency and quality of disclosure as well as more effective risk control.

CODE ON CORPORATE GOVERNANCE PRACTICE

In the opinion of the Directors, the Company has complied throughout the year ended 30th June, 2008 with the Code on Corporate Governance Practice (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), except for the following deviation:

Under the code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term, subject to re-election. All Independent Non-Executive Directors of the Company are not appointed for a specific term. However, they are subject to retirement by rotation in the annual general meeting according to the provisions of the Company's Bye-Laws.

THE BOARD OF DIRECTORS

The Board of the Company is collectively responsible for overseeing the management of the business and affairs of the Group with the objective to protect and enhance long-term shareholders' value. The position of the Chairman of the Board was held by Mr. Ng Leung Ho throughout the current financial year. The position of the Chief Executive Officer (i.e. the Managing Director) was held by Ms. Ada Lam up to 20th November, 2007, and then by Mr. Ho Kam Hung from 20th November, 2007 onwards. These two positions are held separately by different directors to ensure their respective independence, accountability and responsibility. This separation of positions can ensure a clear delineation of roles between the Chairman's responsibility to oversee the Group's business strategies and the Chief Executive Officer's responsibility to monitor the day-to-day business.

The Board now comprises of six directors, with three executive directors and three independent non-executive directors. The directors' biographical information is set out on pages 9 and 10 under the heading "Directors' and Senior Management's Profiles".

The independent non-executive Directors come from diverse business and professional backgrounds, rendering valuable expertise and experience for promoting the best interests of the Group and its shareholders as a whole by taking care of the interests of all shareholders and that issues are considered in a more objective manner. The Company has received, from each of the independent non-executive Directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the independent non-executive Directors are independent.

All Directors (including independent non-executive Directors) are subject to retirement by rotation once every three years in accordance with the Company's Bye-laws and the Code. None of the Directors has a service contract with any member of the Group which is not determinable by the relevant employer within one year without compensation payment (other than statutory compensation).

The Board conducts at least four regular Board meetings a year at approximately quarterly intervals in addition to other Board meetings that are required for significant and important issues, and for statutory purposes. Appropriate and sufficient information is provided to Board members in a timely manner to keep them abreast of the Group's latest developments and thus assist them in discharging their duties.



CORPORATE GOVERNANCE REPORT (continued)

The Board has established Board Committees, namely Audit Committee, Remuneration Committee, Nomination Committee and General Committee to oversee particular aspects of the Company's affairs and to assist in the execution of the Board's responsibilities.

AUDIT COMMITTEE

The Company formulated written terms of reference for the Audit Committee in accordance with the requirements of the Stock Exchange. The Audit Committee comprises the three independent non-executive Directors of the Company. The primary duties of the Audit Committee are to review the Company's annual and interim results and to review and supervise the Company's financial reporting and internal control procedures.

The Audit Committee meets at least twice annually to review and discuss the interim results and annual results. Each member of the Audit Committee has complete and unrestricted access to the Auditors and all senior staff of the Group.

The Audit Committee has reviewed the accounting principles and practices adopted by the Company and discussed the auditing, internal controls and financial reporting matters, including review of the audited financial statements of the Group for the year.

As a resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint the current external Auditor, Messrs. Shu Lun Pan Horwath Hong Kong CPA Limited, no explanation from the Audit Committee is applicable to the reason why the Board has taken a different view from that of the Audit Committee regarding the selection, appointment, resignation or dismissal of the external Auditor.

REMUNERATION COMMITTEE

The Remuneration Committee consists of the Chairman, the Managing Director, and the three independent non-executive Directors with one of them acts as the Chairman of the Remuneration Committee.

The Remuneration Committee is responsible for formulating transparent procedures for developing remuneration policies and packages for the executive Directors and other key staff of the Group. It takes into account whether the packages offered are appropriate to the respective duties and performance of the Directors and Staff, and whether the packages are competitive and sufficiently attractive to retain the executive Directors and the key staff concerned. The Remuneration Committee meets at least once during the financial year.

NOMINATION COMMITTEE

The Nomination Committee consists of the Chairman, the Managing Director, and the three independent non-executive Directors with one of them acts as the Chairman of the Nomination Committee.

The Nomination Committee has been established to enhance transparency and fairness in the evaluation, selection and appointment of Board members. The Nomination Committee meets at least once during the financial year or/and when circumstances required.



CORPORATE GOVERNANCE REPORT (continued)

GENERAL COMMITTEE

The General Committee consists of three members, the majority of which are executive Directors.

The General Committee has been established to take care of various administrative matters of the Board. The General Committee meets at least once during the financial year and when circumstances required.

ATTENDANCE RECORD AT BOARD AND BOARD COMMITTEE MEETINGS

Board of Directors Meetings

A total of eleven Board of Directors meetings of the Company were held during the year. The attendance rates of individual Board members of the Company are as follows:

Name of Directors	Attendance
Executive Directors	
Mr. Ng Leung Ho (<i>Chairman</i>)	10/11
Mr. Ho Kam Hung (<i>Vice-Chairman and Managing Director</i>) (<i>appointed on 20th November, 2007</i>)	6/6
Mr. Zheng Jie (<i>appointed on 15th August, 2008</i>)	–
Ms. Ada Lam (<i>resigned on 20th November, 2007</i>)	6/6
Mr. Li Xiangjun (<i>resigned on 15th August, 2008</i>)	10/11
Mr. Wong Wing Cheong (<i>resigned on 20th November, 2007</i>)	6/6
Mr. Yeung Wood Sang (<i>retired on 22nd November, 2007</i>)	1/6
Independent Non-Executive Directors	
Mr. Law Wai Fai (<i>appointed on 3rd July, 2007</i>)	10/11
Mr. Lo Wan Sing, Vincent (<i>appointed on 3rd July, 2007</i>)	8/11
Mr. Chau On Ta Yuen (<i>appointed on 3rd July, 2007</i>)	10/11
Mr. Shum Kai Wing (<i>resigned on 3rd July, 2007</i>)	–
Ms. Hwang Sok In (<i>resigned on 3rd July, 2007</i>)	–
Mr. Fan King Shum (<i>resigned on 3rd July, 2007</i>)	–



CORPORATE GOVERNANCE REPORT (continued)

Audit Committee Meetings

A total of two Audit Committee meetings of the Company were held during the year. The attendance rates of individual Audit Committee members of the Company are as follows:

<u>Name of Audit Committee members</u>	<u>Attendance</u>
Independent Non-Executive Directors	
Mr. Law Wai Fai (<i>Chairman of Audit Committee</i>) (<i>appointed on 3rd July, 2007</i>)	2/2
Mr. Lo Wan Sing, Vincent (<i>appointed on 3rd July, 2007</i>)	2/2
Mr. Chau On Ta Yuen (<i>appointed on 3rd July, 2007</i>)	2/2
Mr. Shum Kai Wing (<i>resigned on 3rd July, 2007</i>)	–
Ms. Hwang Sok In (<i>resigned on 3rd July, 2007</i>)	–
Mr. Fan King Shum (<i>resigned on 3rd July, 2007</i>)	–

Remuneration Committee Meetings

A total of three Remuneration Committee meetings of the Company were held during the year. The attendance rates of individual Remuneration Committee members of the Company are as follows:

<u>Name of Remuneration Committee members</u>	<u>Attendance</u>
Independent Non-Executive Directors	
Mr. Lo Wan Sing, Vincent (<i>Chairman of Remuneration Committee</i>) (<i>appointed on 3rd July, 2007</i>)	3/3
Mr. Law Wai Fai (<i>appointed on 3rd July, 2007</i>)	3/3
Mr. Chau On Ta Yuen (<i>appointed on 3rd July, 2007</i>)	3/3
Ms. Hwang Sok In (<i>resigned on 3rd July, 2007</i>)	–
Mr. Shum Kai Wing (<i>resigned on 3rd July, 2007</i>)	–
Mr. Fan King Shum (<i>resigned on 3rd July, 2007</i>)	–
Executive Directors	
Mr. Ng Leung Ho	3/3
Mr. Ho Kam Hung (<i>appointed on 20th November, 2007</i>)	2/2
Ms. Ada Lam (<i>resigned on 20th November, 2007</i>)	–



CORPORATE GOVERNANCE REPORT (continued)

Nomination Committee Meeting

A total of one Nomination Committee meeting of the Company was held during the year. The attendance rates of individual Nomination Committee members of the Company are as follows:

Name of Nomination Committee members	Attendance
Independent Non-Executive Directors	
Mr. Chau On Ta Yuen (<i>Chairman of Nomination Committee</i>) (<i>appointed on 3rd July, 2007</i>)	1/1
Mr. Law Wai Fai (<i>appointed on 3rd July, 2007</i>)	1/1
Mr. Lo Wan Sing, Vincent (<i>appointed on 3rd July, 2007</i>)	1/1
Ms. Hwang Sok In (<i>resigned on 3rd July, 2007</i>)	–
Mr. Shum Kai Wing (<i>resigned on 3rd July, 2007</i>)	–
Mr. Fan King Shum (<i>resigned on 3rd July, 2007</i>)	–
Executive Directors	
Mr. Ng Leung Ho	1/1
Mr. Ho Kam Hung (<i>appointed on 20th November, 2007</i>)	–
Ms. Ada Lam (<i>resigned on 20th November, 2007</i>)	–

General Committee Meeting

A total of two General Committee meeting of the Company was held during the year. The attendance rates of individual General Committee members of the Company are as follows:

Name of General Committee members	Attendance
Independent Non-Executive Director	
Mr. Law Wai Fai (<i>Chairman of General Committee</i>) (<i>appointed on 3rd July, 2007</i>)	2/2
Mr. Fan King Shum (<i>resigned on 3rd July, 2007</i>)	–
Executive Directors	
Mr. Ng Leung Ho	2/2
Mr. Ho Kam Hung (<i>appointed on 20th November, 2007</i>)	1/1
Ms. Ada Lam (<i>resigned on 20th November, 2007</i>)	–



CORPORATE GOVERNANCE REPORT (continued)

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 ("Model Code") to the Listing Rules during the year under review. The Company has made specific enquiry with all directors and all of them confirmed that they have complied with the required standard set out in the Model Code for the year ended 30th June, 2008.

Written guidelines on no less exacting terms than the Model Code relating to securities transactions for employees are adopted by the Company.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

The statement of the external Auditor of the Company, Messrs. Shu Lun Pan Horwath Hong Kong CPA Limited, about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on page 23.

The Directors confirm that, to the best of their knowledge, information and belief having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

AUDITORS' REMUNERATION

For the year ended 30th June, 2008, the Auditor of the Company would receive approximately HK\$430,000 for statutory audit services. Payments for review of preliminary annual results press announcement and taxation services of approximately HK\$40,000 in total to the Auditor were made during the year. No payments for consultancy services to the Auditor were made during the year.

INTERNAL CONTROL AND RISK MANAGEMENT

To facilitate the effectiveness and efficiency of operations and to ensure compliance with relevant laws and regulations, the Group emphasizes on the importance of a sound internal control system which is also indispensable to mitigating the Group's risk exposures. The Group's system of internal control is designed to provide reasonable, rather than absolute, assurance against material misstatement or loss and to manage but not eliminate risks of failure in operational systems and fulfillment of the business objectives.

The internal control system is reviewed on an ongoing basis by the Board in order to make it practical and effective in providing reasonable assurance in relation to protection of material assets and identification of business risks.

The Group is committed to the identification, monitoring and management of risks associated with its business activities and has implemented a practical and effective control system which includes a defined management structure with limits of authority, a sound cash management system and periodic review of the Group's performance by the Audit Committee and the Board.



CORPORATE GOVERNANCE REPORT (continued)

INVESTOR RELATIONS

The Company recognizes the need and the importance of timely and continuous communication with shareholders. In addition to the Company's annual reports and interim reports, the Company maintains a policy of ongoing communication with shareholders whose enquiries are directed to and dealt with by the Company's senior management.

OTHER INFORMATION

The Company made a press announcement dated 31st October, 2005 in relation to, inter alia, continuing connected transactions involving the leasing of office premises from an associate of a connected person of the Company. For the year ended 30th June, 2008, the total rentals (inclusive of building management fee and services fees but excluding government rates and government rent) amounting to approximately HK\$785,000 (2007: approximately HK\$966,000) were paid to the said associate of a connected person of the Company.



REPORT OF THE DIRECTORS

The directors present their annual report and the audited consolidated financial statements of the Company for the year ended 30th June, 2008.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 31 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 30th June, 2008 are set out in the consolidated income statement on page 25.

The directors do not recommend the payment of a dividend for the year ended 30th June, 2008.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 22 to the consolidated financial statements.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive Directors:

Mr. Ng Leung Ho	
Mr. Ho Kam Hung	<i>(appointed on 20th November, 2007)</i>
Mr. Zheng Jie	<i>(appointed on 15th August, 2008)</i>
Ms. Ada Lam	<i>(resigned on 20th November, 2007)</i>
Mr. Wong Wing Cheong	<i>(resigned on 20th November, 2007)</i>
Mr. Yeung Wood Sang	<i>(retired on 22nd November, 2007)</i>
Mr. Li Xiangjun	<i>(resigned on 15th August, 2008)</i>

Independent Non-Executive Directors:

Mr. Law Wai Fai	<i>(appointed on 3rd July, 2007)</i>
Mr. Lo Wan Sing, Vincent	<i>(appointed on 3rd July, 2007)</i>
Mr. Chau On Ta Yuen	<i>(appointed on 3rd July, 2007)</i>
Mr. Shum Kai Wing	<i>(resigned on 3rd July, 2007)</i>
Ms. Hwang Sok In	<i>(resigned on 3rd July, 2007)</i>
Mr. Fan King Shum	<i>(resigned on 3rd July, 2007)</i>



REPORT OF THE DIRECTORS (continued)

DIRECTORS (continued)

In accordance with Clause 86(2) of the Company's Bye-Laws, Mr. Ho Kam Hung and Mr. Zheng Jie, will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

In accordance with Clause 87(1) of the Company's Bye-laws, Mr. Law Wai Fai will retire by rotation at the forthcoming annual general meeting and, being eligible, offers himself for re-election.

The term of office for each non-executive director is the period up to his/her retirement by rotation in accordance with the Company's Bye-Laws.

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

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES

At 30th June, 2008, the interests or short positions of each director and the chief executive in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provision of the SFO); or (b) were required pursuant to Section 352 of the SFO to be entered in the register referred to therein; or (c) were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

Ordinary shares of the Company

Directors	Capacity	Number of issued ordinary shares held	Number of share options held	Total	Approximate percentage of issued share capital of the Company
Mr. Ng Leung Ho	Beneficial owner	1,217,418,831	6,000,000	1,223,418,831	19.05%
Mr. Ho Kam Hung	Beneficial owner	5,000,000	59,000,000	64,000,000	0.99%
Li Xiang Jun (<i>Note</i>)	Beneficial owner	–	60,000,000	60,000,000	0.93%
Law Wai Fai	Beneficial owner	–	6,000,000	6,000,000	0.09%
Lo Wan Sing, Vincent	Beneficial owner	–	6,000,000	6,000,000	0.09%
Chau On Ta Yuen	Beneficial owner	–	6,000,000	6,000,000	0.09%

Note: Mr. Li Xiang Jun resigned as an executive director of the Company on 15th August, 2008.

Save as disclosed above, as at 30th June, 2008, none of the directors and the chief executive of the Company were interested, or were deemed to be interested in the long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required pursuant to the Model Code adopted by the Company to be notified to the Company and the Stock Exchange.



REPORT OF THE DIRECTORS (continued)

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Details of the share option scheme of the Company in which the directors of the Company are entitled to participate are set out in note 23 to the consolidated financial statements.

Save as disclosed above, at no time during the year was the Company or any of its holding companies or subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the directors or their spouses or children under the age of eighteen had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARE CAPITAL OF THE COMPANY

At 30th June, 2008, the shareholder who had an interest or short position in the shares and underlying shares of the Company which have been disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO was as follows:

Name of shareholder	Capacity	Number of issued ordinary shares held	Approximate percentage of the issued share capital of the Company
Mr. Ng Leung Ho	Beneficial owner	1,217,418,831	18.95%

Save as disclosed herein, no other person had any interests or short positions in the shares or underlying shares of the Company as at 30th June, 2008, which were disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' INTERESTS IN CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 30th June, 2008, the aggregate sales attributable to the Group's five largest customers was less than 37% of the Group's total turnover. The aggregate purchases attributable to the Group's largest and five largest suppliers accounted for 18% and 47% respectively of the Group's total purchases for the year.

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



REPORT OF THE DIRECTORS (continued)

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

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

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 30th June, 2008 with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules, except that the independent non-executive directors of the Company were not appointed for a specific term but are subject to retirement by rotation at the annual general meeting according to the provisions of the Company's Bye-Laws.

The Company has adopted the Model Code as a code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company.

The Company has received, from each of the independent non-executive directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

DIRECTOR'S INTERESTS IN COMPETING BUSINESSES

None of the directors of the Company is interested in any business apart from the Group's businesses which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

AUDIT COMMITTEE

The Company has appointed three independent non-executive directors of the Company as members of the Audit Committee to assist the board of directors in fulfilling its duties by providing review and supervision of the Company's financial reporting process and internal controls. The audit committee has reviewed the Group's annual and interim results.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-Laws, or the laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

EMOLUMENT POLICY

The Group's employee emolument policy is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.



REPORT OF THE DIRECTORS (continued)

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the best knowledge of the directors, the Company has maintained a sufficient public float throughout the year ended 30th June, 2008.

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Shu Lun Pan Horwath Hong Kong CPA Limited as auditor of the Company.

On behalf of the Board

Ng Leung Ho

Chairman

Hong Kong, 16th October, 2008



INDEPENDENT AUDITOR'S REPORT



Shu Lun Pan Horwath Hong Kong CPA Limited

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TO THE SHAREHOLDERS OF WONDERFUL WORLD HOLDINGS LIMITED

榮德豐控股有限公司

(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Wonderful World Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 25 to 67, which comprise the consolidated balance sheet as at 30th June, 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

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



INDEPENDENT AUDITOR'S REPORT (continued)

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

OPINION

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

Shu Lun Pan Horwath Hong Kong CPA Limited

Certified Public Accountants

Chan Kam Wing, Clement

Practising Certificate number P02038

16th October, 2008



CONSOLIDATED INCOME STATEMENT

For the year ended 30th June, 2008

	NOTES	2008 HK\$'000	2007 HK\$'000
Turnover	7	6,988	25,937
Revenue from distribution and trading of goods		6,455	3,891
Cost of sales		(4,613)	(2,747)
Gross profit		1,842	1,144
Net changes in fair value of investments held for trading		(25,295)	3,363
Net income from loan financing		112	177
Other gains and income	9	5,093	3,906
Distribution costs		(437)	(543)
Administrative expenses		(23,705)	(7,944)
(Loss) profit before taxation	10	(42,390)	103
Taxation	12	–	–
(Loss) profit for the year, attributable to equity holders of the Company		(42,390)	103
Basic (loss) earnings per share	13	HK(0.71) cents	HK0.002 cents
Dividend		–	–



CONSOLIDATED BALANCE SHEET

At 30th June, 2008

	NOTES	2008 HK\$'000	2007 HK\$'000
Non-current assets			
Property, plant and equipment	14	289	244
Available-for-sale investments	15	880	880
		1,169	1,124
Current assets			
Inventories	16	400	381
Trade and other receivables	17	3,107	1,661
Short-term loans receivable	18	300	2,305
Investments held for trading	19	39,503	–
Bank balances and cash	20	142,224	21,959
		185,534	26,306
Current liabilities			
Trade and other payables	21	2,983	3,120
Provision for legal claim	27	–	5,996
Taxation payable		130	130
		3,113	9,246
Net current assets		182,421	17,060
Net assets		183,590	18,184
Capital and reserves			
Share capital	22	64,229	5,098
Reserves		119,361	13,086
Total equity		183,590	18,184

The consolidated financial statements on pages 25 to 67 were approved and authorised for issue by the Board of Directors on 16th October, 2008 and are signed on its behalf by:

Ng Leung Ho
DIRECTOR

Ho Kam Hung
DIRECTOR



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30th June, 2008

	Share capital	Share premium	Special reserve	Distributable reserve	Translation reserve	Share-based compensation reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 30th June, 2006	4,248	388,088	847	39,387	(5)	–	(426,258)	6,307
Profit and total recognised income for the year	–	–	–	–	–	–	103	103
Issue of shares for cash	850	11,044	–	–	–	–	–	11,894
Expenses incurred in connection with issue of shares	–	(120)	–	–	–	–	–	(120)
At 30th June, 2007	5,098	399,012	847	39,387	(5)	–	(426,155)	18,184
Loss and total recognised expense for the year	–	–	–	–	–	–	(42,390)	(42,390)
Issue of bonus shares	40,780	(40,780)	–	–	–	–	–	–
Issue of shares for cash	18,351	185,345	–	–	–	–	–	203,696
Expenses incurred in connection with issue of shares	–	(5,292)	–	–	–	–	–	(5,292)
Equity settled share-based transaction	–	–	–	–	–	9,392	–	9,392
At 30th June, 2008	64,229	538,285	847	39,387	(5)	9,392	(468,545)	183,590

The special reserve of the Group represents the differences between the nominal value of the aggregate share capital of the subsidiaries acquired pursuant to a group reorganisation in December 1997, over the nominal value of the Company's shares issued in exchange.

The distributable reserve of the Group represents the aggregate of the credit arising from the reduction of nominal value of the Company's share capital in March 1999 and March 2001 less the amount utilised for a bonus issue of shares in September 2000.



CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30th June, 2008

	NOTES	2008 HK\$'000	2007 HK\$'000
OPERATING ACTIVITIES			
(Loss) profit for the year		(42,390)	103
Adjustments for:			
Interest income		(1,994)	(557)
Dividend income		–	(16)
Depreciation of property, plant and equipment		271	145
Reversal of impairment loss on short-term loans receivable		–	(130)
Loss on derecognition of subsidiaries	24	390	–
Share-based payment	23	9,392	–
Interest expenses		30	–
Operating cash flows before movements in working capital		(34,301)	(455)
Increase in inventories		(19)	(353)
(Increase) decrease in trade and other receivables		(828)	4,064
Decrease (increase) in short-term loans receivable		2,005	(1,175)
(Increase) decrease in investments held for trading		(39,503)	4,030
Decrease in trade and other payables		(77)	(2,031)
Decrease in provision for legal claim		(5,996)	–
Cash (used in) generated from operations		(78,719)	4,080
Interest received		112	522
Interest paid		(30)	–
NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES		(78,637)	4,602
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(934)	(182)
Interest received		1,882	–
Dividend received		–	16
Net cash outflow from derecognition of subsidiaries		(450)	–
NET CASH GENERATED FROM (USED IN) INVESTING ACTIVITIES		498	(166)
FINANCING ACTIVITIES			
Proceeds from issue of shares		203,696	11,894
Expenses paid in connection with issue of shares		(5,292)	(120)
NET CASH GENERATED FROM FINANCING ACTIVITIES		198,404	11,774
NET INCREASE IN CASH AND CASH EQUIVALENTS		120,265	16,210
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		21,959	5,749
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		142,224	21,959



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30th June, 2008

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Prior to 4th June, 2007, the Company's ultimate holding company was Winning Concept Holdings Limited. The address of the registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the principal place of business of the Company is located at Unit 3312, 33rd Floor, West Tower, Shun Tak Centre, 168-200 Connaught Road, Sheung Wan, Hong Kong.

The consolidated financial statements are presented in Hong Kong dollar, which is the same as the functional currency of the Company.

The Company is an investment holding company. The principal activities of the Group are provision of investment and financial services and the distribution and trading of oil lubricant additives, children playground equipment and accessories and supply chain management computer systems. The principal activities of its principal subsidiaries are set out in note 31.

2. ADOPTION OF NEW AND REVISED STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for the current accounting period of the Group and the Company. The adoption of these new and revised HKFRSs has had no material effect to the Group's and the Company's financial statements, except as explained below.

The impact of the adoption of HKFRS 7 "Financial Instruments: Disclosures" and HKAS 1 Amendment "Capital Disclosures" has been to expand the disclosures provided in these financial statements regarding the Group's financial instruments and management of capital.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2008

2. ADOPTION OF NEW AND REVISED STANDARDS (continued)

At the date of authorisation of these financial statements, the following standards and interpretations have been issued but are not yet effective:

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ²
HKAS 32&1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ¹
HKFRS 2 (Amendments)	Vesting Conditions and Cancellations ¹
HKFRS 3 (Revised)	Business Combinations ²
HKFRS 8	Operating Segments ¹
HK(IFRIC) – INT 12	Service Concession Arrangements ³
HK(IFRIC) – INT 13	Customer Loyalty Programmes ⁴
HK(IFRIC) – INT 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction ³
HK(IFRIC) – INT 15	Agreements for the Construction of Real Estate ¹
HK(IFRIC) – INT 16	Hedges of a Net Investment in a Foreign Operation ⁵

¹ Effective for annual periods beginning on or after 1st January, 2009

² Effective for annual periods beginning on or after 1st July, 2009

³ Effective for annual periods beginning on or after 1st January, 2008

⁴ Effective for annual periods beginning on or after 1st July, 2008

⁵ Effective for annual periods beginning on or after 1st October, 2008

The Group is in the process of making an assessment of the impact of these new or revised standards or interpretations in the period of their initial application.

3. PRINCIPAL ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instrument which are measured at fair value, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2008

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries up to 30th June each year. A subsidiary is an entity controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts.

Sale of goods are recognised when goods are delivered and title has passed.

Realised profits or losses from investments held for trading are recognised on a trade date basis whilst the unrealised profits or losses are recognised from valuation at the balance sheet date.

Interest income from a financial asset is accrued on a time-apportioned basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses. Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2008

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss where the financial asset is either held for trading or it is designated as at fair value through profit or loss. Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables and short-term loans receivable) are carried at amortised cost using the effective interest method, less any identified impairment losses. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated on initial recognition or not classified as any of the other categories set out above. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Gains and losses arising from changes in fair value are recognised directly in equity in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in profit or loss for the period.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2008

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Available-for-sale financial assets (continued)

Dividends on available-for-sale financial assets are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of available-for-sale financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the balance sheet date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in equity.

Available-for-sale financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For equity securities, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2008

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.
- For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which have been determined had no impairment loss been recognised in prior years.

- For available-for-sale securities, the cumulative loss that has been recognised directly in equity is removed from equity and is recognised in profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in equity.

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2008

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and short-term loans receivable, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and short-term loans receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or where appropriate, a shorter period.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2008

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments issued by the Group

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 accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities

Financial liabilities including trade and other payables are initially measured at fair values, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period.

Derecognition of financial liabilities

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2008

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Impairment of assets (continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of an impairment loss is treated as a revaluation increase.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits at banks, and, for the purpose of consolidated cash flow statement, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Taxation

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

(i) Current tax

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2008

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Taxation (continued)

(ii) *Deferred tax*

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet 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 differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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 profit will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2008

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease on a straight line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Employees' benefits

(i) *Short term benefits*

Salaries, annual bonuses, and paid annual leaves are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are discounted and stated at their present value.

(ii) *Pension obligations*

Contributions to the Mandatory Provident Fund scheme as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are charged to profit or loss when incurred. The Group has no further payment obligations once the contribution has been made.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2008

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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

Share-based payments

Equity-settled share-based payments to employees and other eligible participants providing services to the Group are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expected to be vested on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to be vested. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to the share-based compensation reserve.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2008

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Related parties

Two 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 members 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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

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

The following are the critical judgements that the directors have made in the process of applying the entity's accounting policies and that have the most significant effect of the amounts recognised in financial statements:

Trade and other receivables

The Group's management determines the allowance for impairment of trade and other receivables. This estimate is based on the credit history of its customers and other debtors, and current market conditions. Management reassesses the allowance at each balance sheet date.

Share-based payment expenses

The fair value of the share options granted determined at the date of grant of the respective share options is expensed over the vesting period, with a corresponding adjustment to the Group's share option reserve. In assessing the fair value of the share options, the Black-Scholes option pricing model (the "Black-Scholes Model") was used. The Black-Scholes Model is one of the generally accepted methodologies used to calculate the fair value of the share options. The Black-Scholes Model requires the input of subjective assumptions, including the expected dividend yield and expected life of options. Any changes in these assumptions can significantly affect the estimate of the fair value of the share options.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2008

5. CAPITAL RISK MANAGEMENT

The Group's objective of managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

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

6. FINANCIAL INSTRUMENTS

a. Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, trade and other receivables, short-term loans receivable, bank balances and trade and other payables. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The Group's maximum exposure to credit risk in the event that the counterparties fail to perform their obligations at 30th June, 2008 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated balance sheet. In order to minimise credit risk, the Group's management has delegated to a team the responsibility for the determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group's management reviews the recoverable amount of each individual trade debt and loans regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, management considers that the Group's credit risk is significantly reduced.

With respect to trade debts, the Group has no significant concentration of credit risk, with exposure spread over a number of customers.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2008

6. FINANCIAL INSTRUMENTS (continued)

a. Financial risk management objectives and policies (continued)

Price risk

The Group's investments held for trading are measured at fair value at each balance sheet date. Therefore, the Group is exposed to equity security price risk. The directors manage this exposure by maintaining a portfolio of investments with difference risk profiles.

At 30 June 2008, if the quoted market price of the Group's listed securities had been 10% higher/lower, then loss after tax for the year would have been approximately HK\$3,950,000 lower/higher.

Interest rate risk

The Group's bank balances have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances. The directors consider the Group's exposure of the short-term bank deposits to interest rate risk is not significant as interest bearing bank balances have short maturity periods.

In addition, the Group has exposure to fair value interest rate risk through the impact of the rate changes on the fixed-rate loans receivable. The Group does not have an interest rate hedging policy. However, management monitors interest rate exposures and will consider hedging significant interest rate exposures should the need arise.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash. The Group maintains its adequate financial position with cash and cash equivalents of HK\$142.22 million (2007: HK\$21.96 million) at 30th June, 2008. The Group is basically debt-free and in a net cash position.

b. Fair value

The fair value of financial assets and financial liabilities is determined as follows:

- the fair value of financial assets with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market bid prices; and
- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair value.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2008

7. TURNOVER

Turnover represents the aggregate of the net amounts received and receivable from third parties, less returns and allowance and is analysed as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Trading of playground equipment and accessories	6,372	3,776
Securities trading	421	21,869
Loan interest income	112	177
Trading of oil lubricant additives	83	115
	6,988	25,937



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2008

8. SEGMENT INFORMATION

Business segments

For management purposes, the Group is currently organised into two (2007: two) operating divisions namely investment and financial services (including trading of securities and loan financing services) and distribution and trading (mainly sales of goods). These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

	Investment and financial services <i>HK\$'000</i>	Distribution and trading <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Consolidated income statement			
For the year ended 30th June, 2008			
Turnover – external	533	6,455	6,988
Segment results	(29,341)	(745)	(30,086)
Unallocated corporate income			595
Unallocated corporate expenses			(12,899)
Loss for the year			(42,390)
Consolidated balance sheet			
At 30th June, 2008			
ASSETS			
Segment assets	182,435	1,925	184,360
Unallocated corporate assets			2,343
Consolidated total assets			186,703
LIABILITIES			
Segment liabilities	648	1,199	1,847
Unallocated corporate liabilities			1,266
Consolidated total liabilities			3,113



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2008

8. SEGMENT INFORMATION (continued)

Business segments (continued)

	Investment and financial services <i>HK\$'000</i>	Distribution and trading <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
OTHER INFORMATION				
Capital additions	–	1	933	934
Depreciation of property, plant and equipment	97	40	134	271

	Investment and financial services <i>HK\$'000</i>	Distribution and trading <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Consolidated income statement			
For the year ended 30th June, 2007			
Turnover – external	22,046	3,891	25,937
Segment results	302	(2,025)	(1,723)
Unallocated corporate income			3,178
Unallocated corporate expenses			(1,352)
Profit for the year			103

Consolidated balance sheet At 30th June, 2007

ASSETS			
Segment assets	23,781	2,357	26,138
Unallocated corporate assets			1,292
Consolidated total assets			27,430
LIABILITIES			
Segment liabilities	551	1,690	2,241
Unallocated corporate liabilities			7,005
Consolidated total liabilities			9,246



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2008

8. SEGMENT INFORMATION (continued)

Business segments (continued)

	Investment and financial services <i>HK\$'000</i>	Distribution and trading <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
OTHER INFORMATION				
Capital additions	160	22	–	182
Depreciation of property, plant and equipment	103	40	2	145
Reversal of impairment loss on short term loans receivable	130	–	–	130

Geographical segments

During the year, all of the Group's operations are principally located in Hong Kong. No geographical segment analysis is presented as all of the Group's turnover and assets were attributable to Hong Kong.

9. OTHER GAINS AND INCOME

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Bank interest income	1,882	380
Sundry income (Note 27)	3,596	30
Loss on derecognition of subsidiaries (Note 24)	(390)	–
Gain on disposal of investment held for trading	4	3,350
Exchange difference	1	–
Reversal of impairment loss on short-term loans receivable	–	130
Dividend income from equity securities	–	16
	5,093	3,906



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2008

10. (LOSS) PROFIT BEFORE TAXATION

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
(Loss) profit before taxation has been arrived at after charging:		
Directors' emoluments (<i>Note 11</i>)	8,275	1,829
Staff costs (excluding directors' remuneration):		
Salaries and allowances	3,365	2,597
Share-based compensation*	1,581	–
Retirement benefits scheme contributions	99	118
Total staff costs	13,320	4,544
Share-based compensation (<i>Note 23</i>)	9,392	–
Auditor's remuneration	450	520
Depreciation of property, plant and equipment	271	145
Legal and professional fees	1,247	529
Legal claim cost	1,004	–
and after crediting:		
Gain on disposal of investments held for trading	4	3,350
Dividends from equity securities	–	16
Bank interest income	1,882	380

* Amount is also included in "Share-based compensation" of HK\$9,392,000.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2008

11. DIRECTORS' EMOLUMENTS AND HIGHEST PAID INDIVIDUALS

The emoluments paid or payable to each of the twelve (2007: eight) directors were as follows:

2008	Fees HK\$'000	Basic salaries and allowances HK\$'000	Retirement	Share-based compensation HK\$'000	Total emoluments HK\$'000
			benefits scheme contributions HK\$'000		
Mr. Ng Leung Ho	–	1,297	10	198	1,505
Mr. Li Xiangjun (resigned on 15th August, 2008)	–	650	–	1,975	2,625
Mr. Wong Wing Cheong (resigned on 20th November, 2007)	–	90	1	–	91
Ms. Ada Lam (resigned on 20th November, 2007)	–	520	12	–	532
Mr. Yeung Wood Sang (retired on 22nd November, 2007)	–	440	12	–	452
Ms. Hwang Sok In (resigned on 3rd July, 2007)	–	–	–	–	–
Mr. Shum Kai Wing (resigned on 3rd July, 2007)	–	–	–	–	–
Mr. Fan King Shum (resigned on 3rd July, 2007)	–	–	–	–	–
Mr. Ho Kam Hung (appointed on 20th November, 2007)	–	350	3	1,943	2,296
Mr. Lo Wan Sing, Vincent (appointed on 3rd July, 2007)	60	–	–	198	258
Mr. Chau On Ta Yuen (appointed on 3rd July, 2007)	60	–	–	198	258
Mr. Law Wai Fai (appointed on 3rd July, 2007)	60	–	–	198	258
	180	3,347	38	4,710	8,275



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2008

11. DIRECTORS' EMOLUMENTS AND HIGHEST PAID INDIVIDUALS (continued)

2007	Fees <i>HK\$'000</i>	Basic salaries and allowances <i>HK\$'000</i>	Retirement benefits scheme contributions <i>HK\$'000</i>	Share-based compensation <i>HK\$'000</i>	Total emoluments <i>HK\$'000</i>
Mr. Ng Leung Ho	–	–	–	–	–
Mr. Li Xiangjun	–	–	–	–	–
Mr. Wong Wing Cheong	–	1,164	12	–	1,176
Ms. Ada Lam	–	520	12	–	532
Mr. Yeung Wood Sang	–	1	–	–	1
Ms. Hwang Sok In	–	–	–	–	–
Mr. Shum Kai Wing	60	–	–	–	60
Mr. Fan King Shum	60	–	–	–	60
	<u>120</u>	<u>1,685</u>	<u>24</u>	<u>–</u>	<u>1,829</u>

During the year, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, none of the directors has waived any emoluments during the year.

Highest paid individuals

Of the five highest paid individuals in the Group, three (2007: two) are directors of the Company whose emoluments are set out above. The emoluments of the remaining two (2007: three) individuals are as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Basic salaries and allowances	1,095	772
Retirement benefits scheme contributions	19	29
Share-based compensation	1,405	–
	<u>2,519</u>	<u>801</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2008

11. DIRECTORS' EMOLUMENTS AND HIGHEST PAID INDIVIDUALS (continued)

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

	Number of employees	
	2008	2007
Over HK\$2,500,000	–	–
HK\$2,000,001 to HK\$2,500,000	–	–
HK\$1,500,001 to HK\$2,000,000	1	–
HK\$1,000,001 to HK\$1,500,000	–	–
Nil to HK\$1,000,000	1	3
	2	3

During the year, share options were granted to directors and highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in Note 23 to the consolidated financial statements. The fair value of such options, which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors and highest paid employees' remuneration disclosures.

12. TAXATION

No provision for taxation has been made in the consolidated financial statements as the Group had no assessable profit for both years.

The taxation for the year can be reconciled to the (loss) profit before taxation per the consolidated income statement as follows:

	2008 HK\$'000	2007 HK\$'000
(Loss) profit before taxation	(42,390)	103
Tax (credit)/charge at Hong Kong profits tax rate of 16.5% (2007: 17.5%)	(6,994)	18
Tax effect of expenses not deductible for tax purpose	123	100
Tax effect of income not taxable for tax purpose	(907)	(400)
Tax effect of tax losses not recognised	7,782	960
Utilisation of tax losses previously not recognised	–	(690)
Others	(4)	12
Taxation for the year	–	–

At 30th June, 2008, the Group had unutilised tax losses of approximately HK\$49,375,000 (2007: HK\$19,482,000) available for offset against future assessable arising profits in Hong Kong. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The unutilised tax losses may be carried forward indefinitely.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2008

13. BASIC (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share is based on the loss for the year of HK\$42,390,000 (2007: profit of HK\$103,000) and on the weighted average number of 5,976,699,836 (2007: 4,137,435,616) ordinary shares in issue during the year. The weighted average number of ordinary shares for the purpose of basic (loss) earnings per share for the year ended 30th June, 2007 has been adjusted for the bonus issue on 7th September, 2007. Details of the bonus issue are set out in Note 22.

The Company's share options granted had an anti-dilutive effect to the loss per share calculation for the current year.

Diluted earnings per share for the previous year has not been disclosed as no diluting event existed during that year.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Total HK\$'000
COST			
At 1st July, 2006	408	4,381	4,789
Additions	101	81	182
At 30th June, 2007	509	4,462	4,971
Additions	689	245	934
Disposals	(689)	(17)	(706)
At 30th June, 2008	509	4,690	5,199
ACCUMULATED DEPRECIATION			
At 1st July, 2006	401	4,181	4,582
Provided for the year	48	97	145
At 30th June, 2007	449	4,278	4,727
Provided for the year	137	134	271
Eliminated on disposals	(86)	(2)	(88)
At 30th June, 2008	500	4,410	4,910
CARRYING AMOUNT			
At 30th June, 2008	9	280	289
At 30th June, 2007	60	184	244



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2008

14. PROPERTY, PLANT AND EQUIPMENT (continued)

The above items of property, plant and equipment are depreciated on a straight line basis at the following rates per annum:

Leasehold improvements	Over the term of the relevant lease
Furniture, fixtures and equipment	20% – 33 $\frac{1}{3}$ %

15. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	Investments in equity securities listed in Hong Kong HK\$'000 <i>(Note (i))</i>	Investments in unlisted equity securities in Hong Kong HK\$'000 <i>(Note (ii))</i>	Total amount HK\$'000
COST			
At 1st July, 2006, 30th June, 2007 and 30th June, 2008	9,569	129,458	139,027
ACCUMULATED IMPAIRMENT			
At 1st July, 2006, 30th June, 2007 and 30th June, 2008	8,689	129,458	138,147
CARRYING AMOUNT			
At 30th June, 2008	880	–	880
At 30th June, 2007	880	–	880

Notes:

- (i) Investments in listed equity securities are stated at fair value. As the shares of the listed investee have been suspended for trading since 29th December, 2004, the fair value is determined by reference to the consideration of such securities in the latest sales transaction in prior years.
- (ii) Investments in unlisted equity securities are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair value cannot be measured reliably. The directors consider these investments contribute no significant value to the Group and accordingly, the investment costs in these unlisted equity securities have been fully impaired.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2008

16. INVENTORIES

	2008 HK\$'000	2007 HK\$'000
Merchandise for sale	<u>400</u>	<u>381</u>

17. TRADE AND OTHER RECEIVABLES

	2008 HK\$'000	2007 HK\$'000
Trade receivables	<u>22,821</u>	22,563
Less: Allowance for doubtful debts	<u>(22,171)</u>	<u>(22,171)</u>
	<u>650</u>	392
Other receivables	<u>19,548</u>	18,360
Less: Allowance for doubtful debts	<u>(17,091)</u>	<u>(17,091)</u>
	<u>2,457</u>	1,269
	<u>3,107</u>	<u>1,661</u>

The Group allows an average credit period ranging from 30 days to 90 days to its trade customers. The following is an aged analysis of trade receivables net of allowance for doubtful debts at the balance sheet date:

	2008 HK\$'000	2007 HK\$'000
Trade receivables, net:		
Within 30 days	<u>328</u>	300
Within 31 – 60 days	<u>5</u>	67
Within 61 – 90 days	<u>19</u>	5
Over 90 days	<u>298</u>	20
	<u>650</u>	<u>392</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2008

17. TRADE AND OTHER RECEIVABLES (continued)

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Neither past due nor impaired	328	26
Overdue		
Within 1 month	5	276
Over 1 month but within 3 months	46	90
Over 3 months but within 6 months	108	–
Over 6 months but within 1 year	163	–
	322	366
	650	392

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

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no allowance for doubtful debts is necessary in respect of these balances as there have not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

18. SHORT-TERM LOANS RECEIVABLE

The loans are denominated in Hong Kong dollars and were made in general for a period from four to six months but may be extended on mutual agreement. These loans carry interest at fixed rate of 30% per annum (2007: fixed rate ranging from 24% to 30% per annum).

Included in loans receivable at 30th June, 2008 are loans receivable with carrying amounts of Nil (2007: HK\$1,000,000) and Nil (2007: HK\$700,000), which are secured by leasehold land interest in Hong Kong and certain equipment respectively.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2008

19. INVESTMENTS HELD FOR TRADING

The amount at 30th June, 2008 represented investments in equity securities listed in Hong Kong, stated at market value.

All the equity securities are issued by corporate entities. The market value of these listed investments at the date of approval of these financial statements was HK\$15,066,000. The directors of the Company believe that the decline in value of these listed investments is contributed by the increasing volatility of the global financial markets due to surfacing of the subprime crisis in the United States of America and the resulting global credit crisis. The effect is reflected by the deterioration of Hong Kong Hang Seng Index by about 30% from around 22,000 at 30 June 2008 to 15,200 at the date of approval of these financial statements.

Particulars of the investee company exceeding 10% of total assets of the Group are as follows:

Name of company	Country or place of incorporation	Description of share held	Percentage holding	
			2008	2007
Superb Summit International Timber Company Limited	The Cayman Islands	Ordinary shares	2%	Nil

20. BANK BALANCES AND CASH

The bank balances carried interest at an average rate of 3.16% (2007: 3.98%) per annum. All balances are denominated in Hong Kong dollars.

21. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$936,000 (2007: HK\$1,250,000) and their aged analysis at the balance sheet date is as follows:

	2008 HK\$'000	2007 HK\$'000
Trade payables:		
Within 30 days	198	140
Within 31 – 60 days	28	105
Within 61 – 90 days	328	85
Over 90 days	382	920
	936	1,250



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2008

22. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each:		
Authorised:		
At 1st July, 2006, 30th June, 2007 and 30th June, 2008	20,000,000,000	200,000
Issued and fully paid:		
At 1st July	424,800,000	4,248
Issue of shares	84,960,000	850
At 30th June, 2007	509,760,000	5,098
Bonus issue (note i)	4,078,080,000	40,780
Issue of shares (note ii)	1,835,100,000	18,351
At 30th June, 2008	6,422,940,000	64,229

Notes:

- (i) On 7th September, 2007, the Company issued new shares on the basis of eight new ordinary bonus shares of HK\$0.01 each for every existing share to all shareholders in the register of members of the Company by capitalising a total amount of HK\$40,780,000 in the share premium account.
- (ii) On 28th September, 2007, the shareholders approved placing of 1,835,100,000 new ordinary shares of HK\$0.01 each and the issue of new shares was completed on 25th October, 2007.

23. SHARE-BASED COMPENSATION

The Company operates an equity-settled, share-based compensation plan for the purpose of providing incentives and rewards to eligible participants for their contribution to the success of the Group's operations. Pursuant to this objective, on 16th December, 1997, the Company adopted a share option scheme (the "Old SO Scheme") whose eligible participants include directors and employees of the Company and its subsidiaries as determined by the directors of the Company.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2008

23. SHARE-BASED COMPENSATION (continued)

On the expiry of the Old SO Scheme, the directors of the Company consider to adopt a new share option scheme (the "New SO Scheme"). An ordinary resolution was passed at the annual general meeting of the Company held on 29th January, 2008 for the approval of the said adoption of the New SO Scheme and termination of the Old SO Scheme. Pursuant to the amendments to the Listing Rules, no further options may be granted under the Old SO Scheme thereunder but in other respects, the provisions of the Old SO Scheme remain in force and all outstanding options granted continue to be valid and exercisable in accordance therewith.

Eligible participants of the New SO Scheme include directors and employees of the Company and its subsidiaries. The New SO Scheme will, unless otherwise cancelled or amended, remain in force for 10 years from 29th January, 2008.

The maximum number of unexercised share options currently permitted to be granted under the New SO Scheme is an amount equivalent, upon their exercise, to 30% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the New SO Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

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

The offer of a grant of share options may be accepted within the date specified in the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors of the Company, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the grant of the share options or the expiry date of the New SO Scheme, if earlier.

On 31st January, 2008, a total of 96,000,000 share options were granted to the employees and eligible persons of the Group at a cash consideration of HK\$1.00 per grantee which entitle the grantees to subscribe for new ordinary shares of the Company at an exercise price of HK\$0.111 per share. The option are vested upon granted shall be exercisable in the following manner:

Starting from	31st January, 2008 to 30th January, 2009	Not more than 40%
	31st January, 2009 to 30th January, 2010	Not more than 70%
	31st January, 2010 to 30th January, 2018	The outstanding balance



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2008

23. SHARE-BASED COMPENSATION (continued)

On 5th February, 2008, a total of 143,000,000 shares options were granted to the directors of the Group at a cash consideration of HK\$1.00 per grantee which entitle the grantees to subscribe for new ordinary shares of the Company at an exercise price of HK\$0.125 per share. The option are vested upon granted shall be exercisable in the following manner:

Starting from	5th February, 2008 to 4th February, 2009	Not more than 40%
	5th February, 2009 to 4th February, 2010	Not more than 70%
	5th February, 2010 to 4th February, 2018	The outstanding balance

On 6th February, 2008, a total of 56,000,000 shares options were granted to eligible persons of the Group at a cash consideration of HK\$1.00 per grantee which entitle the grantees to subscribe for new ordinary shares of the Company at an exercise price of HK\$0.127 per share. The option are vested upon granted shall be exercisable in the following manner:

Starting from	6th February, 2008 to 5th February, 2009	Not more than 40%
	6th February, 2009 to 5th February, 2010	Not more than 70%
	6th February, 2010 to 5th February, 2018	The outstanding balance

The exercise price of the share options is determinable by the directors of the Company, but may not be less than the highest of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer of the grant; and (iii) the nominal value of the Company's shares.

	2008 Number	2007 Number
At beginning of year	–	–
Granted during the year	295,000,000	–
At end of year (note i)	295,000,000	–
Exercisable at end of year	91,600,000	–

The fair value of the share options granted during the year was HK\$24,224,000 (2007: HK\$Nil) of which the Group recognised a share option expense of HK\$9,392,000 (2007: HK\$Nil) during the year ended 30th June, 2008 (Note 10).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2008

23. SHARE-BASED COMPENSATION (continued)

The fair value of equity-settled share options granted during the year was estimated as at the date of grant, using the Black-Scholes Option Pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Date of grant	31st January, 2008	5th February, 2008	6th February, 2008
Number of options	96,000,000	143,000,000	56,000,000
Exercise price	0.111	0.125	0.127
Dividend yield	0.0%	0.0%	0.0%
Volatility	82%	82%	82%
Risk-free interest rate	2.102%-2.249%	2.047%-2.186%	1.958%-2.096%
Expected weighted average option lives (in years)	5.5	5.5	5.5

The expected life of the options is not necessarily indicative of the exercise pattern that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the balance sheet date and the date of approval of these financial statements, the Company had 295,000,000 share options outstanding under the New SO Scheme, which represented approximately 4.6% of the Company's shares in issue as at that date. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 295,000,000 additional ordinary shares of the Company and additional share capital of HK\$2,950,000 and share premium of HK\$32,693,000 (before issue expenses).

- (i) Terms of unexpired and unexercised share options under New SO Scheme at balance sheet date are as follows:

Name or category of participant	Date of grant	Exercise period	Exercise price per share HK\$	2008 Number	2007 Number
Director	5th February, 2008	5th February, 2008 to 4th February, 2018	0.125	143,000,000	–
Non-director	31st January, 2008	31st January, 2008 to 30th January, 2018	0.111	96,000,000	–
Non-director	6th February, 2008	6th February, 2008 to 5th February, 2018	0.127	56,000,000	–
Total				295,000,000	–



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2008

24. DERECOGNITION OF INTEREST IN SUBSIDIARIES

During the year ended 30th June, 2008, a subsidiary was de-registered and a subsidiary was voluntary wound up. The net assets of these subsidiaries at the date of derecognition had carrying amount of approximately HK\$390,000. Since the Group's investment costs in these subsidiaries were fully provided for and the Group has no further commitment to these subsidiaries, the resultant loss on derecognition of interest in these subsidiaries amounted to HK\$390,000.

25. OPERATING LEASE ARRANGEMENTS

	2008 HK\$'000	2007 HK\$'000
Minimum lease payments paid during the year under operating leases	1,814	864

At the balance sheet date, the Group had outstanding minimum commitments under non-cancellable operating leases, which fall due as follows:

	2008 HK\$'000	2007 HK\$'000
Within one year	2,203	163
In the second to fifth years inclusive	3,314	–
	5,517	163

Operating lease payments represent rentals payable by the Group for certain of its office premises. The leases are negotiated for a term of one to three years at fixed rentals.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2008

26. RETIREMENT BENEFITS SCHEME

The Group participates in the MPF Scheme established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules.

During the year, the total amount contributed by the Group to the MPF Scheme charged to the consolidated income statement represent contributions payable to the fund by the Group at rates specified in the rules of the scheme.

27. SETTLEMENT OF LITIGATION

On 10th November, 2000, the Company was named as a defendant in a legal action in which a claim was made against the Company for failure to pay, as the guarantor, an amount of HK\$5,996,000 and interest thereon. In January 2003, the Company's lawyers had sought discovery of the original copies of the relevant documents from the plaintiff and yet the plaintiff had failed to respond or furnish any of the requested documents. The plaintiff had since then not taken any further steps to activate the proceedings which had then become dormant for over a year. In July 2004, the Company was informed by the plaintiff of its decision to re-activate the proceedings. The directors, after seeking legal advice, had decided to make a provision of HK\$5,996,000 for potential liability during the year ended 30th June, 2004. In the view of the directors, there was no basis for providing for any interest which might become payable on the outcome of the litigation. The Company applied for an order to strike out the proceedings during the year ended 30th June, 2005, but the application for striking out was subsequently dismissed.

On 22nd February, 2008, the Company and the plaintiff filed a joint application by way of Consent Summons to the court. The Company agreed to pay to the plaintiff a sum of HK\$7,000,000 in full as final settlement of the plaintiff's claim inclusive of interest on or before 14th March, 2008. The amount of settlement was fully paid during the year, resulting in a legal claims charged to the income statement of HK\$1,004,000.

During the year, the Group received a refund of legal and professional fees of HK\$3,000,000 in relation to this litigation, which is included in Sundry Income of the Group (Note 9). In previous years, the Company paid this sum out for the mediation and settlement of the claims before the commencement of the legal proceedings.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2008

28. RELATED PARTY DISCLOSURES

- (a) The significant transactions with related parties during the year and significant balances with them at the balance sheet date are as follows:

Related parties	Nature of transaction	2008 HK\$'000	2007 HK\$'000
Transactions:			
柳州榮榮橡膠再生利用有限公司("柳州榮榮") (Note)	Purchase of goods	1,428	991
Win Success Industrial Limited ("Win Success") (Note)	Rentals and management fees paid	785	966
Balances:			
柳州榮榮	Balance at 30th June – trade payable	893	1,119

Note: Both 柳州榮榮 and Win Success are beneficially owned by Mr. Lam Kam Chuen, father of Ms. Ada Lam, a director of the Company.

- (b) Compensation of key management personnel

The remuneration of directors and other member of key management of the Group during the year was as follows:

	2008 HK\$'000	2007 HK\$'000
Short-term benefits	4,379	1,805
Share based compensation	5,764	–
Post-employment benefits	48	24
	10,191	1,829

The remuneration of directors is determined by the remuneration committee having regard to the level and composition of pay and the general market conditions in the respective countries and businesses.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2008

29. SUMMARISED BALANCE SHEET OF THE COMPANY

The summarised balance sheet of the Company at 30th June, 2008 is as follows:

	2008 HK\$'000	2007 HK\$'000
Property, plant and equipment	181	–
Investments in subsidiaries	1,000	1,000
Other receivables, deposits paid and prepayments	1,857	30
Amounts due from subsidiaries	183,353	23,841
Bank balances	285	78
Other payables	(620)	(348)
Provision for legal claims	–	(5,996)
Amounts due to subsidiaries	(5,923)	(5,923)
Net assets	180,133	12,682
Share capital	64,229	5,098
Reserves (Note)	115,904	7,584
Total equity	180,133	12,682

Note:

Reserves	Share premium HK\$'000	Contributed surplus HK\$'000	Share-based compensation reserve HK\$'000	Distributable reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
THE COMPANY						
At 1st July, 2006	388,088	61,949	–	39,387	(475,064)	14,360
Issue of new shares	11,044	–	–	–	–	11,044
Share issue expenses	(120)	–	–	–	–	(120)
Loss for the year	–	–	–	–	(17,700)	(17,700)
At 30th June, 2007	399,012	61,949	–	39,387	(492,764)	7,584
Issue of new shares	185,345	–	–	–	–	185,345
Share issue expenses	(5,292)	–	–	–	–	(5,292)
Issue of bonus share	(40,780)	–	–	–	–	(40,780)
Share-based compensation	–	–	9,392	–	–	9,392
Loss for the year	–	–	–	–	(40,345)	(40,345)
At 30th June, 2008	538,285	61,949	9,392	39,387	(533,109)	115,904



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2008

29. SUMMARISED BALANCE SHEET OF THE COMPANY (continued)

The contributed surplus of the Company represents the excess of the then combined net assets of the subsidiaries acquired pursuant to the group reorganisation in December 1997 over the nominal value of the Company's shares issued in exchange.

The distributable reserve of the Company represents the aggregate of the credit arising from the reduction of nominal value of the Company's share capital in March 1999 and March 2001 less the amount utilised for a bonus issue of shares in September 2000.

Share-based compensation reserve represents the fair value of the actual or estimated number of unexercised share options granted to directors and employees of the Company and other parties recognised in accordance with the accounting policy adopted for share-based payments.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

- (a) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium.

In the opinion of the directors, the Company had no reserves available for distribution as at 30th June, 2008 and 2007.

30. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 30th June, 2008 and 2007 may be categorised as follows:

	2008 HK\$'000	2007 HK\$'000
Financial assets		
Fair value through profit or loss – held for trading	39,503	–
Loans and receivables (including cash and bank balances)	144,379	24,587
Available-for-sale investments	880	880
Financial liabilities		
Financial liabilities measured at amortised cost	2,716	3,108



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2008

31. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 30th June, 2008 are as follows:

Name of subsidiary	Place of incorporation or registration/ operations	Nominal value of issued and fully paid share capital/ registered capital	Percentage of issued share capital/ registered capital held by the Group %	Principal activities
Ancora Worldwide Limited*	British Virgin Islands	US\$100	100	Investment holding
Best Time Investments Limited	Hong Kong	HK\$2	100	Investment holding
Best Victory Trading Limited*	Hong Kong	HK\$2,000,000	100	Distribution of electrical consumer products, computer related products and electronic components
Capital Ace Holdings Limited*	British Virgin Islands	US\$1	100	Investment holding
Chiefast Company Limited*	British Virgin Islands	US\$1	100	Investment holding
Digital World Finance Limited*	Hong Kong	HK\$1,000,000	100	Money lending
Dynamic Rich Limited*	British Virgin Islands	US\$100	100	Investment holding
e-Win Technologies Limited	Hong Kong	HK\$2	100	Trading of supply chain management system software
Fast Track United Limited*	British Virgin Islands	US\$1	100	Investment holding
Fullscale Enterprises Limited (Note 1)	British Virgin Islands	US\$1	100	Asset holding
Harvest (HK) Limited	Hong Kong	HK\$100	100	Trading of lubricant oil additives
Jet United Investment Limited*	Hong Kong	HK\$1	100	Investment holding



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2008

31. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation or registration/ operations	Nominal value of issued and fully paid share capital/ registered capital	Percentage of issued share capital/ registered capital held by the Group	Principal activities
			%	
Money Link Investment Holdings Limited*	British Virgin Islands	US\$2	100	Investment holding
Sinocham Eco-Industrial Company Limited*	Hong Kong	HK\$1,000,000	100	Trading of playground equipment and accessories
Trade Win Limited	Hong Kong	HK\$2	100	Investment holding
Vital Tech Company Limited*	British Virgin Islands	US\$1,000	100	Investment holding
Wing Kit Worldwide Limited*	British Virgin Islands	US\$1,000	100	Investment holding
World Express Investment Limited*	British Virgin Islands	US\$1,000	100	Investment holding

Other than those subsidiaries with an “*” which are directly held by the Company, all the subsidiaries are indirectly held.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

Note 1: The subsidiary was deregistered during the year.



FINANCIAL SUMMARY

RESULTS

	For the year ended 30th June,				
	2004 HK\$'000	2005 HK\$'000	2006 HK\$'000	2007 HK\$'000	2008 HK\$'000
Turnover	11,258	29,250	30,458	25,937	6,988
(Loss) profit for the year	(109,775)	(48,708)	(13,798)	103	(42,390)
Attributable to:					
Equity holders of the Company	(109,309)	(48,708)	(13,798)	103	(42,390)
Minority interests	(466)	–	–	–	–
	<u>(109,775)</u>	<u>(48,708)</u>	<u>(13,798)</u>	<u>103</u>	<u>(42,390)</u>

NET ASSETS

	At 30th June,				
	2004 HK\$'000	2005 HK\$'000	2006 HK\$'000	2007 HK\$'000	2008 HK\$'000
Total assets	87,046	31,030	17,584	27,430	186,703
Total liabilities	(18,233)	(10,925)	(11,277)	(9,246)	(3,113)
	<u>68,813</u>	<u>20,105</u>	<u>6,307</u>	<u>18,184</u>	<u>183,590</u>
Equity attributable to equity holders of the Company	68,813	20,105	6,307	18,184	183,590
Minority interests	–	–	–	–	–
	<u>68,813</u>	<u>20,105</u>	<u>6,307</u>	<u>18,184</u>	<u>183,590</u>

Note: Prior period figures have been restated to reflect the change in the presentation of minority interests pursuant to the application of new HKFRSs during the year ended 30th June, 2006.