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 address of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

The principal activities of the Group are the trading of computers and related products.

The Company is an investment holding company. The principal activities and other particulars of its subsidiaries are set out in note 22 to the consolidated financial statements.

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are effective for accounting periods beginning on or after 1st January, 2005. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting years are prepared and presented:

- HKAS 17 Leases
- HKAS 39 Financial Instruments: Recognition and Measurement

HKAS 17 Leases

In previous years, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current year, the Company has applied HKAS 17 Leases. Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. As the allocation between the land and buildings elements of the Group cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS – *continued*

HKAS 39 Financial Instruments: Recognition and Measurement

In the current year, the Group has applied HKAS 39 Financial Instruments: Recognition and Measurement. HKAS 39, which is effective for annual periods beginning on or after 1st January, 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to the classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

By 30th June,2005, the Group classified and measured its investments in equity securities in accordance with the benchmark of Statement of Standard Accounting Practice 24 (SSAP 24) Accountings for investment in securities. Under SSAP 24, investments in equity securities are classified as "investments securities", "other investments" or "held-to-maturity investments" as appropriate. The Group's investments in securities are classified as "Other investments" and are measured at fair value, with unrealised gains or losses included in income statement.

On 1st July, 2005, the Group classified and measured its investments in equity securities in accordance with the transitional provisions of HKAS 39. As a result, investments in securities has been classified as investments held-for-trading on 1st July, 2005. There has had no material impact on retained profit as at 1st July, 2005.

From 1st July, 2005 onwards, the Group classified and measured its financial assets and financial liabilities other than investments in equity securities (which were previously outside the scope of (SSAP 24)) in accordance with the requirements of HKAS 39. Financial assets and financial liabilities are initially measured at fair value. Financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets".

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS – *continued*

HKAS 39 Financial Instruments: Recognition and Measurement – *continued*

The Group has not early applied the following new standards, amendments in and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new standards, amendments or interpretations will have no material impact on the result and financial position of the Group.

HKAS 1 (Amendment)	Capital disclosures[1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures[2]
HKAS 21 (Amendment)	Net investment in a foreign operation[2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions[2]
HKAS 39 (Amendment)	The fair value option[2]
HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts[2]
HKFRS 6	Exploration for and evaluation of mineral resources[2]
HKFRS 7	Financial instruments: Disclosures[1]
HK(IFRIC) – INT 4	Determining whether an arrangement contains a lease[2]
HK(IFRIC) – INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds[2]
HK(IFRIC) – INT 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipment[3]
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[4]
HK(IFRIC) – INT 8	Scope of HKFRS 2[5]
HK(IFRIC) – INT 9	Reassessment of embedded derivatives[6]
HK(IFRIC) – INT 10	Interim financial reporting and impairment[7]

[1] Effective for annual periods beginning on or after 1st January, 2007.

[2] Effective for annual periods beginning on or after 1st January, 2006.

[3] Effective for annual periods beginning on or after 1st December, 2005.

[4] Effective for annual periods beginning on or after 1st March, 2006.

[5] Effective for annual periods beginning on or after 1st May, 2006.

[6] Effective for annual periods beginning on or after 1st June, 2006.

[7] Effective for annual periods beginning on or after 1st November, 2006.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by 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 and by Hong Kong Companies Ordinance.

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

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.

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

Goodwill

Goodwill arising on acquisitions prior to 1st January, 2005

Goodwill arising on an acquisition of a subsidiary for which the agreement date is before 1st January, 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant subsidiary at the date of acquisition. Such goodwill is carried at cost less amortization and any accumulated impairment losses.

For previously capitalised goodwill arising on acquisitions, the Group has discontinued amortisation from 1st July, 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired.

Capitalised goodwill arising on an acquisition of a business is presented separately in the consolidated balance sheet.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Revenue recognition

Sales of goods are recognised when goods are delivered and title has been passed.

Interest income from a financial asset is accrued on a time 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.

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 property, plant and equipment over their estimated useful lives, on a straight line basis, at the following rates per annum:

Leasehold land and building	2% – 5%
Leasehold improvements	Over the term of the lease
Furniture and fixtures	20%
Office equipment and computers	20%
Motor vehicles	30%

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 dereognised.

Leasing

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.

Rentals payable under operating leases are charged to consolidated income statement 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 term on a straight-line basis.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

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 exchanges 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 carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. 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. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 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.

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.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated balance sheet when an entity of the Group becomes a party to the contractual provisions of the instruments. 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 consolidated income statement.

Financial assets

The Group's financial assets are classified into financial assets at fair value through profit or loss and loans and receivables. 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 at fair value through profit or loss have two subcategories, including financial assets held for trading and those designated at fair value through profit or loss on initial recognition. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

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 receivables and deposits, pledged bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities

Financial liabilities of trade and other payables are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

For financial liabilities, they are removed from the Group's balance sheet (i.e. when the obligation specified in the relevant contract is discharged, cancelled or expired). The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

Retirement benefit costs

Payments to defined contribution retirement benefit plans and state-sponsored pension plan are charged as expenses as they fall due.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Impairment losses

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years. A reversal of an impairment loss is recognised as income immediately.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade receivables and deposits, investments held-for-trading, pledged bank deposits, bank balances and cash and trade and other payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

Several subsidiaries of the Company have foreign currency sales, which expose the Group to foreign currency risk. Certain trade receivables of the Group are denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – *continued*

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 30th June, 2006 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management has credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Although the bank balances are concentrated on certain counterparties, the credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

Price risk

The Group is exposed to equity security price risk. The management manages this exposure by maintaining a portfolio of investments with different risk profiles.

5. SEGMENTAL INFORMATION

Revenue

Revenue represents the net amounts received and receivable for goods sold, less returns and allowance, to outside customers during the year.

Business segments

Revenue and contribution to operating results and assets and liabilities by business segments have not been prepared as the Group's revenue was solely derived from the trading of computers and related products.

5. SEGMENTAL INFORMATION – *continued*

Geographical segments

For management purposes, the Group is currently organised into two major geographical segments based on the destination of shipment of products. These segments are the basis on which the Group reports its primary segment information.

The following is an analysis of the Group's sales by geographical market irrespective of the origin of the goods:

CONSOLIDATED INCOME STATEMENT

Year ended 30th June, 2006

	Hong Kong HK$'000	The People's Republic of China (the "PRC") other than Hong Kong HK$'000	Consolidated HK$'000
REVENUE			
External sales	35,405	381	35,786
RESULT			
Segment result	(1,924)	(583)	(2,507)
Interest income			815
Unallocated corporate expenses			(1,510)
Loss before taxation			(3,202)
Income tax credit	–	14	14
Loss for the year			(3,188)

5. SEGMENTAL INFORMATION – *continued*

Geographical segments – *continued*

CONSOLIDATED BALANCE SHEET

At 30th June, 2006

	Hong Kong HK$'000	PRC other than Hong Kong HK$'000	Consolidated HK$'000
ASSETS			
Segment assets	194	57	251
Unallocated corporate assets			33,845
Consolidated total assets			34,096
LIABILITIES			
Segment liabilities	162	262	424
Unallocated corporate liabilities			320
Consolidated total liabilities			744

OTHER INFORMATION

Year ended 30th June, 2006

	Hong Kong HK$'000	PRC other than Hong Kong HK$'000	Consolidated HK$'000
Capital additions	2	–	2
Depreciation and amortisation of property, plant and equipment	58	3	61
Write-back of bad debts	(6)	–	(6)

5. SEGMENTAL INFORMATION – *continued*

Geographical segments – *continued*

CONSOLIDATED INCOME STATEMENT

Year ended 30th June, 2005

	Hong Kong HK$'000	PRC other than Hong Kong HK$'000	Consolidated HK$'000
REVENUE			
External sales	54,165	11,871	66,036
RESULT			
Segment result	(2,177)	45	(2,132)
Interest income			236
Unallocated corporate income			6
Unallocated corporate expenses			(14,025)
Loss before taxation			(15,915)
Income tax expense	–	(48)	(48)
Loss for the year			(15,963)

5. SEGMENTAL INFORMATION – *continued*

Geographical segments – *continued*

CONSOLIDATED BALANCE SHEET

At 30th June, 2005

	Hong Kong HK$'000	PRC other than Hong Kong HK$'000	Consolidated HK$'000
ASSETS			
Segment assets	7,049	177	7,066
Unallocated corporate assets			29,684
Consolidated total assets			36,750
LIABILITIES			
Segment liabilities	2,870	139	3,009
Unallocated corporate liabilities			300
Consolidated total liabilities			3,309

OTHER INFORMATION

Year ended 30th June, 2005

	Hong Kong HK$'000	PRC other than Hong Kong HK$'000	Consolidated HK$'000
Capital additions	158	–	158
Amortisation of goodwill	12,400	–	12,400
Depreciation and amortisation of property, plant and equipment	144	4	148
Write-off of bad debts	69	–	69

6. LOSS BEFORE TAXATION

	2006	2005
	HK$'000	HK$'000
Loss before taxation has been arrived at after charging:		
Directors' remuneration *(note 7)*		
Fees	410	405
Other emoluments	74	74
Retirement benefit scheme contributions	–	–
Other staff costs		
Salaries	1,882	2,633
Retirement benefit scheme contributions	59	122
Total staff costs	2,425	3,234
Auditors' remuneration	371	392
Depreciation of property, plant and equipment	61	148
Loss on change in fair value of investments held-for-trading	25	–
Unrealised holding loss on investments in securities	–	121
Net foreign exchange losses	40	77
Write-off of bad debts	–	69
and after crediting:		
Write-back of bad debts	(6)	–
Gain on disposal of property, plant and equipment	(26)	–

7. DIRECTORS' EMOLUMENTS

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

			2006
Name of director	**Fees**	**Other benefits**	**Total emoluments**
	HK$'000	HK$'000	HK$'000
Executive director			
Ms. Zhou Liping	214	74	288
Ms. Guan Mei	–	–	–
Mr. Huang Flynn Xuxian	–	–	–
	214	74	288
Independent non-executive directors			
Mr. Shea Chun Lok, Quadrant	68	–	68
Mr. Ngai Chi Yung	60	–	60
Mr. Chan Yiu Kwong	68	–	68
	196	–	196
Total emoluments	410	74	484

7. DIRECTORS' EMOLUMENTS – *continued*

			2005
		Other	Total
Name of director	Fees	benefits	emoluments
	HK$'000	HK$'000	HK$'000
Executive director			
Ms. Zhou Liping	178	74	252
Ms. Guan Mei	–	–	–
Mr. Huang Flynn Xuxian	–	–	–
	178	74	252
Independent non-executive directors			
Mr. Shea Chun Lok, Quadrant	99	–	99
Mr. Ngai Chi Yung	60	–	60
Mr. Chan Yiu Kwong	68	–	68
	227	–	227
Total emoluments	405	74	479

During the years ended 30th June, 2006 and 2005, 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. No directors waived any emoluments in both years.

8. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, one (2005: none) was a director of the Company. The emoluments of the four (2005: five) individuals were as follows:

	2006	2005
	HK$'000	HK$'000
Salaries and other benefits	**1,172**	1,343
Contributions to retirement benefits scheme	**34**	59
	1,206	1,402

Their emoluments were within the following band:

	Number of employees	
	2006	2005
Nil to HK$1,000,000	**4**	5

9. INCOME TAX (CREDIT) EXPENSE

	2006	2005
	HK$'000	HK$'000
The (credit) charge comprises:		
PRC Enterprise Income Tax		
Current year	**–**	48
Overprovision in prior years	**(14)**	–
	(14)	48

The tax charge for the year ended 30th June, 2005 represented the PRC enterprise income tax of a subsidiary calculated at the applicable rate prevailing. No provision was made for such tax for the year ended 30th June, 2006 as the subsidiary incurred a loss for the year.

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group's operations in Hong Kong incurred tax losses for both years.

9. INCOME TAX (CREDIT) EXPENSE – *continued*

The tax charge for the year can be reconciled to the loss before taxation as follows:

	2006	2005
	HK$'000	HK$'000
Loss before taxation	**(3,203)**	(15,915)
Tax at Hong Kong Profits Tax rate of 17.5% (2005: 17.5%)	**(560)**	(2,785)
Tax effect of expenses not deductible for tax purposes	**166**	2,170
Tax effect of income not taxable for tax purposes	**(167)**	(40)
Tax effect of deferred tax assets utilised	**(16)**	(211)
Tax effect of tax losses not recognised	**520**	875
Effect of different tax rates of a subsidiary operating in the PRC	**59**	39
Overprovision of taxation in prior years	**(14)**	–
Tax (credit) charge for the year	**(14)**	48

At 30th June, 2006, the Group has deductible temporary differences and estimated unused tax losses of approximately HK$272,000 (2005: HK$363,000) and HK$75,466,000 (2005: HK$72,495,000) respectively available for offset against future profits. No deferred tax assets have been recognised in the consolidated financial statements due to the unpredictability of the future profits streams. The tax losses may be carried forward indefinitely.

10. LOSS PER SHARE

The calculation of the loss per share is based on the loss for the year of approximately HK$3,188,000 (2005: HK$15,963,000) and on weighted average of 81,108,618 (2005: 68,087,373 – adjusted for an open offer (note 18(ii)) shares in issue throughout the year.

No dilutive potential ordinary shares in issue for both years.

11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Leasehold improvements	Furniture and fixtures	Office equipment and computers	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST						
At 1st July, 2004	6,193	–	23	160	809	7,185
Additions	–	134	18	6	–	158
Disposals	(6,193)	–	–	–	–	(6,193)
At 30th June, 2005	–	134	41	166	809	1,150
Additions	–	–	–	2	–	2
Disposals	–	–	–	(10)	(809)	(819)
At 30th June, 2006	–	134	41	158	–	333
DEPRECIATION AND IMPAIRMENT						
At 1st July, 2004	3,343	–	7	80	759	4,189
Provided for the year	–	30	14	54	50	148
Eliminated on disposals	(3,343)	–	–	–	–	(3,343)
At 30th June, 2005	–	30	21	134	809	994
Provided for the year	–	44	8	9	–	61
Eliminated on disposals	–	–	–	(10)	(809)	(819)
At 30th June, 2006	–	74	29	133	–	236
CARRYING VALUES						
At 30th June, 2006	–	60	12	25	–	97
At 30th June, 2005	–	104	20	32	–	156

The leasehold land and buildings, which were situated in Hong Kong and held under medium-term leases, were disposed of during the year ended 30th June, 2005.

Owner-occupied leasehold land is included in property, plant and equipment as the allocations between the land and buildings elements cannot be made reliably.

12. GOODWILL

	HK$'000
COST	
At 1st July, 2004 and 30th June, 2005 and 2006	18,600
AMORTISATION	
At 1st July, 2004	6,200
Provided for the year	12,400
At 30th June, 2005 and 2006	18,600
NET BOOK VALUE	
At 30th June, 2006	–
At 30th June, 2005	–

In previous year, goodwill arising from acquisition of a subsidiary was amortised on a straight-line basis over a period of 3 years. With effect from 1st July, 2004, goodwill was amortised on a straight-line basis over a period of 1 year. This change in accounting estimates reflected the Group's best estimates of the remaining economic life of the goodwill.

13. TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS

The Group allows an average credit period of 60 days to its trade customers. An aged analysis of trade receivables is as follows:

	2006 **HK$'000**	2005 HK$'000
Trade receivables		
0 – 30 days	**–**	5,480
31 – 60 days	**–**	135
Over 60 days	**14**	1
	14	5,616
Deposits and prepayments	**140**	1,454
	154	7,070

The fair value of the Group's trade receivables and deposits approximates to the corresponding carrying amount.

14. INVESTMENTS HELD-FOR-TRADING (FORMERLY CLASSIFIED AS INVESTMENTS IN SECURITIES)

	THE GROUP	
	2006	2005
	HK$'000	HK$'000
Equity securities listed in Hong Kong	**1,682**	2,161

In accordance with HKAS 39, those securities were reclassified from investments in securities which was measured at market value to investments held-for-trading at the beginning of 1st July, 2005.

The fair value of the above investments held-for-trading are determined based on the quoted market bid prices available on the relevant exchanges.

15. PLEDGE OF ASSETS

At 30th June, 2006, the Group pledged bank deposits of approximately HK$75,000 (2005: HK$75,000), which carry fixed interest rate of 3.75% to secure general banking facilities granted to a subsidiary.

16. OTHER FINANCIAL ASSETS

Bank balances and cash

The Group's deposits carrying interest rate at prevailing bank saving deposits rate at average interest rate of 2.27% and mature within 3 months. The directors of the Company consider that the fair value of the Group's bank balances and cash approximates to the corresponding carrying amount.

17. TRADE AND OTHER PAYABLES

An aged analysis of trade payables is as follows:

	2006 HK$'000	2005 HK$'000
Trade payables		
0 – 30 days	–	2,680
31 – 60 days	–	3
Over 60 days	1	–
	1	2,683
Other payables and accrued charges	743	626
	744	3,309

The fair value of the Group's trade and other payables approximates to the corresponding carrying amount.

18. SHARE CAPITAL

	Number of shares 2006	Number of shares 2005	Amount 2006 HK$'000	Amount 2005 HK$'000
Authorised:				
At beginning and at end of year	1,500,000,000	1,500,000,000	150,000	150,000
Issued and fully paid:				
At beginning of the year	55,523,633	1,110,472,663	5,552	111,047
Arising on capital reorganisation *(note i)*	–	(1,054,949,030)	–	(105,495)
Issue of shares *(note ii)*	27,761,816	–	2,776	–
At end of year	83,285,449	55,523,633	8,328	5,552

18. SHARE CAPITAL – *continued*

Notes:

(i) At the special general meeting of the Company held on 23rd July, 2004, the shareholders approved the following changes in the share capital of the Company (the "capital reorganisation"):

(a) the nominal value of all issued shares of HK$0.10 each be reduced by HK$0.095 each by cancelling an equivalent amount of paid-up capital per share so that the nominal value of each such share was reduced from HK$0.10 to HK$0.005. The credit arising from such reduction was credited to the contributed surplus account of the Company;

(b) every 20 issued shares of HK$0.005 each in the capital of the Company be consolidated into one consolidated share of HK$0.10;

(c) the share premium of the Company be cancelled and the credit arising therefrom was credited to the contributed surplus account of the Company; and

(d) the credit transferred to the contributed surplus account of the Company mentioned in (a) and (c) above was used to set off against the accumulated losses of the Company.

(ii) On 22nd August, 2005, the Company raised net proceeds of approximately HK$2.6 million by an open offer of 27,761,816 offer shares at HK$0.10 per share on the basis of one offer share for every two shares held ("Open offer") to provide additional working capital for the Group. Upon the completion of the Open Offer, the number of ordinary shares issued and fully paid of the Company was increased from 55,523,633 to 83,285,449.

19. OPERATING LEASE COMMITMENTS

The Group as lessee

	THE GROUP	
	2006	2005
	HK$'000	HK$'000
Minimum lease payments paid under operating leases in respect of land and buildings	**369**	417

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of land and buildings which fall due as follows:

	THE GROUP	
	2006	2005
	HK$'000	HK$'000
Within one year	**231**	307
In the second to fifth year inclusive	**39**	289
	270	596

Operating lease payments represent rentals payable by the Group for staff quarters and office premises. Leases are negotiated for terms of one to three years.

20. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees. The assets of the scheme are held separately from those of the Group in funds under the control of trustees.

Employees of the Group in the PRC are members of the state-sponsored pension operated by the PRC Government. The Group are required to contribute a certain percentage of their payroll to the pension scheme to fund the benefits. The only obligation of the Group with respect to the pension scheme is to make the required contributions.

The total cost charged to the consolidated income statement of HK$59,000 (2005: HK$122,000) represents contributions payable to the retirement benefits schemes by the Group in respect of the current year.

21. SHARE OPTIONS

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 20th March, 2002 for the primary purpose of providing incentives to directors and eligible employees. Under the Scheme, the Board of directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to outside third parties for settlement in respect of goods or services provided to the Company.

All of the share options were lapsed at 30th June, 2003 and no share option has been granted to the directors or employees of the Group during both years ended 30th June, 2006.

22. PARTICULARS OF PRINCIPAL SUBSIDIARIES

At 30th June, 2006, the Company had interests in the following principal subsidiaries:

Name of subsidiary	Place of incorporation or registration/ operations	Paid-up issued/ registered ordinary share capital	Proportion of nominal value of issued share capital/registered capital held by		Principal activities
			Company	Subsidiaries	
			%	%	
Carion Technology Limited 永裕科技(香港)有限公司	Hong Kong	HK$10,000	100	–	Trading of computer related products
Shanghai Classic Limited	British Virgin Islands	US$1	100	–	Investment holding
Wanon Industries Limited 運亮實業有限公司	Hong Kong	HK$500,000	100	–	Trading of computers and related products
Wanon Trading Limited 運亮貿易有限公司	Hong Kong	HK$2	–	100	Trading of computer related products

22. PARTICULARS OF PRINCIPAL SUBSIDIARIES – *continued*

Name of subsidiary	Place of incorporation or registration/ operations	Paid-up issued/ registered ordinary share capital	Proportion of nominal value of issued share capital/registered capital held by Company %	Proportion of nominal value of issued share capital/registered capital held by Subsidiaries %	Principal activities
Shanghai Jian Kai International Trading Company Limited* 上海建開國際貿易有限公司	PRC	HK$11,000,000	–	100	Trading of computer related products
Shang Hua Capital Limited 上華融資有限公司	Hong Kong	HK$200,000	100	–	Dormant

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

* It is a wholly foreign owned enterprise.

23. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

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

	2006 HK$'000	2005 HK$'000
Short-term benefits	**1,401**	1,822
Post-employment benefits	**22**	59
	1,423	1,881

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

24. BALANCE SHEET OF THE COMPANY

	2006 HK$'000	2005 HK$'000
Non-current asset		
Interests in subsidiaries	**202**	2
Current assets		
Bank balances and cash	**2,610**	235
Amounts due from subsidiaries	**29,870**	32,942
	32,480	33,177
Current liability		
Trade and other payables	**8**	1
Net current assets	**32,472**	33,176
	32,674	33,178
Capital and reserves		
Share capital	**8,328**	5,552
Reserves	**24,346**	27,626
	32,674	33,178