1. GENERAL

The Company is incorporated in the Cayman Islands as an exempted company with limited liability. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

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

The principal activities of the Company and its subsidiaries (the "Group") are principally engaged in investing in listed and unlisted companies mainly in Hong Kong and the People's Republic of China (the "PRC").

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/ CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has applied, for the first time, a number of new 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 ("HKICPA") that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. The changes in presentation have been applied restrospectively. 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 and prior accounting years are prepared and presented:

Share-based Payment

In the current year, the Group has applied HKFRS 2 *Share-based Payment* which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of share options granted to directors and employees of the Company, determined at the date of grant of the share options, over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised.

The Group has not granted any share option to directors and employees of the Company since the adoption of the share option scheme on 30 September 2003.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/ CHANGES IN ACCOUNTING POLICIES (Continued)

Financial Instruments

In the current year, the Group has applied HKAS 32 *Financial Instruments: Disclosure and Presentation* and HKAS 39 *Financial Instruments: Recognition and Measurement*. HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The application of HKAS 32 has had no material impact on how the financial instruments of the Group are presented for current and prior accounting periods. 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 30 June 2005, the Group classified and measured its debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 ("SSAP 24"). Under SSAP 24, investments in debt or equity securities are classified as "investment securities", "other investments" or "held-to-maturity investments" as appropriate. "Investment securities" are carried at cost less impairment losses (if any) while "other investments" are measured at fair value, with unrealised gains or losses included in profit or loss. Held-to-maturity investments are carried at amortised cost less impairment losses (if any). From 1 July 2005 onwards, the Group has classified and measured its debt and equity securities in accordance with HKAS 39. Under HKAS 39, 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". "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. Available-for-sale equity investments that do not have quoted market prices in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less impairment after initial recognition. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method after initial recognition.

On 1 July 2005, the Group classified and measured its debt and equity securities in accordance with the transitional provisions of HKAS 39. As a result, "investments in securities" amounted to HK$15,905,000 and HK$10,427,845 have been classified as "available-for-sale investments" and "equity investments at fair value through profit or loss" on 1 July 2005, respectively (see Note 3 for the financial impact).

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/ CHANGES IN ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

Financial assets and financial liabilities other than debt and equity securities

From 1 July 2005 onwards, the Group has classified and measured its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 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". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "other financial liabilities". Financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value being recognised in profit or loss directly. Other financial liabilities are carried at amortised cost using the effective interest method after initial recognition. The adoption of HKAS 39 has had no material effect on how the results for the current accounting period are prepared and presented.

Derecognition

HKAS 39 provides more rigorous criteria for the derecognition of financial assets than the criteria applied in previous years. Under HKAS 39, a financial asset is derecognised, when and only when, either the contractual rights to the asset's cash flows expire, or the asset is transferred and the transfer qualifies for derecognition in accordance with HKAS 39. The decision as to whether a transfer qualifies for derecognition is made by applying a combination of risks and rewards and control tests. The Group has applied the relevant transitional provisions and applied the revised accounting policy prospectively in relation to transfer of financial assets from 1 July 2005 onwards. This change in accounting policy has had no material effect on the results for the current year.

Investment in an associate

In the current year, the Group has applied HKAS 28 "Investments in Associates". Under HKAS 28, the results, assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate, the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate (see Note 3 for details).

3. PRIOR YEAR ADJUSTMENTS/SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

In 2005, the Group acquired approximately 30% interests in CNI Bullion Limited and its subsidiaries (collectively referred to as "CNI Bullion"). In the opinion of the directors of the Company, the investment in CNI Bullion held exclusively with a view to its disposal within twelve months from acquisition and the directors of the Company were actively seeking a buyer. Accordingly, the investment in CNI Bullion was classified as investments in securities as at 30 June 2005. However, the investment in CNI Bullion had not been disposed of within twelve months from the date of acquisition. Under HKAS 28, the investment in CNI Bullion should be accounted for using equity method as from the date of acquisition. Financial statements for the years since acquisition have been restated.

(i) Investment in CNI Bullion was included in investments in securities as at 30 June 2005. Prior year adjustment has been made to reclassify the investments in securities to interest in an associate, resulting in a decrease in the Group's investments in securities as at 1 July 2005 amounted to approximately HK$1,650,000 and a corresponding increase in the Group's interest in an associate.

(ii) HKAS 28 requires retrospective application of the equity method of accounting. Share of result of an associate commences since acquisition. Prior year adjustment has been made to adjust for the share of loss of an associate since acquisition, resulting in an increase in share of loss of an associate for the year ended 30 June 2005 amounted to HK$271,994 and a corresponding decrease in the Group's interest in an associate as at 30 June 2005.

3. PRIOR YEAR ADJUSTMENTS/SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES (Continued)

The following table discloses the adjustments that have been made in the consolidated income statement and consolidated balance sheet as previously reported for the year ended 30 June 2005.

Effect of prior year adjustments
Increase (decrease) of:

	Prior year adjustments		
	(i)	**(ii)**	**Total**
	HK$	HK$	HK$
Investments in securities	(1,650,000)	–	(1,650,000)
Interests in associates	1,650,000	–	1,650,000
Share of losses of associates	–	271,994	271,994
Basic loss per share	–	0.0015	0.0015

The cumulative effects of the application of the new HKFRSs on 30 June 2005 and 1 July 2005 are summarised below:

	As at 30 June 2005 (originally stated)	**Prior year adjustments (Note 3)**	**As at 30 June 2005 (restated)**	**Prospective adjustments**	**As at 1 July 2005 (restated)**
	HK$	HK$	HK$	HK$	HK$
				HKAS 39	
Balance sheet items					
Investments in securities	27,982,845	(1,650,000)	26,332,845	(26,332,845)	–
Equity investments at fair value through profit or loss	–	–	–	10,427,845	10,427,845
Available-for-sale investments	–	–	–	15,905,000	15,905,000
Interests in associates	13,920	1,378,006	1,391,926	–	1,391,926
Total effects on assets and liabilities	27,996,765	(271,994)	27,724,771	–	27,724,771
Accumulated losses and total effect on equity	(22,881,011)	(271,994)	(23,153,005)	–	(23,153,005)

3. PRIOR YEAR ADJUSTMENTS/SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES (Continued)

3A. SUMMARY OF ACCOUNTING POLICIES NEWLY ISSUED BUT NOT YET EFFECTIVE

At the date of authorisation of these consolidated financial statements, the following standards, interpretations and amendments were in issue but not yet effective for the years covered by these consolidated financial statements.

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 1 January 2007.
2 Effective for annual periods beginning on or after 1 January 2006.
3 Effective for annual periods beginning on or after 1 December 2005.
4 Effective for annual periods beginning on or after 1 March 2006.
5 Effective for annual periods beginning on or after 1 May 2006.
6 Effective for annual periods beginning on or after 1 June 2006.
7 Effective for annual periods beginning on or after 1 November 2006.

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

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values, 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.

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 30 June each year.

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.

(b) Goodwill

Goodwill arising on an acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

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

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year.

When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the income statement. An impairment loss for goodwill is not reversed in subsequent periods.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(d) Interests in associates

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

(e) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of plant and equipment over their estimated useful lives, using the straight-line method at 25% per annum.

An item of 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.

Assets held under finance leases are depreciated over their estimated useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) 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 four categories, including financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments 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 at fair value through profit or loss has 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 prepayments, deposits and other receivables, amount due from associates, amount due from a related company 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial instruments (Continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are designated or not classified as one of the other categories set out as above. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are stated at fair value, except for those equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any accumulated identified losses at each balance sheet date subsequent to initial recognition.

In respect of available-for-sale financial assets carried at fair value, the gains or losses arising from changes in the fair value are dealt with as movements in the equity, until the financial asset is sold, collected, or otherwise disposed of, or until the financial asset is determined to be impaired, the cumulative gain or loss derived from the financial asset recognised in the equity, together with the amount of any further impairment, is charged to the consolidated income statement in the year in which the impairment arises.

In respect of available-for-sale financial assets carried at cost less any accumulated impairment losses, when there is objective evidence that an impairment loss has been incurred on an investment, the carrying amount of the investment should be reduced to the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset and the amount of the impairment is charged to the consolidated income statement in the year in which it arises. Such impairment loss recognised shall not be reversed in subsequent periods.

Financial liabilities and equity

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

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

Other financial liabilities

Other financial liabilities including other payables, obligations under finance leases, amount due to a director and amounts due to related companies are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial instruments (Continued)

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 received or receivable is recognised in profit or loss.

(g) Assets held for sale

Assets are classified as held for sale if their carrying amount will be recovered principally through a sales transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition.

Assets classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell.

(h) Impairment losses

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 the recoverable amount of an asset is estimated to be less than its carrying amounts, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

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, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that other standard.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Revenue recognition

Sale of available-for-sale securities, equity investments at fair value through profit or loss and investments in securities are recognised on a trade date basis.

Dividend income is recognised when the shareholders' right to receive payment has been established.

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.

(j) Equity settled share-based payment transactions

Share options granted to directors and employees of the Company

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity.

At the time when the share options are exercised, the amount previously recognised in equity will be transferred to share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in equity will continue to be held in equity.

(k) 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 and associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Taxation (Continued)

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.

(l) 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 re-translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated 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 re-translated.

Exchange differences arising on the settlement of monetary items, and on the re-translation of monetary items, are recognised in profit or loss in the period in which they arise except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financial statements. Exchange differences arising on the re-translation 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 Group (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 exchange translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) 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 assets are classified as operating leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

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 term on a straight-line basis.

(n) Borrowing costs

All borrowing costs are charged to the consolidated income statement in the year in which they are incurred.

(o) Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme (the "MPF Scheme") are charged as an expense as they fall due.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, management makes various estimates and judgments (other than those involving estimates) based on past experience, expectations of the future and other information. The key source of estimation uncertainty and the critical judgment that can significantly affect the amounts recognised in the financial information is disclosed below:

Depreciation of plant and equipment

Plant and equipment are depreciated on a straight-line basis over their estimated useful lives. The determination of the useful lives involves management's estimation. The Group assesses annually the useful lives of the plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the year and the estimate will be changed in the future period.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Estimation of impairment losses of available-for-sale investments

In the absence of current prices in an active market for similar unlisted equity securities, the Group determines the fair values by using valuation techniques based on information from a variety of sources, including the latest financial information of the available-for-sale investments.

The fair value of the available-for-sale investments at 30 June 2006 was HK$26,960,000, further details of which are set out in note 17.

Estimation of allowance for bad and doubtful debts

The Group determines the allowance for bad and doubtful debts in respect of advances to other receivables based on objective evidence of impairment and historical loss experience of the individual balance of the counterparty.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include equity and debt investments, prepayment, deposits and other receivables, amount(s) due from a related company and associates, bank balances and cash, other payables and accruals, amount(s) due to a director and related companies and obligations under finance leases. 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. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Interest rate risk

The Group's exposure to risk for changes in interest rates relates primarily to the Group's obligations under finance leases and advances from related companies.

The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 30 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 Group regularly reviews the recoverable amount of each individual financial assets at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Price risk

The Group's available-for-sale investments and equity investments at fair value through profit or loss are measured at fair value at each balance sheet date. Therefore, the Group is exposed to equity security price risk. Management manages this exposure by maintaining a portfolio of investments with different risk profiles.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of business funding. The Group's exposure to liquidity risk is minimal.

Foreign exchange risk

The Group's financial assets and financial liabilities are substantially denominated in Hong Kong dollar. Accordingly, the management considers the foreign exchange risk to the Group is not significant.

7. TURNOVER AND OTHER OPERATING INCOME

Turnover represents the net amounts received and receivable for the trading of investments in listed and unlisted companies. Turnover and other operating income recognised during the year are as follows:

	2006	2005
	HK$	HK$
Turnover		
Proceeds from sale of equity investments at fair value through profit or loss/ investments in securities	**48,944,177**	63,516,614
Other operating income		
Dividend income from investments in listed securities	**73,182**	193,384
Interest income	**903,936**	488,266
Sundry income	**24,288**	74,288
Gain on disposal of a subsidiary *(Note 27)*	**7,200**	–
	1,008,606	755,938
	49,952,783	64,272,552

8. SEGMENT INFORMATION

The Group is principally engaged in investing in listed and unlisted companies. Accordingly, no further analysis by business segment is provided. In determining the Group's geographical segments, turnover, assets and expenditure are attributed to the segments based on the location of the assets.

Geographical segments

An analysis of the Group's revenue and contribution to operating results and segment assets and liabilities by geographical segments, is presented below:

Consolidated Income Statement

For the year ended 30 June 2006

	Hong Kong		The PRC		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005
	HK$	HK$	**HK$**	HK$	**HK$**	HK$
		(Restated)		(Restated)		(Restated)
SEGMENT REVENUE:						
Proceeds from sales of equity investments at fair value through profit or loss/ investments in securities	**48,944,177**	63,516,614	**–**	–	**48,944,177**	63,516,614
Gain arising from change in fair value of equity investments at fair value through profit or loss/unrealised holding gain on investments in securities, net	**4,669,162**	1,008,112	**5,400,000**	–	**10,069,162**	1,008,112
Other operating income	**729,028**	568,534	**279,578**	187,404	**1,008,606**	755,938
	54,342,367	65,093,260	**5,679,578**	187,404	**60,021,945**	65,280,664
SEGMENT RESULTS	**6,764,039**	(8,480,018)	**5,679,578**	187,404	**12,443,617**	(8,292,614)
Unallocated corporated expenses					**(627,684)**	(799,203)
Finance costs					**(433,133)**	(158,541)
Share of results of associates					**475,613**	(271,994)
Profit (loss) before tax					**11,858,413**	(9,522,352)
Income tax expenses					**(450,000)**	–
Profit (loss) for the year					**11,408,413**	(9,522,352)

8. SEGMENT INFORMATION (Continued)

Geographical segments (Continued)

Consolidated balance sheet

At 30 June 2006

	Hong Kong		The PRC		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005
	HK$	HK$	**HK$**	HK$	**HK$**	HK$
		(Restated)		(Restated)		(Restated)
Segment assets	**34,058,908**	13,061,238	**47,704,795**	27,672,924	**81,763,703**	40,734,162
Interests in associates	**4,703,619**	1,391,926	**-**	–	**4,703,619**	1,391,926
Total assets	**38,762,527**	14,453,164	**47,704,795**	27,672,924	**86,467,322**	42,126,088
Total liabilities	**7,453,077**	7,674,863	**-**	–	**7,453,077**	7,674,863
Other segment information:						
For the year ended 30 June 2006						
Capital expenditure	**543,565**	1,307,764	**-**	–	**543,565**	1,307,764
Depreciation	**363,323**	267,531	**-**	–	**363,323**	267,531
Loss on disposal/write-off of plant and equipment					**-**	531,672
Allowance for amounts due from associates					**165,540**	–
Impairment loss on goodwill					**92,101**	–
Impairment loss on interests in associates					**13,920**	–
Gain on disposal of a subsidiary					**(7,200)**	–

9. FINANCE COSTS

	2006 HK$	2005 HK$
Interest expenses on:		
– bank overdrafts	**2,195**	1,606
– other borrowings wholly repayable within five years	**407,174**	141,630
– obligations under finance leases	**23,764**	15,305
	433,133	158,541

10. PROFIT (LOSS) BEFORE TAX

	2006 HK$	2005 HK$ (Restated)
The Group's profit (loss) before tax has been arrived at after charging (crediting):		
Directors' remuneration *(Note 14)*:		
Fees	**1,168,800**	1,077,371
MPF Scheme contributions	**12,000**	16,000
Other emoluments	**404,000**	552,620
Staff costs		
Salaries	**621,556**	906,600
MPF Scheme contributions	**18,198**	68,230
Total staff costs	**2,224,554**	2,620,821
Auditors' remuneration		
– current year	**300,000**	217,000
– underprovision in prior years	**71,500**	–
Allowance for amounts due from associates	**165,540**	–
Impairment loss on goodwill *(Note 26)*	**92,101**	–
Impairment loss on interests in associates *(Note 16)*	**13,920**	–
Depreciation on plant and equipment		
– owned assets	**184,650**	147,531
– leased assets	**178,673**	120,000
Operating lease charges on rented premises	**722,136**	356,087
Loss on disposal/write-off of plant and equipment	**–**	531,672
Net realised losses on disposal of investments in securities	**–**	1,831,508
Net realised gain on disposal of equity investments at fair value through profit or loss	**(8,300,503)**	–
Interest income on bank deposits	**(31,924)**	(1,523)
Interest income on other receivables	**(872,012)**	(486,743)
Dividend income	**(73,182)**	(193,384)
Gain on disposal of a subsidiary *(Note 27)*	**(7,200)**	–

11. INCOME TAX EXPENSES

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profits for the year ended 30 June 2006. No Hong Kong Profits Tax had been provided in the consolidated financial statements as the Group has sufficient tax losses brought forward from previous years to offset against the assessable profits for the year.

No provision for Hong Kong Profits Tax has been made in the consolidation financial statements as the Group has no assessable profits for the year ended 30 June 2005.

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

	2006 HK$	2005 HK$ (restated)
Profits (loss) before tax	**11,858,413**	(9,522,352)
Tax at domestic income tax rate of 17.5% (2005: 17.5%)	**2,075,222**	(1,666,412)
Tax effect of share of results of associates	**(83,232)**	47,599
Tax effect of expenses not deductible and income not taxable in determining taxable profit	**(782,304)**	31,486
Utilisation of tax losses previously not recognised	**(759,686)**	–
Tax effect of tax losses not recognised	**–**	1,587,327
Income tax expenses for the year	**450,000**	–

At 30 June 2006, the Group has unused tax losses of HK$17,603,263 (2005: HK$21,944,324) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profits streams. The unrecognised tax losses may be carried forward indefinitely.

12. DIVIDEND

No dividend was paid or proposed during the two years ended 30 June 2006 and 2005 since the balance sheet date.

13. EARNINGS (LOSS) PER SHARE – BASIC AND DILUTED

The calculations of basic earnings (loss) per share are based on the Group's profit attributable to the equity holders of the Company of HK$11,408,413 (2005: loss of HK$9,522,352).

The basic earnings (loss) per share is based on the weighted average number of 205,824,471 (2005: 177,050,224) ordinary shares in issue during the year.

The weighted average number of ordinary shares for the purpose of calculating basic earnings (loss) per share for the years ended 30 June 2006 and 30 June 2005 have been retrospectively adjusted for the effect of the bonus issue completed subsequent to the balance sheet date. Details of the bonus issue are set out in note 32a.

There was no dilution effect on the basic earnings (loss) per share for the years ended 30 June 2006 and 30 June 2005 as there were no dilutive shares outstanding during the years ended 30 June 2006 and 30 June 2005.

The following table summaries the impact on basic earnings (loss) per share as a result of:

	Impact on basic earnings (loss) per share	
	2006	2005
	HK$	HK$
Figures before adjustments	**0.06**	(0.05)*
Adjustment arising from prior year adjustments	**–**	(0.0015)
Restated	**0.06**	(0.0515)

* Adjustment for one for one bonus issue of shares in July 2006 (Note 32a).

14. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the 10 (2005: 11) directors were as follows:

For the year ended 30 June 2006

		Other emoluments			
	Fees	Salaries, allowances and benefits	Bonus	MPF scheme contributions	Total
	HK$	HK$	HK$	HK$	HK$
Executive directors:					
Pong Po Lam[1]	180,000	–	–	–	180,000
Yau Chung Hong	240,000	200,000	192,000	–	632,000
Chui Tak Keung, Duncan	240,000	12,000	–	12,000	264,000
Chow Ka Wo, Alex[2]	192,000	–	–	–	192,000
Non-executive directors:					
Wang Zeng Jie[3]	4,800	–	–	–	4,800
Ma Kwok Keung, Kenneth	120,000	–	–	–	120,000
Chow Ka Wo, Alex[2]	12,000	–	–	–	12,000
Independent non-executive directors:					
Lam Kwan	60,000	–	–	–	60,000
Chan Ming Sun, Jonathan	60,000	–	–	–	60,000
Shiu Siu Tao	60,000	–	–	–	60,000
	1,168,800	212,000	192,000	12,000	1,584,800

1 Resigned on 30 December 2005. Included in the fees paid to Mr. Pong during the year ended 30 June 2006, there are HK$60,000 in lieu of notice, for loss of office paid by the Company.

2 Re-designated from non-executive director to executive director on 12 September 2005.

3 Resigned on 12 September 2005.

14. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(a) Directors' emoluments (Continued)

For the year ended 30 June 2005

		Other emoluments			
	Fees	Salaries, allowances and benefits	Bonus	MPF scheme contributions	Total
	HK$	HK$	HK$	HK$	HK$
Executive directors:					
Walter Gilbert Mearns Nimmo[1]	130,000	–	–	5,000	135,000
Pong Po Lam	240,000	–	–	–	240,000
Yau Chung Hong	240,000	352,620	200,000	9,000	801,620
Chui Tak Keung, Duncan	103,871	–	–	2,000	105,871
Non-executive directors:					
Wang Zeng Jie	26,000	–	–	–	26,000
Ma Kwok Keung, Kenneth	128,333	–	–	–	128,333
Chow Ka Wo, Alex	25,000	–	–	–	25,000
Independent non-executive directors:					
Hui Sham Ling, Teresa[2]	5,000	–	–	–	5,000
Lam Kwan	60,000	–	–	–	60,000
Chan Ming Sun, Jonathan	64,167	–	–	–	64,167
Shiu Siu Tao	55,000	–	–	–	55,000
	1,077,371	352,620	200,000	16,000	1,645,991

1 Resigned on 2 December 2004.

2 Resigned on 6 August 2004.

No director waived any emoluments in any of the years ended 30 June 2006 and 2005.

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

14. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(b) Senior management's emoluments

Of the five individuals with the highest emoluments in the Group, four (2005: two) were directors of the Company whose emoluments are set out above. The emoluments of the remaining one (2005: three) highest paid individual were as follows:

	2006	2005
	HK$	HK$
Salaries, allowances and other benefits	**201,475**	525,400
MPF scheme contributions	**8,900**	28,200
	210,375	553,600

The emoluments of the one (2005: three) highest paid employee fall in the following bands:

	Number of individuals	
	2006	2005
Emoluments bands		
Nil – HK$1,000,000	**1**	3

(c) During the year, except for the payment of HK$60,000 in lieu of notice for loss of office to Mr. Pong, no emoluments have been paid by the Group to any directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

15. PLANT AND EQUIPMENT

	Leasehold improvements HK$	Furniture and fixtures HK$	Office equipment HK$	Computers HK$	Motor vehicles HK$	Total HK$
COST						
At 1 July 2004	371,550	250,050	66,989	111,676	–	800,265
Additions	467,504	166,595	18,927	14,738	640,000	1,307,764
Disposals	–	(74,968)	–	–	–	(74,968)
Write-off	(371,550)	(182,282)	(72,704)	(109,474)	–	(736,010)
At 30 June 2005	467,504	159,395	13,212	16,940	640,000	1,297,051
Additions	36,500	25,706	17,400	15,800	448,159	543,565
At 30 June 2006	504,004	185,101	30,612	32,740	1,088,159	1,840,616
ACCUMULATED DEPRECIATION						
At 1 July 2004	89,938	48,946	8,579	17,500	–	164,963
Charge for the year	76,595	36,200	12,834	21,902	120,000	267,531
Eliminated on disposals	–	(21,866)	–	–	–	(21,866)
Write-off	(128,641)	(53,847)	(18,644)	(34,519)	–	(235,651)
At 30 June 2005	37,892	9,433	2,769	4,883	120,000	174,977
Charge for the year	125,241	44,159	7,065	8,185	178,673	363,323
At 30 June 2006	163,133	53,592	9,834	13,068	298,673	538,300
CARRYING VALUES						
At 30 June 2006	340,871	131,509	20,778	19,672	789,486	1,302,316
At 30 June 2005	429,612	149,962	10,443	12,057	520,000	1,122,074

The carrying amount of assets held under finance leases included in the total amount of motor vehicles of the Group as at 30 June 2006 amounted to HK$789,486 (2005: HK$520,000).

16. INTERESTS IN ASSOCIATES

	2006 HK$	2005 HK$ (Restated)
Cost of investment in unlisted associates	**4,513,920**	1,663,920
Share of post-acquisition profit (loss) *(Note a)*	**203,619**	(271,994)
Impairment loss recognised *(Note b)*	**(13,920)**	–
	4,703,619	1,391,926
Amounts due from associates, less allowance	**6,330,010**	581,022

The amounts due from associates were unsecured, interest-free and repayable on demand.

As at 30 June 2006, the Group have interests in the following associates:

Name of associate	Form of business structure	Class of shares held	Place of incorporation and operations	Nominal value of issued share capital	Percentage of equity attributable to the Group	Principal activities
China Northern Enterprises Investment Fund(s) Pte Limited ("CN Enterprises")	Incorporated	Ordinary share	Singapore	S$10,000	30%	Inactive
CNI Bullion	Incorporated	Ordinary share	Hong Kong	HK$15,000,000	30%	Provision of services on trading of gold in Hong Kong gold market

16. INTERESTS IN ASSOCIATES (Continued)

Notes:

(a) The summarised unaudited financial information in respect of the Group's associates is set out below:

	2006 HK$	2005 HK$ (Restated)
Total assets	24,915,218	5,500,655
Total liabilities	(9,236,488)	(860,902)
Net assets	15,678,730	4,639,753
Group's share of net assets of associates	4,703,619	1,391,926
Turnover	16,128,829	191,758
Profit (loss) for the year	1,585,377	(906,647)
Group's share of results of associates for the year	475,613	(271,994)

(b) The directors of the Company reviewed the carrying value of its interest in CN Enterprises, as this associate ceased business during the year ended 30 June 2006, full impairment loss of HK$13,920 on interest in CN Enterprise and full allowance of amount due from CN Enterprise of HK$165,540 were recognised in the consolidated income statement.

17. AVAILABLE-FOR-SALE INVESTMENTS

	2006 HK$
Unlisted equity securities, at fair value *(Notes a and b)*	26,960,000
Analysed for reporting purposes as:	
Current	19,960,000
Non-current	7,000,000
	26,960,000

Notes:

(a) Fair value of the unlisted equity securities have been estimated by the directors of the Company with reference to the market conditions.

17. AVAILABLE-FOR-SALE INVESTMENTS (Continued)

Notes: (Continued)

(b) The unlisted equity securities represent investments in private entities as at 30 June 2006 details are as follow:

Name	Place of incorporation	Particulars of equity interest held	Acquisition cost HK$	Fair value estimated by the directors of the Company HK$	Percentage of equity interest attributable to the Group
Beijing Illumination (Hong Kong) Limited[(i)]	Hong Kong	Ordinary share	1,000,000	1,000,000	0.4%
Mass Resources Group Limited[(ii)]	Hong Kong	Ordinary share	5,000,000	5,000,000	10%
Ferndene Limited[(iii)]	British Virgin Islands	Non-voting participating ordinary shares	7,490,000	7,490,000	7.97%
Quidam Assets Limited[(iv)]	British Virgin Islands	Ordinary share	7,467,000	7,467,000	16.79%
Kwong Fai Motor Company Limited [(v)] *(Note 32d)*	Hong Kong	Ordinary share	3,000	3,000	30%
Connelly Investments Limited [(vi)] *(Note 32c)*	British Virgin Islands	Ordinary share	6,000,000	6,000,000	12%

(i) Beijing Illumination (Hong Kong) Limited ("Beijing Illumination") and its subsidiaries are principally engaged in manufacturing, distribution and trading of illumination products in the PRC. No dividend was received during the year ended 30 June 2006.

(ii) Mass Resources Group limited ("Mass Resources") and its subsidiaries are principally engaged in providing corporate based SMS services, wireless data services, commercial enterprise solutions and interactive voice responses services in the PRC. No dividend was received during the year ended 30 June 2006.

17. AVAILABLE-FOR-SALE INVESTMENTS (Continued)

Notes: (Continued)

(iii) Ferndene Limited ("Ferndene") was organised in mid-2004 as a closed end investment fund with the specific objective of investing in government mandated cyber café franchises in the PRC. The founders of Stemmon Limited ("Stemmon"), the promoter and organiser of Ferndene, secured an exclusive rights from a PRC enterprise in mid-2004 to invest, organise, manage, and operate their cyber cafés in ten administrative regions in the PRC. According to the agreement with the PRC enterprise, Stemmon will organise a fund, namely Ferndene Limited, to invest a minimum of US$12 million in multiple tranches over the next several years in organising and operating cyber cafés. During the year ended 30 June 2006, Concolor Holdings Limited, a wholly-owned subsidiary of the Company, subscribed additional 46,400 non-voting participating ordinary shares of Ferndene, representing 4.64% of the total amount of non-voting participating ordinary shares of Ferndene. The consideration of the subscription shares is HK$4,345,000 and were satisfied by the issue of 3,950,000 ordinary shares of the Company at the issue price of HK$1.10 each. No dividend was received during the year ended 30 June 2006.

(iv) Quidam Assets Limited ("Quidam") and its subsidiaries are principally engaged in provision of factoring and guaranty services in the PRC. During the year ended 30 June 2006, Richbird Holdings Limited, a wholly-owned subsidiary of the Company, acquired for an additional 14.35% equity interest in Quidam Assets Limited at the consideration of HK$6,710,000 which were satisfied by the issue of 6,100,000 ordinary shares of the Company at the issue price of HK$1.10 each. No dividend was received during the year ended 30 June 2006.

(v) Kwong Fai Motor Company Limited ("Kwong Fai") is principally engaged in trading of motor vehicles. No dividend was received during the year ended 30 June 2006.

(vi) Connelly Investments Limited ("Connelly") and its subsidiaries are principally engaged in the development and application of a digital anti-counterfeiting business and the provision of digital anti-counterfeiting services for consumables, such as cigarettes, wine and retail goods in the PRC. No dividend was received during the year ended 30 June 2006.

18. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Equity investments at fair value through profit or loss as at 30 June 2006 comprise:

	2006
	HK$
Listed equity securities held for trading, at fair value	**8,873,852**

The fair value of the Group's equity investments at fair value through profit or loss at the balance sheet date was determined based on the quoted market bid prices available on the relevant exchanges.

18. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

Particular of the listed securities as at 30 June 2006 are as follows:

Name	*Notes*	Place of incorporation	Particulars of equity interest held	Acquisition cost HK$	Market value as at 30 June 2006 HK$	Percentage of equity interest attributable to the Group
TS Telecom Technologies Limited	(i)	Cayman Islands	Ordinary share	2,100,000	6,200,000	5.91%
China Star Entertainment Limited	(ii)	Bermuda	Ordinary share	2,584,674	1,045,000	0.44%
CMA Logistics Co., Limited	(iii)	PRC	H share	351,000	607,750	0.08%
Sammenxia Tianyuan Aluminum Company Limited	(iv)	PRC	H share	458,059	237,120	0.13%

(i) TS Telecom Technologies Limited ("TS Telecom") is principally engaged in the assembly, distribution and integration of telecommunications products and gas turbine generators and biotechnology products. No dividend was received during the year ended 30 June 2006. According to the latest published financial statements of TS Telecom, TS Telecom had net assets value of approximately HK$15,235,000.

(ii) China Star Entertainment Limited ("China Star") is principally engaged in film production, distribution of motion pictures and television drama series, provision of artists management services and provision of post-production services. No dividend was received during the year ended 30 June 2006. According to the latest published financial statements of China Star, China Star had net assets value of approximately HK$702,622,000.

(iii) CMA Logistics Co., Limited ("CMA Logistics") is principally engaged in rendering of transportation of finished vehicles, supply chain management for automobile components and parts and transportation of non-vehicle commodities services. No dividend was received during the year ended 30 June 2006. According to the latest published financial statements of CMA Logistics, CMA Logistics had net assets value of approximately RMB303,134,000.

(iv) Sammenxia Tianyuan Aluminum Company Limited ("Sammenxia Tianyuan") is principally engaged in production and distribution of aluminum re-smelt ingots and aluminium alloy ingots. Dividend income of HK$70,970 was received during the year ended 30 June 2006. According to the latest published financial statements of Sammenxia Tianyuan, Sammenxia Tianyuan had net assets value of approximately RMB152,816,000.

19. INVESTMENTS IN SECURITIES

Investment securities as at 30 June 2005 are set out below. Upon the application of HKAS 39 on 1 July 2005, investments in securities were reclassified to available-for-sale investments and equity investments at fair value through profit or loss under HKAS 39 (see note 2 for details).

	Investment securities	**Other investments**	**Total**
	HK$	HK$	HK$
		(restated)	(restated)
Equity securities			
Listed in Hong Kong *(Notes a and d)*	–	3,927,845	3,927,845
Unlisted *(Notes b and c)*	7,000,000	15,405,000	22,405,000
	7,000,000	19,332,845	26,332,845
Market value of listed securities	N/A	3,927,845	3,927,845
Carrying amount analysed for reporting purpose as:			
Current	–	19,332,845	19,332,845
Non-current	7,000,000	–	7,000,000
	7,000,000	19,332,845	26,332,845

19. INVESTMENTS IN SECURITIES (Continued)

(a) Other investments – Listed

Particulars of the listed other investments as at 30 June 2005 are as follows:

Name	*Notes*	Place of Incorporation	Particulars of equity interest held	Acquisition cost	Market value as at 30 June 2005	Percentage of equity interest attributable to the Group
				HK$	HK$	
Sinotronics Holdings Ltd	(i)	Cayman Islands	Ordinary Share	3,812,099	1,888,600	0.57%
China Star	(ii)	Bermuda	Ordinary Share	2,763,465	797,500	0.53%
Sanmenxia Tianyuan	(iii)	PRC	H Share	458,059	238,640	0.43%

(i) Sinotronics Holdings Ltd is an electronic manufacturing services provider in the PRC offering a full range of solutions to electronics ODMs and CEMs throughout the production cycle of PCBs. Dividend in aggregate of HK$137,143 was received during the year ended 30 June 2005.

(ii) China Star is principally engaged in distribution of film, television, drama series and video. No dividend was received during the year ended 30 June 2005.

(iii) Sanmenxia Tianyuan is principally engaged in manufacture and sale of aluminum re-smelt ingots. No dividend was received during the year ended 30 June 2005.

(iv) All net realised loss and net unrealised gain on investments in securities for the year arose from listed securities.

19. INVESTMENTS IN SECURITIES (Continued)

(b) Investment securities – Unlisted

Particulars of the unlisted investment securities as at 30 June 2005 of the Company are as follows:

Name	Place of incorporation	Particulars of equity interest held	Acquisition cost HK$	Cost loss impairment HK$	Percentage of equity interest attributable to the Group
Connelly[(i)]	British Virgin Islands	Ordinary share	6,000,000	6,000,000	12%
Beijing Illumination[(ii)]	Hong Kong	Ordinary share	1,000,000	1,000,000	0.4%

(i) Connelly and its subsidiaries are principally engaged in the development and application of a digital anti-counterfeiting business, and the provision of digital anti-counterfeiting services for consumables, such as cigarettes, wine and retail goods in the PRC. No dividend was received during the year ended 30 June 2005.

(ii) Beijing Illumination and its subsidiaries are principally engaged in manufacturing, distribution and trading of illumination products in the PRC. No dividend was received during the year ended 30 June 2005.

(c) Other investments – Unlisted

Particulars of the unlisted other investments as at 30 June 2005 are as follows:

Name	Place of incorporation	Particulars of equity interest held	Acquisition cost HK$	Fair value estimated by the directors of the Company HK$	Percentage of equity interest attributable to the Group
Kwong Fai[(i)]	Hong Kong	Ordinary share	3,000	3,000	30%
Mass Resources[(ii)]	Hong Kong	Ordinary share	5,000,000	5,000,000	10%
Ferndene[(iii)]	British Virgin Islands	Ordinary share	3,122,000	3,122,000	3.33%
Quidam[(iv)]	British Virgin Islands	Ordinary share	780,000	780,000	2.44%
Four Gold OG Limited[(v)]	British Virgin Islands	Preference share	6,500,000	6,500,000	3.04%

19. INVESTMENTS IN SECURITIES (Continued)

(c) Other investments – Unlisted (Continued)

(i) Kwong Fai is principally engaged in trading of motor vehicles. Kwong Fai has not been accounted for as an associate as the investment is acquired and held exclusively with a view to its subsequent disposal is the near future. No dividend was received during the year ended 30 June 2005.

(ii) Mass Resources and its subsidiaries are principally engaged in providing corporate based SMS services, wireless data services, commercial enterprise solutions and interactive voice responses services in the PRC. No dividend was received during the year ended 30 June 2005.

(iii) Ferndene was organised in mid-2004 as a closed end investment fund with the specific objective of investing in government mandated cyber café franchises in the PRC. The founders of Stemmon, the promoter and organiser of Ferndene, secured an exclusive rights from a PRC enterprise in mid-2004 to invest, organise, manage, and operate their cyber cafés in ten administrative regions in the PRC. According to the agreement with the PRC enterprise, Stemmon will organise a fund, namely Ferndene Limited, to invest a minimum of US$12 million in multiple tranches over the next several years in organising and operating cyber cafés. No dividend was received during the year ended 30 June 2005.

(iv) Quidam and its subsidiaries are principally engaged in provision of factoring and guaranty services in the PRC. No dividend was received during the year ended 30 June 2005.

(v) Four Gold OG Limited ("FGOG") and its subsidiaries are principally engaged in operating a real time boarding billing platform (the "FGOG L7 Platform") for both electronic content distribution and online game operations in the PRC. No dividend was received during the year ended 30 June 2005.

(d) At 30 June 2005, included above are equity securities with carrying amount of HK$134,400 which was pledged to a broker to secure the securities margin financing facility granted to the Group.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Included in the balances are the following advances to the investees and independent third parties of the Group:

(a) Advance of HK$1,000,000 (2005: HK$1,500,000) to an investee, is secured by personal guarantee of a shareholder of the investee, carried interest at 8% (2005: 8%) per annum and repayable on or before 11 December 2005. The amount was fully settled subsequent to 30 June 2006.

(b) Advance of HK$2,000,000 (2005: HK$2,000,000) to an investee, is unsecured, carried interest at 7% (2005: 7%) per annum and repayable on 19 March 2006. The amount was fully settled subsequent to 30 June 2006. There is a right attached with the advance for conversion in full into ordinary shares in investee upon fulfillment of certain conditions precedent (the "right"). The right was expired during the year ended 30 June 2006.

(c) Advances of HK$7,438,365 (2005: HK$3,623,520) to investees, are secured by personal guarantees of the shareholders of the investees, carried interest at 8% (2005: 5%) per annum and repayable within one year.

(d) Advances of HK$9,097,600 (2005: HK$1,200,000) to independent third parties, are secured by personal guarantees of the shareholders of these parties, carried interest at range of 8% to 12% (2005: 8%) per annum and repayable within one year.

In the opinion of the directors of the Company, the fair value of the Group's prepayments, deposits and other receivables at 30 June 2006 was approximated to the corresponding carrying amount.

21. ASSETS CLASSIFIED AS HELD FOR SALE

Assets classified as held for sale represent the unlisted securities to be disposed within one year from the balance sheet date. The net proceeds of disposal are expected to exceed the net carrying amount of the relevant assets, no impairment loss has been recognised.

Particulars details of unlisted securities to be disposed in 2006 are as follows:

Name	Place of incorporation	Particulars of equity interest held	Acquisition cost	Fair value estimated by the directors of the Company	Percentage of equity interest attributable to the Group
			HK$	HK$	
FGOG	British Virgin Islands	Preference share	6,500,000	11,900,000	2.8%

FGOG and its subsidiaries are principally engaged in operating a real time boarding billing platform (the "FGOG L7 Platform") for both electronic content distribution and online game operations in the PRC. No dividend was received during the year ended 30 June 2006.

On 10 November 2005, the Group entered into an agreement with an independent third party to dispose the investment in FGOG at a consideration of approximately HK$11,900,000. In accordance with the agreement, the Company has a put option and the acquirer has a call option to sale/purchase Four Gold during a put/call exercise period from 10 November 2005 to 9 November 2007.

22. OTHER PAYABLES AND ACCRUALS

In the opinion of the directors of the Company, the fair value of the Group's other payables and accruals at 30 June 2006 were approximated to the corresponding carrying amount.

23. OBLIGATIONS UNDER FINANCE LEASES

The lease term is ranging from 3 to 5 years. For the year ended 30 June 2006, the average effective borrowing rate was 8.6% (2005: 7.1%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

	Minimum lease payments		Present value of minimum lease payments	
	2006	2005	**2006**	2005
	HK$	HK$	**HK$**	HK$
Amounts payable under finance leases				
Within one year	**240,180**	133,740	**199,575**	113,333
More than one year but not more than two years	**240,180**	133,740	**199,575**	113,333
More than two years but not more than three years	**206,745**	133,740	**171,250**	113,333
More than three years but not more than four years	**88,700**	100,305	**71,884**	85,001
	775,805	501,525	**642,284**	425,000
Less: Future finance charges	**(133,521)**	(76,525)	**N/A**	N/A
Present value of lease obligations	**642,284**	425,000	**642,284**	425,000
Less: Amount due within one year shown under current liabilities			**(199,575)**	(113,333)
Amount due after one year			**442,709**	311,667

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

Finance leases are denominated in Hong Kong dollars.

The directors of the Company consider that the carrying amount of the obligations under finance leases approximates their fair value.

24. SHARE CAPITAL

	Number of shares	Amount HK$
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 July 2004, 30 June 2005 and 30 June 2006	200,000,000	2,000,000
Issued and fully paid:		
At 1 July 2004	53,000,000	530,000
Issue of shares by placement *(Note a)*	21,200,000	212,000
At 30 June 2005	74,200,000	742,000
Issue of shares for consideration in respect of acquisition of additional interest in available-for-sale investments and an associate *(Note b)*	12,640,909	126,409
Issue of shares by placement *(Note c)*	27,800,000	278,000
At 30 June 2006	114,640,909	1,146,409

Notes:

(a) 10,600,000 ordinary shares of HK$0.01 were issued and allotted at HK$0.47 per share under a placing agreement signed on 18 November 2004 to BCOM Securities Company Limited.

10,600,000 ordinary shares of HK$0.01 were issued and allotted at HK$0.56 per share under a placing agreement signed on 18 February 2005 to BCOM Securities Company Limited.

(b) During the year ended 30 June 2006, two subscription agreements were entered into between the Group and Ferndene and CNI Bullion in respect of the subscription by the Group of the issued share capital of Ferndene and CNI Bullion. The considerations were satisfied by the issue of 3,950,000 ordinary shares of HK$0.01 each and 2,590,909 ordinary shares of HK$0.01 each in the Company at the issue price of HK$1.10 per share, respectively.

During the year ended 30 June 2006, an acquisition agreement was entered into between the Group and Elastic Holding Inc. in respect of the acquisition of further equity interest in Quidam. The consideration was satisfied by the issue of 6,100,000 ordinary shares of HK$0.01 each in the Company at the issue price of HK$1.10 per share.

Details of these transactions were set out in a circular issued by the Company to the shareholders dated 17 October 2005.

(c) 10,500,000 ordinary shares of HK$0.01 each were issued and allotted at HK$0.70 per share under a placing agreement and a top-up subscription agreement signed on 30 December 2005 (as supplemented on 9 January 2006) to Kingston Securities Limited on 12 January 2006.

17,300,000 ordinary shares of HK$0.01 each were issued and allotted at HK$0.75 per share under a placing agreement signed on 9 March 2006 to Guotai Junan Securities (Hong Kong) Limited on 27 March 2006.

All the new shares issued rank pari passu in all respects with the then existing shares.

25. SHARE OPTION SCHEME

Pursuant to the written resolutions passed by all of the then shareholders of the Company on 30 September 2003 (the "Adoption Date"), the Company adopted a share option scheme (the "Scheme"). Under the Scheme, the directors of the Company may, at their absolute discretion, invite any employee (whether full-time or part time, including any executive director), any non-executive director (including independent non-executive directors), any supplier of goods or services, any customer and any person or entity that provides research, development or other technological support to the Group maximum of 10% of the shares in issue as at the date of commencement of listing of shares of the Company on the Stock Exchange and subject to renewal with shareholders' approval.

The Scheme became unconditional upon the listing of the Company's shares on the Stock Exchange and, unless otherwise cancelled or amended, will remain in force for 10 years from the Adoption Date.

The maximum number of shares issuable under share options to each eligible participant in the 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 to any eligible participant in excess of this limit is subject to shareholders' approval in a general meeting. The total number of shares which may be issued upon exercise of all share options to be granted must not represent more than 10% of the nominal amount of all the issued shares of the Company (the "10% Limit") as at the date on which trading in the shares of the Company on the Stock Exchange first commenced. The Company may seek approval from its shareholders in a general meeting to refresh the 10% Limit at any time in accordance with the Listing Rules. The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 30% of the shares of the Company in issue from time to time.

Share options granted to a director, chief executive or substantial shareholder of the Company, or any of their respective associates, are subject to the approval of the independent non-executive directors (excluding any independent non-executive director who is a proposed grantee of the share options). In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing 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 the shareholders' approval in a general meeting in accordance with the Listing Rules.

The offer of a grant of share options shall remain open for acceptance for a period of 28 days from the date of the offer of the grant. The grant of share options is effective upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the share options, 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 grant of the share options; and (iii) the nominal value of the Company's shares.

Further details of the Scheme are disclosed in the prospectus of the Company dated 8 October 2003.

At 30 June 2006 and up to the date of approval of these financial statements, no share options have been granted to the directors or employees of the Company under the Scheme since the Adoption Date.

26. ACQUISITION OF A SUBSIDIARY

During the year, the Group acquired 100% of the registered share capital of CNI Capital Limited ("CNI Capital") at a consideration of approximately HK$3. This acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was HK$92,101.

The fair value of the identifiable assets and liabilities of the subsidiary acquired during the year have no significant differences from their respective carrying amounts. The net assets acquired in the transaction, and the goodwill arising, are as follows:

	Acquiree's carrying amount and fair value HK$
NET ASSETS ACQUIRED:	
Other receivables	466
Bank balances and cash	1,219
Other payables	(25,512)
Amount due to a director	(68,271)
	(92,098)
Goodwill	92,101
	3
SATISFIED BY:	
Amount due to a director	3
Net cash inflow arising on acquisition:	
Bank balances and cash acquired and net inflow of cash and cash equivalents in respect of the acquisition of a subsidiary	1,219

26. ACQUISITION OF A SUBSIDIARY (Continued)

CNI Capital contributed approximately HK$27,738,000 turnover and approximately HK$9,528,000 to the Group's profits before tax for the period between the date of acquisition and the balance sheet date.

If the acquisition had been completed on 1 July 2005, total group turnover for the period would have been approximately HK$27,738,000, and profit for the period would have been approximately HK$9,484,000. The proforma information is for illustrative purposes only and is not necessarily an indication of turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 July 2005, nor is it intended to be a projection of further results.

In the opinion of the directors of the Company, full impairment loss was recognised in respect of the goodwill arised for the acquisition of CNI Capital.

27. DISPOSAL OF A SUBSIDIARY

During the year ended 30 June 2006, the Group disposed of its entire interests in CNI Securities Limited ("CNI Securities"). The net assets of the subsidiary at the date of disposal were as follows:

	HK$
Net assets disposal of:	
Amount due to a related company	(7,100)
Gain on disposal	7,200
Total consideration	100
Satisfied by:	
Amount due from a related company	100

The subsidiary disposed during the year ended 30 June 2006 had no significant impact on the turnover and results of the Group.

28. MAJOR NON-CASH TRANSACTION

(i) During the year ended 30 June 2006, the Group entered into finance leases arrangements in respect of plant and equipment with a total capital value at the inception of the leases of HK$448,159 (2005: HK$640,000).

(ii) During the year ended 30 June 2006, the Group allotted and issued 12,640,909 ordinary shares of HK$0.01 each at the base price of HK$1.10 per share to settle the consideration amounted to approximately HK$13,905,000 for the acquisition of unlisted equity investments.

29. RELATED PARTY AND CONNECTED TRANSACTION

(a) During the year, the Group entered into the following transactions with related parties and connected parties:

	NOTES	**2006 HK$**	2005 HK$
Coqueen Company Limited ("Coqueen")			
Interest paid	*(i)*	**244,273**	116,250
Loan advance from	*(i)*	**640,000**	6,000,000
Interest payable to	*(i)*	**360,523**	116,250
Fook Lam Moon (Kowloon) Restaurant Limited ("Fook Lam Moon (Kowloon)")			
Interest paid	*(ii)*	**65,472**	–
Loan advance from	*(ii)*	**3,000,000**	–
Interest payable to	*(ii)*	**21,323**	–
Amount due to	*(ii)*	**19,160**	–
Chiu & Partners			
Legal fees paid	*(iii)*	**338,500**	–
Amount due to	*(iii)*	**282,200**	–
Karl Thomson Financial Advisory Limited ("Karl Thomson")			
Financial advisory paid	*(iv)*	**150,000**	–
Amount due to	*(iv)*	**150,000**	–
Guotai Junan Assets (Asia) Limited			
Investment management fee paid	*(v)*	**600,000**	600,000
Amount due to	(v)	**200,000**	–
Standard Chartered Bank			
Custodian fee paid	*(vi)*	**64,023**	70,134
Mr. Yau Chung Hong, an executive director of the Company ("Mr. Yau")			
Company secretarial fee paid	*(vii)*	**–**	165,000
Consideration payable for acquisition of CNI Capital		**3**	–
Amount due to	*(viii)*	**206,433**	135,000
Mr. Chui Tak Keung, Duncan, an executive director of the Company ("Mr. Chui")			
Investment in FGOG	*(ix)*	**11,900,000**	6,500,000
CNI Securities Limited			
Amount due from	*(x)*	**7,100**	–
CNI Financial Holdings Limited			
Consideration receivable from disposal of CNI Securities		**100**	–
Amount due from	*(x)*	**100**	–
Sellwell Enterprises Limited			
Amount due from	*(x)*	**5,500**	–

29. RELATED PARTY AND CONNECTED TRANSACTION (Continued)

(a) (Continued)

Notes:

(i) Mr. Chui and/or his associates have beneficial interests in Coqueen. The loan granted to the Group by Coqueen is unsecured, repayable within one year and carried interest at Hong Kong Prime Rate + 2% (2005: Hong Kong Prime Rate + 2%) per annum. As at 30 June 2006, the loan is repayable within one year. As at 30 June 2005, the loan was repayable after one year but not exceeding two years. In the opinion of the directors of the Company, the loan advance at 30 June 2006 was approximated to the corresponding carrying amount.

(ii) Mr. Chui and/or his associates have beneficial interests in Fook Lam Moon (Kowloon). The loan granted to the Group by Fook Lam Moon (Kowloon) is unsecured, repayable within one year and carried interest at 5.5% (2005: Nil) per annum. In the opinion of the directors of the Company, the loan advance at 30 June 2006 was approximated to the corresponding carrying amount.

(iii) Mr. Ma Kwok Keung, Kenneth, a non-executive director of the Company has beneficial interest in Chiu & Partners. The amount due to Chiu & Partner is unsecured, interest-free and repayable on demand.

(iv) Mr. Chow Ka Wo, Alex, an executive director of the Company has beneficial interests in Karl Thomson. The amount due to Karl Thomson is unsecured, interest-free and repayable on demand.

(v) Upon termination of the ex-investment manager as investment manager of the Company, the Company entered into an investment management agreement (the "Investment Management Agreement") with Guotai Junan Assets (Asia) Limited (the "Investment Manager") and appointed the Investment Manager to take the replacement. The Investment Manager has agreed to provide the Company with investment management services (excluding general administrative services) for a period of two-year commencing on 1 June 2004. The Investment Management Agreement will continue for successive periods of two years, unless terminated at any time by either the Company or the Investment Manager serving not less than one month's prior notice in writing.

Under the Investment Management Agreement, the Investment Manager is entitled to a fixed investment management fee of HK$600,000 per annum or management fee equivalent to 1.25% per annum of the net asset value as at the immediately preceding valuation day payable monthly in Hong Kong dollars in advance on the basis of the actual number of days in the relevant calendar months over a year of 365 days.

The amount due to the Investment Manager is unsecured, interest-free and repayable on demand.

29. RELATED PARTY AND CONNECTED TRANSACTION (Continued)

(a) (Continued)

Notes: (Continued)

(vi) Pursuant to a custodian agreement dated 6 October 2003 entered into between the Company and the Standard Chartered Bank (the "Custodian"), the Custodian agreed to provide securities custodian services to the Company including the safe custody of the Company's securities and the settlement of the securities of the Company, the collection of dividends and other entitlements on behalf of the Company. The appointment of the Custodian commenced on the date of the commencement of trading of the Company's shares on the Stock Exchange.

(vii) A secretarial fee of HK$165,000 was paid to Mr. Yau, for the company secretary service provided for the Company during the year ended 30 June 2005. The fee was determined by negotiation between Mr. Yau and the Group at normal commercial terms. Mr. Yau resigned as the company secretary on 1 June 2005.

(viii) Amount due to Mr. Yau is unsecured, interest-free and repayable on demand.

(ix) Mr. Chui has beneficial interests in FGOG, as at year ended 30 June 2006, the Group held 3.04% (2005: 3.04%) beneficial interest in FGOG.

(x) Mr. Yau has beneficial interest in these companies. The amounts are unsecured, interest-free and repayable on demand. The maximum amounts outstanding during the year ended 30 June 2006 were equivalent to the carrying amounts as at 30 June 2006.

(xi) The directors of the Company consider that the carrying amounts of the amounts due from/ to related companies and amount due to a director approximate their fair values.

(b) Compensation of key management personnel

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

	2006	2005
	HK$	HK$
Short-term benefits	**1,572,800**	1,629,991
Post-employment benefits	**12,000**	16,000
	1,584,800	1,645,991

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

30. OPERATING LEASE COMMITMENTS

The Group as lessee

The Group leases certain of its offices, directors quarters and office equipment under operating lease arrangements. Leases are negotiated for a term ranging from one to three years.

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

	2006	2005
	HK$	HK$
Within one year	**485,958**	662,526
In the second to fifth years, inclusive	**161,986**	706,848
	647,944	1,369,374

31. RETIREMENT BENEFIT SCHEME

The Group operates a defined contribution MPF Scheme under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The total cost charged to the consolidated income statement of approximately HK$30,198 (2005: HK$84,230) represents contributions payable to the schemes by the Group in respect of the current financial year.

32. POST BALANCE SHEET EVENTS

(a) Pursuant to an ordinary resolution passed at an extraordinary general meeting on 21 July 2006, 114,640,909 ordinary shares of HK$0.01 each were issued and allotted on 27 July 2006 as fully paid by way of one for one bonus issue in respect of which an amount of HK$1,146,409 standing to the credit of the share premium account was applied. The bonus shares rank pari passu in all respects with the then existing shares.

In addition, the authorised share capital of the Company was increased from HK$2,000,000 divided into 200,000,000 shares of HK$0.01 each to HK$5,000,000 divided into 500,000,000 shares of HK$0.01 each by the creation of an additional 300,000,000 shares.

(b) Under a placing agreement signed on 9 August 2006, 22,900,000 ordinary shares of HK$0.01 each were placed at HK$0.40 per share. 10,900,000 and 12,000,000 shares were issued and allotted on 17 August 2006 respectively to Mr. Mak Tai Wo, an independent third party, and Eftpos Ltd., whose ultimate beneficial owner was a then shareholder of the Company.

(c) On 25 October 2006, the Company entered into a sale and purchase agreement with an independent third party in relation to the disposal of the entire issued share capital of Fairwood Capital Inc., which held 12% interest in Connelly, for a consideration of HK$6,500,000.

(d) On 1 October 2006, the Group disposed of the investment in Kwong Fai to an independent third party for a consideration of HK$3,000, which equivalent to the net carrying value of the investment as at 30 June 2006.

33. BALANCE SHEET OF THE COMPANY

	Notes	2006 HK$	2005 HK$ (Restated)
Non-current assets			
Plant and equipment		**512,830**	602,074
Investments in subsidiaries		**256**	340
Investments in associates		**–**	1,663,920
Investments in securities		**–**	1,000,000
Available-for-sale investment		**2,650,000**	–
		3,163,086	3,266,334
Current assets			
Available-for-sale investment		**3,000**	–
Equity investments at fair value through profit or loss		**2,066,102**	–
Investments in securities		**–**	3,930,845
Prepayments, deposits and other receivables		**25,635,387**	9,375,891
Amount due from a director		**100,000**	–
Amounts due from related companies	*(a)*	**12,700**	7,600
Amounts due from subsidiaries	*(b)*	**44,651,689**	21,511,165
Amounts due from associates		**–**	581,022
Bank balances and cash		**2,336,725**	3,309,730
		74,805,603	38,716,253
Current liabilities			
Other payables and accruals		**1,456,152**	998,613
Amounts due to related companies	*(a)*	**4,673,206**	–
		6,129,358	998,613
Net current assets		**68,676,245**	37,717,640
Total assets less current liabilities		**71,839,331**	40,983,974
Capital and reserves			
Share capital		**1,146,409**	742,000
Reserves	*(d)*	**70,692,922**	34,125,724
Total equity attributable to equity holders of the Company		**71,839,331**	34,867,724
Non-current liabilities			
Amount due to a related company	*(c)*	**–**	6,116,250
		71,839,331	40,983,974

33. BALANCE SHEET OF THE COMPANY (Continued)

(a) Amounts due from related companies

The amounts are unsecured, interest-free and repayable on demand. The directors of the Company consider that the carrying amounts of the amounts due from related companies approximated their fair value.

(b) Amounts due from subsidiaries

The amounts are unsecured, interest-free and repayable on demand. The directors of the Company consider that the carrying amounts of the amounts due from subsidiaries approximated their fair values.

(c) Amounts due to related companies

The amounts are unsecured, interest bearing at prevailing market rates per annum. As at 30 June 2006, the amounts due to related companies are repayable within one year. As at 30 June 2005, the amount due to a related company was repayable after one year but not exceeding two years. The director of the Company consider that the carrying amounts of amounts due to related companies approximated their fair vales.

(d) Reserves

	Share premium	Accumulated losses	Total
	HK$	HK$	HK$
At 1 July 2004	46,320,000	(13,630,653)	32,689,347
Issue of shares	10,706,000	–	10,706,000
Share issue expenses	(163,770)	–	(163,770)
Loss for the year	–	(9,105,853)	(9,105,853)
At 30 June 2005	56,862,230	(22,736,506)	34,125,724
Issue of shares	33,825,591	–	33,825,591
Share issue expenses	(1,075,393)	–	(1,075,393)
Profit for the year	–	3,817,000	3,817,000
At 30 June 2006	89,612,428	(18,919,506)	70,692,922

In accordance with the Companies Law (2002 Revision) of the Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. The share premium account may also be distributed in the form of fully paid bonus shares.

34. PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries held by the Company as at 30 June 2006 are as follows:

Name	Class of shares held	Place of incorporation/ registration and operations	Nominal value of issued share/ registered capital	Percentage of equity attributable to the Company directly	Principal activities
CNI Finance Limited	Ordinary	Hong Kong	HK$100	100%	Inactive
CNI Consultants Limited	Ordinary	Hong Kong	HK$100	100%	Inactive
Yat Cheong Resources Limited	Ordinary	British Virgin Islands/ Hong Kong	US$1	100%	Investment holding
Fairwood Capital Inc.	Ordinary	British Virgin Islands/ Hong Kong	US$1	100%	Investment holding
Intellect Enterprise Limited	Ordinary	British Virgin Islands/ Hong Kong	US$1	100%	Investment holding
Concolor Holdings Limited	Ordinary	British Virgin Islands/ Hong Kong	US$1	100%	Investment holding
Richbird Holdings Limited	Ordinary	British Virgin Islands/ Hong Kong	US$1	100%	Investment holding
Kendervon Profit Inc.	Ordinary	British Virgin Islands/ Hong Kong	US$1	100%	Investment holding
Ethnocentric Investment Limited	Ordinary	British Virgin Islands/ Hong Kong	US$1	100%	Investment holding
CNI Capital Limited	Ordinary	Hong Kong	HK$3	100%	Investments of listed securities in Hong Kong

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results or assets 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 as at the end of the year or at any time during the year.