Annual report 2007

德泰中華投資有限公司

SINO KATALYTICS INVESTMENT CORPORATION

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 2324)

Photo: Smooth Sailing

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Chui Tak Keung, Duncan *(Chairman)*
Yau Chung Hong
Chow Ka Wo, Alex

Non-executive Director

Ma Kwok Keung, Kenneth

Independent Non-executive Directors

Lam Kwan
Chan Ming Sun, Jonathan
Shiu Siu Tao

AUDIT COMMITTEE

Lam Kwan
Chan Ming Sun, Jonathan
Shiu Siu Tao

REMUNERATION COMMITTEE

Lam Kwan
Chan Ming Sun, Jonathan
Shiu Siu Tao

COMPANY SECRETARY

Chan Kwan Pak

QUALIFIED ACCOUNTANT

Yau Chung Hong

AUTHORISED REPRESENTATIVES

Chui Tak Keung, Duncan
Chan Kwan Pak

CUSTODIAN

Standard Chartered Bank
15/F, Standard Chartered Tower
388 Kwun Tong Road
Kwun Tong, Kowloon
Hong Kong

INVESTMENT MANAGER

Tripod Management Limited
901 Wilson House
19 Wyndham Street
Central
Hong Kong

PRINCIPAL BANKER

The Hongkong and Shanghai Banking
Corporation Limited
1 Queen's Road Central
Hong Kong

AUDITOR

SHINEWING (HK) CPA Limited
16/F, United Centre
95 Queensway
Hong Kong

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
26/F, Tesbury Centre
28 Queen's Road East
Hong Kong

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 802, 8/F, Harcourt House
39 Gloucester Road, Wanchai
Hong Kong

LEGAL ADVISERS TO THE COMPANY

As to Hong Kong law

Chiu & Partners
41/F, Jardine House
1 Connaught Place, Central
Hong Kong

As to Cayman Islands law

Conyers Dill & Pearman
Cayman Century Yard
Cricket Square, Hutchins Drive
George Town, Grand Cayman
British West Indies

WEBSITE

www.skic-group.com

STOCK CODE

2324

During the year under review, the Group recorded a turnover of HK$9,300,855 and profit attributable to equity holders of the Group of HK$990,465, representing an increase of 10.7% and a decrease of 91.3% respectively.

The net asset value ("NAV") per share of the Group was HK$0.194 as at 30 June 2007, after two issues of one for one bonus shares in July 2006 and June 2007. This represents an increase of 30.2% over the adjusted NAV per share of HK$0.149 a year ago. The adjusted NAV per share was calculated by dividing the net asset value in 30 June 2006 by the total number of shares issued as at 30 June 2006 plus the total number of bonus shares issued between 1 July 2006 and 30 June 2007.

The decrease in profitability level was primarily due to the accounting policy which the Group has adopted to better reflect our nature and performance as an investment company instead of an operating company with a distinctive line of business. In particular, the decrease in profitability during the period coupled with an increase in NAV (represented by the increase in reserve) meant that the investment portfolio of the Group has appreciated in value and that the Group is positioned to realize the capital gain from those investment projects whenever they are disposed from the Group's portfolio at fair market value. This accounting treatment will increase the transparency of the Group's investment activities and performance to our shareholders as the NAV published by the Group every month will indicate the true movement of the shareholders' value being created (or destroyed) from month to month.

The increase in our reserve (excluding the increase in share capital of HK$23,160,000 and the profit booked for the year of HK$990,465) included a gain on fair value changes of available-for-sale investments, which amounted to HK$15,789,836. This amount represents the unrealized gain our investments have generated during the year, which is an indication of how well our portfolio companies are doing as the market value have appreciated since we invested. This unrealized gain amount is also a good reference to gauge the potential profit we are likely to obtain if we dispose of the assets in the future. In general, the Group expects these quality portfolio companies to continue their development and appreciate in value, generating even higher return for the Group when we do dispose of them.

PRIVATE EQUITY IN CHINA

Private equity, as an alternative asset class as opposed to listed securities or bonds, combined with a China focus or concept, is almost an irresistible proposition for any serious fund managers looking to diversify their portfolio and ride through the market volatility, something that they cannot afford to miss.

Private equity, including direct investments, venture capital, and buyout deals, have been gaining a lot of attention in China both in terms of fund raised and actual investments made. Even the Chinese government acknowledged the impact private equity investors and deals have on the overall development of the economy and the industries, that it took an unusually significant stake in Blackstone with an unusually high profile in the recent IPO of the private equity fund manager.

CHAIRMAN'S STATEMENT

According to the survey conducted by Zero2IPO Research Center, during the third quarter of 2007 alone, 15 Asian private equity funds were launched, representing a total of US$9.67 billion of capital looking for investments in the region. The actual amount of investment made in China during the third quarter of 2007 totaled US$3.47 billion, an increase of 36.3% over the same period of the previous year.

Riding on the increasing awareness of private equity deals and the government encouragement of domestic listing in China, the Group is well-positioned to take advantage of the market attention to identify new quality investment opportunities while seeking divestment opportunities for our existing investment portfolio. Our distinctive approach to sourcing investment opportunities and participating in the development of the portfolio companies have enabled us to build an enviable reputation among listed investment companies in Hong Kong as the China private equity experts on early stage companies in financial services and telecommunications/media/technology ("TMT").

In order to strengthen our shareholder base and broaden the capital base to capture quality investment opportunities, the Group entered into three placing agreements in August 2006, May 2007 and August 2007. In addition, a rights issue on the basis of one rights issue for every two existing shares was also offered to our shareholders in July 2007, where we recorded an overwhelming two and a half times oversubscription from the offer.

With the new capital raised and the divestment income we received, the Group has actively been seeking new investment opportunities, as well as concentrating our management resources to help our performing portfolio companies to develop and expand their businesses. We continued to provide both financial as well as managerial support to CNI Bullion Limited and Quidam Assets Limited to expand their bullion and factoring operations in Hong Kong and China respectively. New investments were made in the mobile lottery area and, more importantly, in the area of quantitative finance. Following is a summary of the various projects which the Group is holding as at the date of this report.

INVESTMENT PORTFOLIO

CNI Bullion Limited ("CNI Bullion")

The Group owns a 30% interest in CNI Bullion. CNI Bullion is a member of the Chinese Gold and Silver Exchange Society and was formed in March 2005 by a group of experienced bullion practitioners. CNI Bullion's services include the trading of London Gold, local Hong Kong Gold and London Silver; providing the latest news of major financial markets; and also other ancillary value-added services including price alerts through instant mobile phone messaging.

Quidam Assets Limited ("Quidam")

The Group owns approximately 18% interest in Quidam Assets Limited. Quidam's subsidiary, Orbrich (China) International Factors Company Limited ("OIF"), is currently the only wholly foreign-owned financial guaranty and factoring Company in China. OIF is licensed by the Tianjin Government and the PRC Ministry of Commerce to provide factoring services that include financing, sales ledger administration and debt collection. It serves companies all over China through its four factoring hubs located in Tianjin, Shanghai, Chongqing and Hong Kong.

Winwide Management Limited ("Winwide")

Winwide Management Limited is a startup formed by the Group along with two former members of a well respected quantitative finance software company based out of Singapore, whose expertise was the development and operations of quantitative futures trading models. The track record of the co-founders was a proprietary trading model that was sold to a leading international hedge fund 6 years ago, which is still operational today and has an AUM of over US$70 billion. Through its newly set up subsidiary, QF Alpha Research Limited, Winwide will develop a quantitative back-testing and real time execution and distribution platform that identifies, tests and implements superior trading strategies while measuring and controlling risk in the process. In 12 to 18 months time, the Group expects Winwide to be managing in excess of US$20 million using the proprietary models it developed and implemented.

King Alliance Resources Limited ("KAL")

The Group owns 30% equity interest in KAL, which is a 51% beneficiary owner of an exclusive mobile lottery operator in northern China. In addition to the popular and rapidly growing mobile lottery operation, KAL's subsidiary is also developing other value added services and content for their mobile service subscribers, such as stock picking services, social networking, and streaming media content. The consistently increasing user base and consumption of mobile services in China is a market which the Group is keen to participate in, and KAL represents one of the first projects of a new generation of technology investments we will make in the next 6 to 12 months, along with other companies with exclusive operating status or reputable market positions.

Investments in Securities

The Group continued to pursue our strategy of investing part of its resources in listed securities as a risk diversification tool and to provide liquidity as needed. Our allocation of financial resources in the listed equities markets enabled the Group to capture the growth in listed equities during a period where we witnessed the Hang Seng Index in Hong Kong rallied from approximately 18,000 points a year ago to over 30,000 points in October 2007.

PROSPECTS

Looking forward, the Group will continue to leverage our expertise in the key business sectors of TMT and financial services to source and develop an investment portfolio with attractive returns for our shareholders in the medium to long term. In addition to TMT and financial services, the Group is also seeking to expand our exposure on technology or services companies with a focus on either environmental, travel, or education dimension.

With our existing solid foundation in TMT and financial services sectors, we believe our ability to source quality deals, mobilize management and operations resources, as well as structure exit scenarios has been proven and well recognised. Riding on our experience and track record, we will continue to expand our presence in various areas to further strengthen our investment return in the long run. And with some of our existing portfolio companies maturing and attracting attention of strategic investors for trade sales and investment bankers for independent listing, the Group shall begin to witness several highly profitable disposals in the future.

APPRECIATION

The Board would like to take this opportunity to express our gratitude to all management team and staff members for their dedication and contribution in the past year. We would also like to extend our sincere thanks and appreciation to our shareholders and business partners for their continued support to and confidence in the Group.

Chui Tak Keung, Duncan
Chairman

Hong Kong, 30 October 2007

BIOGRAPHIES OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Chui Tak Keung, Duncan, aged 38, is an experienced investor and business manager for direct investment and private equity ventures in Asia. He received a Bachelor of Science degree (Applied and Engineering Physics) and a Master of Engineering degree (Operations Research and Industrial Engineering) from Cornell University in 1991 and 1992 respectively. Mr. Chui has previously held positions at management consulting firms, Andersen Consulting and A.T. Kearney, as well as venture capital firm, Transpac Capital Group, which focused on private equity investments in Asia, where Mr. Chui specialised on the consumer products, hospitality industry, as well as telecommunications, media and technology sectors, and where he co-led a consortium of institutional investors such as Goldman Sachs and Fidelity to invest into Alibaba.com in Hangzhou only six months after Alibaba.com was founded.

Mr. Chow Ka Wo, Alex, aged 40, is an experienced corporate investment and financial advisor. He holds a Bachelor of Arts degree in Applied Mathematics and Economics from the University of California at Berkeley and a Master of Arts degree in Economics from Cornell University in the United States. He is currently an executive director of Karl Thomson Financial Advisory Limited ("KTFA"), which is a subsidiary of Karl Thomson Holdings Limited (stock code: 007), a company listed on the main board of the Stock Exchange. He is also a Responsible Officer of KTFA within the meaning of the SFO licensed to carry out Type 6 regulated activity under the SFO (namely, advising on corporate finance).

Mr. Yau Chung Hong, aged 37, obtained a Bachelor degree in Accountancy from Hong Kong Polytechnic University in 1993. He is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Yau possesses extensive experience and knowledge in accounting and financial management.

NON-EXECUTIVE DIRECTOR

Mr. Ma Kwok Keung, Kenneth, aged 47, is a practicing solicitor in Hong Kong. He graduated from the Australian National University in 1984 with Bachelor degree in Arts (majoring in computer science and accounting) and laws. He was admitted to the High Court of Hong Kong in 1987 and is also a qualified lawyer in both state and federal courts in Australia. Mr. Ma is a partner of Chiu & Partners and his main practice area is securities, banking and commercial law.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lam Kwan, aged 38, obtained a Bachelor degree in Accountancy from the Hong Kong Polytechnic University in 1991. He is a practicing Certified Public Accountant in Hong Kong, a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Lam is currently a director of Charles H.C. Cheung & CPA Limited.

Mr. Chan Ming Sun, Jonathan, aged 35, is currently the associate director of Go-To-Asia Investment Limited. Mr. Chan graduated with a Bachelor of Commerce degree in Accounting and Computer Information System from the University of New South Wales, Australia. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a member of Certified Public Accountants, Australia.

Mr. Shiu Siu Tao, aged 44, is currently holding senior position in an international reputable investment and business advisory company. He obtained a postgraduate degree in finance from the HEC School of Management (Hautes Etudes Commeciales) in Paris, France and a bachelor of business administration degree from the Chinese University of Hong Kong. He has over 10 years of experience in the corporate finance field that covers a wide array of industries.

FINANCIAL REVIEW

Financial Results

During the year ended 30 June 2007, the Group reported a turnover of HK$9,300,855 (2006: HK$8,405,609) and net profit attributable to equity holders of the Company of HK$990,465 (2006: HK$11,408,413).

The net asset value ("NAV") of the Company was HK$117,302,074 as at 30 June 2007, an increase of 48.46% over the period last year.

Liquidity and Financial Resources

The Group continued to maintain a healthy balance sheet as at 30 June 2007. The Group's bank balances and cash amounted to HK$8,304,319 (2006: HK$5,116,343) which accounted for 8.67% (2006: 6.96%) of the Group's total current assets. The Board believes that the Group has sufficient resources to satisfy its working capital requirements.

Capital Structure

As a result of a one for one bonus issue, 114,640,909 shares were allotted and issued on 27 July 2006. The Company had made two placements of shares during the year, under which 22,900,000 and 50,000,000 shares were allotted and issued at HK$0.40 each and HK$0.28 each on 17 August 2006 and 16 May 2007 respectively. In another one for one bonus issue, 302,181,818 shares were allotted and issued on 5 June 2007. There has been no change in capital structure of the Company for the rest of the year.

Capital Commitment and Contingent Liabilities

As at 30 June 2007, the Group had no material capital commitment and contingent liabilities.

Foreign Currency Fluctuation

The Group has a number of investment projects in the PRC and may be subjected to a certain degree of investment return risk. In spite of this, the Board believes that foreign exchange risks are minimal as the Group mainly uses Hong Kong dollars to carry out its business transactions.

Human Resources

As at 30 June 2007, the Group had 5 employees excluding directors. Total staff costs excluding directors' remuneration amounted to HK$483,585 (2006: HK$639,754). They perform clerical, research, business development and administrative functions for the Group. The Group's policies are in line with the prevailing market practice and are determined on the basis of the performance and experience of individual employees.

Significant Acquisition and Disposal of Subsidiaries

During the year under review, the Group has not made any significant acquisition or disposal of subsidiaries.

Charge of Assets

As at 30 June 2007, investments in listed securities in Hong Kong at carrying value of Nil (2006: Nil) were charged to secure for securities margin credit facility granted by a broker to the Group.

The board of directors ("Board") is committed to maintaining statutory and regulatory standards and adherence to the principles of corporate governance with emphasis on transparency, independence, accountability and responsibility. The Board reviews its corporate governance practices from time to time in order to meet the rising expectations of shareholders and comply with increasingly stringent regulatory requirements, and to fulfill its commitment to excellence in corporate governance.

The Code on Corporate Governance Practices ("CGP Code") issued by The Stock Exchange of Hong Kong Limited ("Stock Exchange") in its Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") sets out two levels of corporate governance practices, namely, mandatory code provisions that a listed company must comply with or explain its non-compliance, and recommended best practices that listed companies are encouraged to comply with but need not disclose in the case of non-compliance. The Company is in compliance with the mandatory code provisions of the CGP Code, save for the deviations discussed below.

BOARD OF DIRECTORS

The Board is charged with providing effective and responsible leadership for the Company. The Directors, individually and collectively, must act in good faith in the best interests of the Company and its shareholders.

The Board comprises three Executive Directors, one Non-executive Director and three Independent Non-executive Directors. The Board has appointed Committees to oversee different areas of the Company's affairs. The composition of the Board and the Committees are given below and their respective responsibilities are discussed in this report.

The number of Board Meetings and Committee Meetings attended by each Director during the year under review is set out in the following table. Figure in brackets indicates maximum number of meetings in the period in which the individual was a Board Member or Committee Member (as the case may be).

Name of Director	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings
Executive Directors			
Chui Tak Keung, Duncan	21/(22)	N/A	N/A
Yau Chung Hong	17/(22)	N/A	N/A
Chow Ka Wo, Alex	21/(22)	N/A	N/A
Non-executive Director			
Ma Kwok Keung, Kenneth	3/(6)	N/A	N/A
Independent Non-executive Directors			
Lam Kwan	6/(6)	3/(3)	N/A
Chan Ming Sun, Jonathan	5/(6)	3/(3)	N/A
Shiu Siu Tao	2/(6)	2/(3)	N/A

The Board members have no financial, business, family or other material/relevant relationships with each other. Each of the Independent Non-executive Directors have confirmed in writing their independence from the Company in accordance with the guidelines on director independence of the Listing Rules. On this basis, the Company considers all such Directors to be independent.

Biographical details of the Directors of the Company as at the date of this report are set out on page 7 of this annual report. Given the composition of the Board and the skills, knowledge and expertise of the Directors, the Board believes that it is appropriately structured to provide sufficient checks and balances to protect the interests of the Group and the shareholders. The Board will review its composition regularly to ensure that it has the appropriate balance of expertise, skills and experience to continue to effectively oversee the business of the Company.

The Directors are remunerated with reference to their respective duties and responsibility with the Company, the Company's performance and current market situation. Details of emoluments of the Directors from the Group for the year are disclosed in note 13 to the consolidated financial statements.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The appointment of new Directors is recommended by the Board of Directors. The Board will then take into account criteria such as expertise, experience, integrity and commitment when considering a new appointment.

In accordance with the Articles of Association of the Company ("Articles"), all Directors except the Chairman and/or Managing Director are subject to retirement by rotation and re-election at annual general meetings of the Company. New Directors appointed by the Board during the year are required to retire and submit themselves for re-election at the first annual general meeting immediately following their appointments. Further, at each annual general meeting, one-third of the Directors excluding the Chairman and/or Managing Director, or, if their number is not a multiple of three, then the number nearest to but not exceeding one-third are required to retire from office.

The existing Articles governing the retirement of Directors deviate from the CGP Code provisions in the following aspects: (i) unlike the other Directors, the Chairman and/or Managing Director is not subject to retirement by rotation; (ii) new Directors appointed to fill casual vacancies are subject to election by shareholders at the first annual general meeting instead of the first general meeting after their appointments; and (iii) the Directors who are subject to retirement by rotation are not explicitly subject to retirement at least once every three years. The Board may review the above-mentioned practice and consider amending the Articles when necessary.

CHAIRMAN AND CHIEF EXECUTIVE

Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same person. The Company has appointed its Chairman but not Chief Executive, and decisions are made collectively by the Executive Directors under the leadership of the Chairman. The Board believes that the present arrangement enables the Company to make and implement decisions promptly, and thus achieve the Company's objectives efficiently and effectively in response to the changing environment. The Board also believes that the Company already has a strong corporate governance structure in place to ensure effective oversight of management. The Board will continually review the effectiveness of the Group's corporate governance structure to assess whether any changes are necessary.

TERM OF OFFICE OF NON-EXECUTIVE DIRECTORS

Code provision A.4.1 requires that non-executive directors should be appointed for a specific term and subject to re-election. Currently all Independent Non-executive Directors have no specific term of appointment but they are subject to retirement by rotation in accordance with the Articles. As such, the Company considers that sufficient measures have been taken to serve the purpose of this code provision.

AUDIT COMMITTEE

The Audit Committee comprises all of the three Independent Non-executive Directors and is chaired by Mr. Lam Kwan, who possesses extensive financial and accounting experience in commercial sectors. It is responsible for appointment of external auditors, review of the Group's financial information and oversight of the Group's financial reporting system and internal control procedures. The Committee is also responsible for reviewing the interim and final results of the Group prior to recommending them to the Board for approval. It meets regularly to review financial reporting and internal control matters and to this end has unrestricted access to personnel, records and external auditors and senior management.

The Committee has specific written terms of reference which are of no less exacting terms than those stipulated in Code Provision. In the year ended 30 June 2007, the Audit Committee held three meetings. At the meetings, it reviewed the final results for the year ended 30 June 2006 and the interim accounts for the six months ended 31 December 2006 respectively and the internal control structure. It also reviewed the Company's progress in implementing the corporate governance requirements as set out in the CGP Code.

REMUNERATION COMMITTEE

The Remuneration Committee, composed of all three Independent Non-executive Directors, is responsible for reviewing and determining the compensation and benefits of the Directors and senior management. The committee members elect one of them to take the chair at the commencement of each meeting.

The Committee has specific written terms of reference which are of no less exacting terms than those stipulated in Code Provision. No meeting was held by the Committee in the year ended 30 June 2007.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for overseeing the preparation of accounts for each financial period with a view to ensuring such accounts give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. The Company's accounts are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; and that judgments and estimates made are prudent and reasonable.

INTERNAL CONTROL

The Board has overall responsibilities for maintaining a sound and effective internal control system of the Group. The Group's system of internal control includes a defined management structure with limits of authority, safeguard its assets against unauthorized use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant laws and regulations. The system is designed to provide reasonable assurance against material misstatement or loss, and to oversee the Group's operational systems for the achievement of the Group's business objectives.

AUDITORS' REMUNERATION

The Company appointed SHINEWING (HK) CPA Limited as auditors of the Company immediately following the resignation of BDO McCabe Lo Limited on 28 August 2006. Total auditors' remuneration in relation to statutory audit work of the Group amounted to HK$400,000 (2006: HK$371,500). No fee was paid for other non-audit services provided by the Auditors for the Company and its subsidiaries during the years ended 30 June 2006 and 30 June 2007.

The responsibilities of the auditors with respect to financial reporting are set out in the section of "Independent Auditor's Report" on page 21.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiry to all Directors regarding any non-compliance with the Model Code during the year and they all confirmed that they have fully complied with the required standard set out in the Model Code.

The Company will consider adopting a code of conduct governing securities transactions with terms no less exacting than that required by the Listing Rules by employees who may possess or have access to price sensitive information.

COMMUNICATION WITH SHAREHOLDERS

The Company attaches great priority to establishing effective communications with its shareholders and investors. In an effort to enhance such communications, the Company provides information relating to the Company and its business in its interim and annual reports.

The Company regards its annual general meeting as an opportunity for direct communications between the Board and its shareholders. All Directors, senior management and external auditors make an effort to attend the annual general meeting to address shareholders' queries. The Company also responds to requests for information and queries from the shareholders and investors and welcomes the views of shareholders on matters affecting the Group and encourages them to attend shareholders' meetings to communicate any concerns they might have with the Board or management direct.

The directors of the Company ("Directors") are pleased to present the annual report and the audited financial statements of the Company and the Group for the year ended 30 June 2007.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investing in listed and unlisted companies mainly in Hong Kong and the People's Republic of China (the "PRC"). The activities of the subsidiaries are set out in note 34 to the consolidated financial statements.

An analysis of the Group's performance for the year by geographical segments is set out in note 7 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 June 2007 and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements on pages 23 to 71. The Directors do not recommend the payment of a final dividend for the year ended 30 June 2007.

SHARE CAPITAL AND RESERVES

Details of movements in share capital of the Company during the year are set out in note 25 to the consolidated financial statements.

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 30 June 2007, amounted to HK$87,218,560 (2006: HK$70,692,922), calculated in accordance with the laws of the Cayman Islands.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association and there was no restriction against such rights under the laws of the Cayman Islands.

PLANT AND EQUIPMENT

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

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years/period, as extracted from the audited financial statements and reclassified as appropriate to conform with current year's presentation, is set out on page 72.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

SHARE OPTIONS

The details of the share option scheme adopted by the Company on 30 September 2003 are set out in note 26 to the consolidated financial statements. No share option has been granted during the year.

DIRECTORS

The Directors who held office during the year and up to the date of this report were as follows:

Executive Directors
Mr. Chui Tak Keung, Duncan
Mr. Yau Chung Hong
Mr. Chow Ka Wo, Alex

Non-executive Director
Mr. Ma Kwok Keung, Kenneth

Independent non-executive Directors
Mr. Lam Kwan
Mr. Chan Ming Sun, Jonathan
Mr. Shiu Siu Tao

In accordance with Article 88(1) of the Company's articles of association, Mr. Lam Kwan and Mr. Shiu Siu Tao shall retire by rotation at the forthcoming annual general meeting and, being eligible, shall offer themselves for re-election thereat.

DIRECTOR'S SERVICE CONTRACTS

As at 30 June 2007, none of the Directors have entered into any service agreement with any member of the Group which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Saved as disclosed in note 30 to the consolidated financial statements, no contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, existed at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN EQUITY SECURITIES

As at 30 June 2007, the interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance ("SFO") (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules (collectively "Discloseable Interests or Short Positions"), were as follows:

Ordinary shares of HK$0.01 each of the Company

Name	*Note*	**Number of Issued shares held**	**Shareholding percentage**
Chui Tak Keung, Duncan	*1*	61,200,000	10.13%
Chow Ka Wo, Alex		800,000	0.13%

Note 1: Mr. Chui Tak Keung, Duncan, an executive director of the Company, is deemed to be interested in the said shares by virtue of his control in FLM Investment Limited.

Save as disclosed above, none of the Directors or the chief executive of the Company had or were deemed to have any Discloseable Interests or Short Position as at 30 June 2007.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2007, the parties which had interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, or to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO, were as follows:

Ordinary shares of HK$0.01 each of the Company

Name	*Note*	**Number of issued shares held**	**Shareholding percentage**
Sun Hung Kai Securities Limited	*1*	271,181,818	44.87%
Yardley Securities Limited	*2*	110,000,000	12.13%
Sanfull Securities Limited		62,000,000	10.26%
FLM Investment Limited	*3*	61,200,000	10.13%

Note 1: Allied Group Limited, Allied Properties (H.K.) Limited, AP Emerald Limited, AP Jade Limited, Lee Seng Huang, Lee Seng Hui, Lee Su Hwei, Sun Hung Kai & Co. Limited, and Sun Hung Kai Investment Services Limited are deemed to be interested in the said shares by virtue of their direct or indirect control in Sun Hung Kai Securities Limited.

Note 2: Mr. Chan Kin Sun is deemed to be interested in the said shares by virtue of his control in Yardley Securities Limited.

Note 3: Mr. Chui Tak Keung, Duncan, an executive director of the Company, is deemed to be interested in the said shares by virtue of his control in FLM Investment Limited.

Save as disclosed above, as at 30 June 2007, the Directors were not aware of any other person who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director, the chief executive or their respective spouse or children under 18 years of age, or were any such rights exercised by them; nor was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

MANAGEMENT CONTRACTS

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

MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) were entered into by the Company during the year, which are or may be material:

1. Placing agreement and top-up subscription agreement, both dated 9 August 2006, made by the Company with Kingston Securities Limited and FLM Investment Limited respectively, on placing of 22,900,000 shares of the Company at a price of HK$0.40 each;

2. Debenture dated 11 October 2006 issued by the Company to Prime Pacific Development Limited for the principal sum of HK$1,000,000;

3. Debenture dated 20 October 2006 issued by the Company to Prime Pacific Development Limited for the principal sum of HK$1,000,000;

4. Debenture dated 17 November 2006 issued by the Company to Prime Pacific Development Limited for the principal sum of HK$1,000,000;

5. Debenture dated 31 October 2006 issued by the Company to Mr. David C.K. Wong for the principal sum of HK$1,000,000;

6. Debenture dated 6 November 2006 issued by the Company to Mr. David C.K. Wong for the principal sum of HK$1,000,000;

7. Debenture dated 15 December 2006 issued by the Company to Orien Global Capital Limited for the principal sum of HK$1,000,000;

8. Debenture dated 22 January 2007 issued by the Company to DKR SoundShore Oasis Holding Fund Limited for the principal sum of HK$16,000,000;

9. Share repurchase agreement dated 20 April 2007 entered into between Ferndene Limited and Concolor Holdings Limited (a wholly-owned subsidiary of the Company) in respect of the repurchase by Ferndene Limited from Concolor Holdings Limited of the non-voting participating shares in Ferndene Limited at a consideration of HK$8,000,000;

10. Placing agreement dated 3 May 2007 made between the Company and Sun Hung Kai Investment Services Limited on placing 50,000,000 new shares of the Company at a placing price of HK$0.28 each; and

11. Underwriting agreement dated 11 June 2007 made between the Company and Sun Hung Kai Investment Services Limited concerning a rights issue.

Save as disclosed, no other material contract (not being contract entered into in the ordinary course of business) was entered into by any member of the Group during the year.

LITIGATION

As at 30 June 2007, none of the members of the Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors or the Company to be pending or threatened by or against any member of the Group.

RELATED PARTY AND CONNECTED TRANSACTIONS

Details of the related party and connected transactions of the Group during the year are set out in note 30 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association and there was no restriction against such rights under the laws of the Cayman Islands.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

SUBSEQUENT EVENTS

Details of the subsequent events of the Group are set out in note 33 to the consolidated financial statements.

AUDITOR

SHINEWING (HK) CPA Limited retires and a resolution for its reappointment as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Chow Ka Wo, Alex
Executive Director

Hong Kong, 30 October 2007

信永中和
ShineWing

SHINEWING (HK) CPA Limited
16/F., United Centre
95 Queensway, Hong Kong

TO THE SHAREHOLDERS OF
SINO KATALYTICS INVESTMENT CORPORATION
德泰中華投資有限公司
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Sino Katalytics Investment Corporation (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 23 to 71 which comprise the consolidated balance sheet as at 30 June 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

INDEPENDENT AUDITOR'S REPORT

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 30 June 2007 and of the Group's profits and cash flow for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Lo Wa Kei
Practising Certificate Number: P03427

Hong Kong
30 October 2007

CONSOLIDATED INCOME STATEMENT

For the Year Ended 30 June 2007

	NOTES	2007 HK$	2006 HK$
Turnover	6	**9,300,855**	8,405,609
Increase in fair value of financial assets at fair value through profit or loss		**141,977**	10,069,162
Other income		**2,768,276**	903,500
Administrative expenses		**(8,451,876)**	(7,562,338)
Finance costs	8	**(2,801,536)**	(433,133)
Share of results of associates	15	**169,653**	475,613
Profit before tax	9	**1,127,349**	11,858,413
Income tax expenses	10	**(136,884)**	(450,000)
Profit for the year attributable to equity holders of the Company		**990,465**	11,408,413
Dividend	11	**–**	–
Earnings per share – basic	12	**0.0018**	0.055
– diluted		**N/A**	N/A

CONSOLIDATED BALANCE SHEET

At 30 June 2007

	NOTES	2007 HK$	2006 HK$
Non-current assets			
Plant and equipment	14	**2,205,307**	1,302,316
Interests in associates	15	**4,873,272**	4,703,619
Loans and receivables	16	**20,220,000**	–
Available-for-sale investments	17	**29,893,500**	7,000,000
		57,192,079	13,005,935
Current assets			
Available-for-sale investments	17	**26,553,336**	31,860,000
Financial assets at fair value through profit or loss	18	**20,756,120**	8,873,852
Prepayments, deposits and other receivables	19	**26,044,871**	10,262,636
Amount due from an investee company	20	**861,000**	11,005,846
Amounts due from related companies	20	**589,800**	12,700
Amount due from an associate	15	**12,698,510**	6,330,010
Bank balances and cash		**8,304,319**	5,116,343
		95,807,956	73,461,387
Current liabilities			
Other payables and accruals	21	**6,604,065**	1,481,154
Amounts due to directors	22	**415,203**	206,433
Amounts due to related companies	20	**4,503,275**	4,673,206
Tax payable		**586,884**	450,000
Debentures	23	**22,000,000**	–
Obligations under finance leases			
– due within one year	24	**474,576**	199,575
		34,584,003	7,010,368
Net current assets		**61,223,953**	66,451,019
Total assets less current liabilities		**118,416,032**	79,456,954

CONSOLIDATED BALANCE SHEET

At 30 June 2007

	NOTES	2007 HK$	2006 HK$
Capital and reserves			
Share capital	25	**6,043,636**	1,146,409
Reserves		**111,258,438**	77,867,836
Total equity attributable to equity holders of the Company		**117,302,074**	79,014,245
Non-current liability			
Obligations under finance leases – due after one year	24	**1,113,958**	442,709
		118,416,032	79,456,954

The consolidated financial statements on pages 23 to 71 were approved and authorised for issue by the Board of Directors on 30 October 2007 and are signed on its behalf by:

Chui Tak Keung, Duncan
Director

Chow Ka Wo, Alex
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2007

	Attributable to equity holders of the Company				
	Share capital HK$	**Share premium** HK$	**Investments revaluation reserve** HK$	**Accumulated losses** HK$	**Total** HK$
At 1 July 2005	742,000	56,862,230	–	(23,153,005)	34,451,225
Profit and total recognised income for the year	–	–	–	11,408,413	11,408,413
Issue of ordinary shares	404,409	33,825,591	–	–	34,230,000
Shares issue expenses	–	(1,075,393)	–	–	(1,075,393)
At 30 June 2006	1,146,409	89,612,428	–	(11,744,592)	79,014,245
Profit and total recognised income for the year	–	–	–	990,465	990,465
Gain on fair value changes of available-for-sale investments and total income recognised directly in equity *(Note 17)*	–	–	15,789,836	–	15,789,836
Issue of bonus shares *(Note 25(c))*	4,168,227	(4,168,227)	–	–	–
Issue of ordinary shares by placing *(Note 25(d))*	729,000	22,431,000	–	–	23,160,000
Shares issue expenses	–	(1,652,472)	–	–	(1,652,472)
At 30 June 2007	**6,043,636**	**106,222,729**	**15,789,836**	**(10,754,127)**	**117,302,074**

CONSOLIDATED CASH FLOW STATEMENT

For the Year Ended 30 June 2007

	2007	2006
	HK$	HK$
OPERATING ACTIVITIES		
Profit before tax	**1,127,349**	11,858,413
Adjustments for:		
Depreciation of plant and equipment	**800,946**	363,323
Allowance for amounts due from associates	**–**	165,540
Impairment loss recognised in respect of interests in associates	**–**	13,920
Interest income	**(2,700,433)**	(903,936)
Interest expenses	**2,801,536**	433,133
Increase in fair value of financial assets at fair value through profit or loss	**(141,977)**	(10,069,162)
Share of results of associates	**(169,653)**	(475,613)
Gain on disposal of a subsidiary	**(500,000)**	(7,200)
Impairment loss recognised in respect of goodwill	**–**	92,101
Loss on disposal of plant and equipment	**3,482**	–
Operating cash flows before movements in working capital	**1,221,250**	1,470,519
Increase in financial assets at fair value through profit or loss	**(11,740,291)**	(276,845)
Increase in prepayments, deposits and other receivables	**(7,313,021)**	(11,273,571)
Increase in other payables and accruals	**3,597,467**	457,029
Increase in amounts due to directors	**208,770**	3,159
Cash used in operations	**(14,025,825)**	(9,619,709)
Interest received	**734,219**	285,382
Interest on bank and other borrowings wholly repayable within five years	**(1,172,472)**	(143,773)
Interest on obligations under finance leases	**(103,620)**	(23,764)
NET CASH USED IN OPERATING ACTIVITIES	**(14,567,698)**	(9,501,864)

CONSOLIDATED CASH FLOW STATEMENT

For the Year Ended 30 June 2007

	2007 HK$	2006 HK$
INVESTING ACTIVITIES		
Increase in loan and receivables	**(20,220,000)**	–
Decrease in amount due from an investee company	**10,144,846**	–
Increase in available-for-sale investments	**(7,800,000)**	–
Increase in amount due from an associate	**(6,368,500)**	(5,914,528)
(Increase) decrease in amounts due from related companies	**(577,100)**	2,100
Purchases of plant and equipment	**(332,419)**	(95,406)
Acquisition of subsidiary (Note 27)	**–**	1,219
NET CASH USED IN INVESTING ACTIVITIES	**(25,153,173)**	(6,006,615)
FINANCING ACTIVITIES		
Proceeds from issue of ordinary shares	**23,160,000**	20,325,000
Proceeds from issue of debentures	**22,000,000**	–
Expenses on issue of ordinary shares	**(1,652,472)**	(1,075,393)
Repayments of obligations under finance leases	**(428,750)**	(230,875)
Decrease in amounts due to related companies	**(169,931)**	(1,708,640)
NET CASH FROM FINANCING ACTIVITIES	**42,908,847**	17,310,092
NET INCREASE IN CASH AND CASH EQUIVALENTS	**3,187,976**	1,801,613
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**5,116,343**	3,314,730
CASH AND CASH EQUIVALENTS AT END OF YEAR, represented by:		
Bank balances and cash	**8,304,319**	5,116,343

1. GENERAL

The Company is incorporated in the Cayman Islands as an exempted company with limited liability and its shares 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 to the annual report.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company and its subsidiaries (the "Group").

The principal activities of 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 NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are either effective for accounting periods beginning on or after 1 July 2006. The adoption of the new HKFRSs has no material effect on how the results for the current or prior accounting years have been prepared and presented. Accordingly, no prior year adjustment has been required.

The Group has not early applied the following new standards, amendment or interpretations that have been issued but are not yet effective as at 30 June 2007. The directors of the Company anticipate that the application of these new standards, amendment or interpretations will have no material impact on the results and the financial position of the Group.

Hong Kong Accounting Standard ("HKAS") 1 (Amendment)	Capital Disclosures[1]
HKAS 23 (Revised)	Borrowing Costs[2]
HKFRS 7	Financial Instruments: Disclosures[1]
HKFRS 8	Operating Segments[2]
HK(IFRIC)-Interpretation ("Int") 10	Interim Financial Reporting and Impairment[3]
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions[4]
HK(IFRIC)-Int 12	Service Concession Arrangements[5]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[6]
HK(IFRIC)-Int 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[7]

[1] Effective for annual periods beginning on or after 1 January 2007.
[2] Effective for annual periods beginning on or after 1 January 2009.
[3] Effective for annual periods beginning on or after 1 November 2006.
[4] Effective for annual periods beginning on or after 1 March 2007.
[5] Effective for annual periods beginning on or after 1 January 2008.
[6] Effective for annual periods beginning on or after 1 July 2008.
[7] Effective for annual periods beginning on or after 1 January 2008.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2007

3. SIGNIFICANT ACCOUNTING POLICIES

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 and by the Hong Kong Companies Ordinance.

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.

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

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

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

(b) Business combination

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 Business Combinations are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) 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 consolidated 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.

(d) Investments in associates

The results and 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 (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.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition after reassessment, is recognised immediately in profit or loss.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2007

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Plant and equipment

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

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

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.

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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial instruments (Continued)

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.

A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss upon initial recognition if:

– such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

– the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

– it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

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 values 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 deposits and other receivables, amounts due from associates / related companies / an investee 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.

3. 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 financial assets at fair value through profit or loss and loans and receivables. At each balance sheet date and subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse in profit or loss in subsequent periods.

For available-for-sale equity investments 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 identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse 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 and accruals, amounts due to directors / related companies, debentures and obligation under finance leases are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

3. 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 receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

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

(g) 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.

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.

(h) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for trading of listed securities and represents amounts receivable for interest income, dividend income from investments in listed securities and net gain on disposal of financial assets at fair value through profit or loss.

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

Dividend income from investments in listed securities is recognised when the shareholders' rights to receive payment have 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) 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 (share option reserve).

At each balance date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to share option reserve.

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

(j) 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) 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.

(k) 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 the respective 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 Company'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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) 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.

(m) Borrowing costs

All borrowing costs are recognised as and included in finance costs in the consolidated financial statements in the period in which they are incurred.

(n) Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme (the "MPF Scheme") are charged as an expense when employees have rendered service entitling them to the contribution.

4. 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 residual value and 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.

4. 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 carrying amount of the available-for-sale investments at 30 June 2007 was HK$56,446,836, 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 debtors based on objective evidence of impairment and historical loss experience of the individual balance of the counterparty.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include equity and debt investments, deposits and other receivables, amount(s) due from related companies, associates, an investee company and directors, bank balances and cash, other payables and accruals, amount(s) due to a director and related companies, debenture and obligation 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 2007 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2007

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Price risk

The Group's available-for-sale investments and financial assets 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.

6. TURNOVER

Turnover represents the amounts received and receivable on investments during the year as follows:

	2007	2006
	HK$	HK$
Turnover		
Dividend income from investments in listed securities	**70,691**	73,182
Interest income	**60,924**	31,923
Net gain on disposal of financial assets at fair value through profit or loss	**9,169,240**	8,300,504
	9,300,855	8,405,609

7. 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, expenditure, assets and liabilities 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:

	Hong Kong		The PRC		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006
	HK$	HK$	**HK$**	HK$	**HK$**	HK$
SEGMENT REVENUE:	**8,098,950**	8,126,031	**1,201,905**	279,578	**9,300,855**	8,405,609
Increase in fair value of financial assets at fair value through profit or loss	**141,977**	4,669,162	**–**	5,400,000	**141,977**	10,069,162
	8,240,927	12,795,193	**1,201,905**	5,679,578	**9,442,832**	18,474,771
SEGMENT RESULTS	**2,861,156**	6,764,039	**1,201,905**	5,679,578	**4,063,061**	12,443,617
Unallocated corporate expenses					**(303,829)**	(627,684)
Finance costs					**(2,801,536)**	(433,133)
Share of results of associates					**169,653**	475,613
Profit before tax					**1,127,349**	11,858,413
Income tax expenses					**(136,884)**	(450,000)
Profit for the year					**990,465**	11,408,413

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2007

7. SEGMENT INFORMATION (Continued)

Geographical segments (Continued)

Consolidated balance sheet

At 30 June:

	Hong Kong		The PRC		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006
	HK$	HK$	**HK$**	HK$	**HK$**	HK$
Segment assets	**97,175,228**	34,058,908	**50,951,535**	47,704,795	**148,126,763**	81,763,703
Interests in associates	**4,873,272**	4,703,619	**–**	–	**4,873,272**	4,703,619
Total assets	**102,048,500**	38,762,527	**50,951,535**	47,704,795	**153,000,035**	86,467,322
Total liabilities	**35,697,961**	7,453,077	**–**	–	**35,697,961**	7,453,077
Other segment information:						
For the year ended 30 June:						
Capital expenditure	**1,707,419**	543,565	**–**	–	**1,707,419**	543,565
Depreciation	**800,946**	363,323	**–**	–	**800,946**	363,323
Loss on disposal of plant and equipment					**3,482**	–
Allowance for amounts due from associates					**–**	165,540
Impairment loss recognised in respect of goodwill					**–**	92,101
Impairment loss recognised in respect of interests in associates					**–**	13,920
Gain on disposal of a subsidiary					**(500,000)**	(7,200)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2007

8. FINANCE COSTS

	2007 HK$	2006 HK$
Interest expenses on:		
– bank overdrafts	**1,760**	2,195
– debentures	**1,372,603**	–
– margin accounts	**1,092,398**	76,106
– amounts due to related companies	**231,155**	331,068
– obligations under finance leases	**103,620**	23,764
	2,801,536	433,133

9. PROFIT BEFORE TAX

	2007 HK$	2006 HK$
The Group's profit before tax has been arrived at after charging (crediting):		
Directors' remuneration (Note 13):		
Fees	**1,020,000**	1,168,800
MPF scheme contributions	**24,000**	12,000
Other emoluments	**16,000**	404,000
Staff costs		
Salaries	**463,318**	621,556
MPF scheme contributions	**20,267**	18,198
Total staff costs	**1,543,585**	2,224,554
Auditor's remuneration		
– current year	**400,000**	300,000
– underprovision in prior years	**–**	71,500
Allowance for amounts due from associates	**–**	165,540
Impairment loss recognised in respect of goodwill (Note 27)	**–**	92,101
Impairment loss recognised in respect of interests in associates (Note 15(b))	**–**	13,920
Depreciation of plant and equipment		
– owned assets	**206,943**	184,650
– leased assets	**594,003**	178,673
Operating lease charges on rented premises	**576,086**	722,136
Loss on disposal of plant and equipment	**3,482**	–
Share of tax of associates (Included in share of results of associates)	**–**	–
Gain on disposal of a subsidiary (Note 28)	**(500,000)**	(7,200)
Interest income on convertible loan receivables	**(139,178)**	–
Interest income on amounts due from investee companies	**(1,230,418)**	(340,405)
Interest income on other receivables	**(732,557)**	(529,671)

10. INCOME TAX EXPENSES

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profits for both years.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The tax expense for the year can be reconciled to the profit before tax per the consolidated income statement as follows:

	2007	2006
	HK$	HK$
Profit before tax	**1,127,349**	11,858,413
Tax at domestic income tax rate of 17.5% (2006: 17.5%)	**197,286**	2,075,222
Tax effect of share of results of associates	**(29,689)**	(83,232)
Tax effect of expenses not deductible and income not taxable in determining taxable profit	**(38,319)**	(782,304)
Utilisation of tax losses previously not recognised	**(1,169)**	(759,686)
Deferred tax assets in respect of tax losses and other temporary differences not recognized	**8,775**	–
Income tax expenses	**136,884**	450,000

At 30 June 2007, the Group has unused tax losses of HK$17,596,582 (2006: HK$17,603,263) 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.

11. DIVIDEND

No dividend was paid or proposed during the two years ended 30 June 2007 and 2006 since the balance sheet date.

12. EARNINGS PER SHARE

The calculations of the basic earnings per share are based on the Group's profit attributable to the equity holders of the Company of HK$990,465 (2006: HK$11,408,413).

The basic earnings per share is based on the weighted average number of 555,278,704 (2006: 205,824,471) ordinary shares in issue during the year.

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the year ended 30 June 2006 has been retrospectively adjusted for the effect of the bonus issue completed in current years. Details of the bonus issue are set out in Note 25(c).

There was no dilution effect on the basic earnings per share for the year ended 30 June 2007 and 30 June 2006 as there were no dilutive shares outstanding during the two years ended 30 June 2007 and 2006.

The following table summarises the impact on basic earnings per share as a result of:

	Impact on basic earnings per share	
	2007	2006
	HK$	HK$
Figures before adjustments	**0.0018**	0.055
Adjustment for the bonus issues*	**–**	(0.032)
Restated	**0.0018**	0.023

* Adjustment for one for one bonus issue of shares in July 2006 and May 2007 (Note 25(c)).

13. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the seven (2006: ten) directors were as follows:

For the year ended 30 June 2007

		Other emoluments			
	Fees HK$	Salaries, allowances and other benefits HK$	Bonus HK$	MPF scheme contributions HK$	Total HK$
Executive directors:					
Yau Chung Hong	240,000	16,000	–	–	256,000
Chui Tak Keung, Duncan	240,000	–	–	24,000	264,000
Chow Ka Wo, Alex	240,000	–	–	–	240,000
Non-executive directors:					
Ma Kwok Keung, Kenneth	120,000	–	–	–	120,000
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
	1,020,000	16,000	–	24,000	1,060,000

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

(a) Directors' emoluments (Continued)

For the year ended 30 June 2006

		Other emoluments			
	Fees	Salaries, allowances and other 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.

No director waived any emoluments in any of the two years ended 30 June 2007 and 2006.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2007

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

(b) Senior management's emoluments

Of the five individuals with the highest emoluments in the Group, three (2006: four) were directors of the Company whose emoluments are set out above. The emoluments of the remaining two (2006: one) highest paid individuals were as follows:

	2007	2006
	HK$	HK$
Salaries, allowances and other benefits	**279,000**	201,475
MPF scheme contributions	**18,050**	8,900
	297,050	210,375

The emoluments of the two (2006: one) highest paid employees fall in the following bands:

	Number of individuals	
	2007	2006
Emoluments bands		
Nil – HK$1,000,000	**2**	1

(c) During the two years ended 30 June 2007 and 2006, except for the payment of HK$60,000 in lieu of notice for loss of office to Mr. Pong for the year ended 30 June 2006, 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.

14. PLANT AND EQUIPMENT

	Leasehold improvements HK$	Furniture and fixtures HK$	Office equipment HK$	Computers HK$	Motor vehicles HK$	Total HK$
COST						
At 1 July 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 and 1 July 2006	504,004	185,101	30,612	32,740	1,088,159	1,840,616
Additions	17,500	15,146	78,988	50,360	1,545,425	1,707,419
Disposals	–	(9,180)	–	–	–	(9,180)
At 30 June 2007	521,504	191,067	109,600	83,100	2,633,584	3,538,855
ACCUMULATED DEPRECIATION						
At 1 July 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 and 1 July 2006	163,133	53,592	9,834	13,068	298,673	538,300
Charge for the year	127,824	45,558	20,653	12,908	594,003	800,946
Eliminated on disposals	–	(5,698)	–	–	–	(5,698)
At 30 June 2007	290,957	93,452	30,487	25,976	892,676	1,333,548
NET CARRYING VALUES						
At 30 June 2007	230,547	97,615	79,113	57,124	1,740,908	2,205,307
At 30 June 2006	340,871	131,509	20,778	19,672	789,486	1,302,316

The carrying amount of assets held under finance leases included in the total amount of motor vehicles of the Group as at 30 June 2007 amounted to HK$1,740,908 (2006: HK$789,486).

15. INTERESTS IN ASSOCIATES

	2007 HK$	2006 HK$
Cost of investment in unlisted associates	**4,513,920**	4,513,920
Share of post-acquisition profit (Note (a))	**373,272**	203,619
Impairment loss recognised (Note (b))	**(13,920)**	(13,920)
	4,873,272	4,703,619
Amounts due from associates, less allowance	**12,698,510**	6,330,010

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

As at 30 June 2007, the Group has 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 Limited ("CNI Bullion")	Incorporated	Ordinary share	Hong Kong	HK$15,000,000	30%	Provision of services on trading of gold in Hong Kong gold market

15. INTERESTS IN ASSOCIATES (Continued)

Notes:

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

	2007 HK$	2006 HK$
Total assets	36,194,652	24,915,218
Total liabilities	(19,950,412)	(9,236,488)
Net assets	16,244,240	15,678,730
Group's share of net assets of associates	4,873,272	4,703,619
Turnover	40,527,978	16,128,829
Profit for the year	565,510	1,585,377
Group's share of results of associates for the year	169,653	475,613

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

16. LOANS AND RECEIVABLES

	2007 HK$	2006 HK$
Convertible notes receivables(Note (a))	10,000,000	–
Term loan (Note (b))	10,220,000	–
	20,220,000	–

16. LOANS AND RECEIVABLES (Continued)

Notes:

(a) During the year, the Company entered into an agreement to subscribe a convertible note with an aggregate principal amount of up to HK$32,000,000 from Winwide Management Limited (the "Winwide CN"). As at 30 June 2007, the Company subscribed a convertible loan with principal amount of HK$10,000,000. The Winwide CN carries interest at 8% per annum and will mature on 31 March 2009. The initial conversion price is 80% of (i) the issue price per share at which new shares were issued to the qualified investor under the most recently completed qualified issue or, (ii) where the most recently completed qualified issue was in respect of the issue of securities convertible into or exchangeable for the new share, the fixed conversion price or fixed exchange price at which those securities may be converted into or exchanged for new shares, as stipulated in the terms and conditions governing such securities, during the conversion period commencing from 4 March 2007 to 31 March 2009.

The effective interest rate of Winwide CN is 8% per annum.

The Group has measured the Winwide CN in accordance with HKAS 39. The debt element of Winwide CN were measured initially at fair value and subsequently at amortised cost and classified as convertible note receivable. The conversion option element of Winwide CN were measured initially and subsequently at fair value in accordance with HKAS 39 and classified as conversion options embedded in convertible loan receivable. The fair values conversion options embedded are carried out by Malcom & Associates Appraisal Limited, independent valuers not connected with the Group, and were zero both at initial date and 30 June 2007.

(b) The term loan granted to Orbrich Finance Group Limited, in which Quidam Assets Limited had 84% equity interest, is unsecured, bearing interest at 8% per annum for the period from 1 May 2007 to 30 April 2008 and 12% per annum for the period from 1 May 2008 to 31 December 2008.

17. AVAILABLE-FOR-SALE INVESTMENTS

	2007 HK$	2006 HK$
Unlisted investments, at fair value (Notes (a) and (b))	**56,446,836**	38,860,000
Analysed for reporting purposes as:		
Current	**26,553,336**	31,860,000
Non-current	**29,893,500**	7,000,000
	56,446,836	38,860,000

Notes:

(a) The unlisted equity securities represent investments in private entities as at 30 June 2007 details are as follow:

Name	Place of incorporation	Particulars of equity interest held	Acquisition cost HK$	Fair value 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[1]	0.4%
Mass Resources Group Limited (ii)	Hong Kong	Ordinary share	5,000,000	5,000,000[1]	10%
Ferndene Limited (iii)	British Virgin Islands	Non-voting participating ordinary shares	7,490,000	7,490,000[1]	7.97%
Quidam Assets Limited (iv)	British Virgin Islands	Ordinary share	15,267,000	29,893,500[2]	18.25%
Four Gold OG Limited (v)	British Virgin Islands	Preference share	11,900,000	13,063,336[2]	3.04%

1. The fair value was estimated by directors of the Company with reference to the market conditions.

2. The fair value was arrived at with reference to the valuation carried out at the balance sheet date by LCH (Asia-Pacific) Surveyors Limited ("LCH"), independent valuers not connected with the Group. LCH has appropriate qualifications and recent experience in the valuation of similar investments.

17. AVAILABLE-FOR-SALE INVESTMENTS (Continued)

Notes: (Continued)

(b) The unlisted equity securities represent investments in private entities as at 30 June 2007 details are as follows:

(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 2007.

(ii) Mass Resources Group Limited 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 2007.

(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 cafe franchises in the PRC. The founders of Stemmon Limited ("Stemmon"), the promoter and organiser of Ferndene, secured an exclusive right from a PRC enterprise in mid 2004 to invest, organise, manage, and operate their cyber cafes in ten administrative regions in the PRC. According to an 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 cafes. No dividend was received during the year ended 30 June 2007.

(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 2007, Richbird Holdings Limited, a wholly-owned subsidiary of the Company, invested further HK$7,800,000 in Quidam. At 30 June 2007, the Group's equity interest in Quidam had been increased to 18.25% No dividend was received during the year ended 30 June 2007.

(v) Four Gold OG Limited ("Four Gold") and its subsidiaries are principally engaged in operating a real time boarding billing platform for both electronic content distribution and online game operations in the PRC. On 10 November 2005, the Group entered into an agreement with an independent third party to dispose of the investment in Four Gold 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 sell/purchase Four Gold during a put/call exercise period from 10 November 2005 to 9 November 2007. No dividend was received during the year ended 30 June 2007.

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss as at 30 June 2007 comprise:

	2007 HK$	2006 HK$
Listed equity securities held for trading, at fair value	**20,756,120**	8,873,852

The fair value of the Group's financial assets 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.

Particular of the major listed securities as at 30 June 2007 are as follows:

Name	Notes	Place of incorporation	Particulars of equity interest held	Acquisition cost HK$	Market value as at 30 June 2007 HK$	Percentage of equity interest attributable to the Group
Nanjing Sample Technology Company Limited	i	PRC	H shares	6,013,440	5,940,000	2.21%
Omnicorp Limited	ii	Bermuda	Ordinary share	3,359,352	4,195,080	1.03%
Tianneng Power International Limited	iii	Cayman Islands	Ordinary share	2,309,420	3,124,800	0.17%
DeTeam Company Limited	iv	Cayman Islands	Ordinary share	2,090,000	2,160,000	0.28%
Shanghai Allied Cement Limited	v	Bermuda	Ordinary share	1,759,500	1,672,800	0.07%
China Star Entertainment Limited	vi	Bermuda	Ordinary share	2,584,674	1,003,750	0.39%
Wai Yuen Tong Medicine Holdings Limited	vii	Bermuda	Ordinary share	781,301	554,400	0.07%
CMA Logistics Co., Ltd.	viii	PRC	H shares	476,850	408,000	0.19%
Lung Cheong International Holdings Limited	ix	Cayman Islands	Ordinary share	379,500	381,500	0.05%

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

Notes:

(i) Nanjing Sample Technology Company Limited is principally engaged in the provision of video security system solutions, sales of security system software and sales of related computer products. No dividend was received during the year ended 30 June 2007. According to the latest published financial statements of Nanjing Sample Technology Company Limited, it had net assets value of approximately RMB259,593,000.

(ii) Omnicorp Limited is principally engaged in the manufacture and sales of electronic components and product. A special interim HK$0.2 dividend per ordinary share was received during the year ended 30 June 2007. According to the latest published financial statements of Omnicorp Limited, it had net assets value of approximately HK$201,194,000.

(iii) Tianneng Power International Limited is principally engaged in the manufacture and sales of storage batteries and battery related accessories. No dividend was received during the year ended 30 June 2007. According to the latest published financial statements of Tianneng Power International Limited, it had net assets value of approximately RMB925,656,000.

(iv) DeTeam Company Limited is principally engaged in the provision of transportation technology solutions and manufacturing and sale of plastic woven bags and paper bags. No dividend was received during the year ended 30 June 2007. According to the latest published financial statements of DeTeam Company Limited, it had net assets value of approximately HK$115,935,000.

(v) Shanghai Allied Cement Limited and its subsidiaries are principally engaged in manufacturing and distribution of cement and clinker, manufacturing and distribution of slag powder. No dividend was received during the year ended 30 June 2007. According to the latest published financial statements of Shanghai Allied Cement Limited, it had net assets value of approximately HK$487,709,000.

(vi) China Star Entertainment Limited 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 2007. According to the latest published financial statements of China Star Entertainment Limited, it had net assets value of approximately HK$1,310,182,000.

(vii) Wai Yuen Tong Medicine Holdings Limited is principally engaged in production and sales of Chinese health food, retailing of Chinese pharmaceutical products, production and sale of Western pharmaceutical and health food products, retailing and sale of Chinese pharmaceutical and health food products, production and trading of Chinese pharmaceutical and health food products. No dividend was received during the year ended 30 June 2007. According to the latest published financial statements of Wai Yuen Tong Medicine Holdings Limited, it had net assets value of approximately HK$657,698,000.

(viii) CMA Logistics Co., Ltd. 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 2007. According to the latest published financial statements of CMA Logistics Co., Ltd, it had net assets value of approximately RMB368,045,000.

(ix) Lung Cheong International Holdings Limited is principally engaged in development, engineering, manufacture and sales of toys and moulds. No dividend was received during the year ended 30 June 2007. According to the latest published financial statements of Lung Cheong International Holdings Limited, it had net assets value of approximately HK$461,258,000.

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

(a) Advances of approximately HK$6,810,000 (2006: Nil) to independent third parties, are unsecured, interest free and repayable on demand.

(b) Receivable of approximately HK$6,500,000 (2006: Nil) from an independent third party, is unsecured, interest-free and repayable on demand.

(c) Advances of approximately HK$6,651,600 (2006: HK$1,164,600) to independent third parties, are secured by personal guarantees of the shareholders of these parties, carrying interest at range of 8% to 12% (2006: 8% to 12%) per annum and repayable within one year.

(d) Advances of approximately HK$2,012,000 (2006: HK$1,000,000) to an independent third party, is secured by personal guarantees, carrying interest at 8% (2006: 8%) per annum and repayable within one year.

(e) Margin receivables of HK$973,884 (2006: HK$1,039) are generated from brokage business, aged less than one month and bore interest rate ranged from 2.25% to 2.8% per annum for the year ended 30 June 2007 (2006: 1.75% to 2.75%).

In the opinion of the directors of the Company, the fair value of the Group's prepayments, deposits and other receivables at 30 June 2007 approximates to the corresponding carrying amounts.

20. AMOUNTS DUE FROM (TO) AN INVESTEE COMPANY / RELATED COMPANIES

The amounts are unsecured, interest-free and repayable on demand. In the opinion of the directors of the Company, the fair values of the balances as at 30 June 2007 were approximate to the corresponding carrying amounts.

As at 30 June 2006, the amount included approximately HK$8,438,000 advances made to investees, which were secured by personal guarantees of the shareholders of the investees, carried interest of 8% per annum and repayable within one year, and HK$2,000,000 advances made to an investee, which were unsecured, carrying interest at 7% per annum and repayable within one year. These advances had been fully repaid during the year ended 30 June 2007.

21. OTHER PAYABLES AND ACCRUALS

Included in other payables and accruals of HK$3,136,698 (2006: HK$2) represented margin payable of which are generated from brokerage business, aged less than one month and bore interest rate ranged from 10.5% to 11.17% per annum for the year ended 30 June 2007. (2006: 11.04% to 12.5%)

In the opinion of the directors of the Company, the fair value of the Group's other payables and accruals at 30 June 2007 was approximate to the corresponding carrying amount.

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22. AMOUNTS DUE TO DIRECTORS

The amounts are unsecured, interest-free and are repayable on demand.

In the opinion of the director of the Company, the fair value of the amounts due to directors approximates to their corresponding carrying amount.

23. DEBENTURES

The amounts represented debentures issued to independent third parties during the year, which are unlisted, unsecured, interest bearing at rates ranged from 12% to 13% per annum, and repayable within one year. The debentures are denominated in Hong Kong dollars. In the opinion of the directors of the Company, the fair value of the balance at 30 June 2007 was approximate to the corresponding carrying amount.

24. OBLIGATIONS UNDER FINANCE LEASES

The lease term is ranging from 3 to 5 years. For the year ended 30 June 2007, the average effective borrowing rate was 9% per annum (2006: 8.6%). 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**	
	2007	2006	**2007**	2006
	HK$	HK$	**HK$**	HK$
Amounts payable under finance leases:				
Within one year	**590,808**	240,180	**474,576**	199,575
More than one year but not more than two years	**646,073**	240,180	**518,125**	199,575
More than two years but not more than three years	**350,628**	206,745	**275,000**	171,250
More than three years but not more than four years	**409,066**	88,700	**320,833**	71,884
	1,996,575	775,805	**1,588,534**	642,284
Less: Future finance charges	**(408,033)**	(133,521)	**N/A**	N/A
Present value of lease obligations	**1,588,542**	642,284	**1,588,534**	642,284
Less: Amount due within one year shown under current liabilities			**(474,576)**	(199,575)
Amount due after one year			**1,113,958**	442,709

24. OBLIGATIONS UNDER FINANCE LEASES (Continued)

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.

25. SHARE CAPITAL

	Number of shares	Amount
Ordinary shares of HK$0.01 each		HK$
Authorised:		
At 1 July 2005 and 30 June 2006	200,000,000	2,000,000
Increase on 21 July 2006	300,000,000	3,000,000
Increase on 31 May 2007	1,000,000,000	10,000,000
At 30 June 2007	1,500,000,000	15,000,000
Issued and fully paid:		
At 1 July 2005	74,200,000	742,000
Issue of shares for consideration in respect of acquisition of investments (Note (a))	12,640,909	126,409
Issue of shares by placement (Note (b))	27,800,000	278,000
At 30 June 2006	114,640,909	1,146,409
Issue of shares by bonus issue (Note (c))	416,822,727	4,168,227
Issue of shares by placement (Note (d))	72,900,000	729,000
At 30 June 2007	604,363,636	6,043,636

Notes:

(a) During the year ended 30 June 2006, pursuant to two subscription agreements 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, pursuant to the acquisition agreement 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.

25. SHARE CAPITAL (Continued)

Notes: (Continued)

(b) 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 13 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 19 May 2006.

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

(c) 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.

Pursuant to an ordinary resolution passed at an extraordinary general meeting on 31 May 2007, 302,181,818 ordinary shares of HK$0.01 each were issued and allotted on 5 June 2007 as fully paid by way of one for one bonus issue in respect of which an amount of HK$3,021,818 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.

(d) Under a placing agreement signed on 9 August 2006, 22,900,000 ordinary shares of HK$0.01 each were placed at HK$0.4 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.

On 3 May 2007, the Company entered into a placing agreement with Sun Hung Kai Investment Services Limited in relation to the placing of the placing shares. 50,000,000 placing shares at the placing price of HK$0.28 per placing share. The net proceeds from the Placing were approximately HK$13,500,000.

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

26. 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 to the 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.

26. SHARE OPTION SCHEME (Continued)

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

At 30 June 2007 and up to the date of approval of these consolidated financial statements, no share options have been granted to the directors or employees of the Company under the Scheme since the Adoption Date.

27. ACQUISITION OF A SUBSIDIARY

During the year ended 30 June 2006, the Group acquired 100% of the registered share capital of CNI Capital Limited ("CNI Capital") at a consideration of approximately HK$3. This acquisition had 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, were 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

27. 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 30 June 2006.

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 pro-forma 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 arising for the acquisition of CNI Capital.

28. DISPOSAL OF A SUBSIDIARY

During the year ended 30 June 2007, the Group disposed of its entire interests in Fairwood Capital Inc. ("Fairwood"). The net assets of the subsidiary at the date of disposal were as follows:

	2007 **HK$**
Net assets disposal of:	
Available-for-sale investment	**6,000,000**
Gain on disposal	**500,000**
Total consideration	**6,500,000**
Satisfied by:	
Consideration receivables	**6,500,000**

The subsidiary disposed during the year ended 30 June 2007 had no significant impact on the turnover and results of the Group.

28. DISPOSAL OF A SUBSIDIARY (Continued)

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

	2006
	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.

29. MAJOR NON-CASH TRANSACTIONS

During the year ended 30 June 2007, 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$1,375,000 (2006: HK$448,159).

30. RELATED PARTY AND CONNECTED TRANSACTIONS

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

	Notes	2007 HK$	2006 HK$
Coqueen Company Limited ("Coqueen")			
Interest paid	i	**66,155**	244,273
Loan advance from	i	**640,000**	640,000
Interest payable to	i	**426,678**	360,523
Fook Lam Moon (Kowloon) Restaurant Limited ("Fook Lam Moon (Kowloon)")			
Interest paid	ii	**165,000**	65,472
Loan advance from	ii	**3,000,000**	3,000,000
Interest payable to	ii	**105,237**	21,323
Amount due to	ii	**19,160**	19,160
Chiu & Partners			
Legal fees paid	iii	**–**	338,500
Amount due to	iii	**282,200**	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	**525,000**	600,000
Amount due to	v	**–**	200,000
Standard Chartered Bank			
Custodian fee paid	vi	**62,295**	64,023
Mr. Chui Tak Keung, Duncan, an executive director of the Company ("Mr. Chui")			
Amount due to	vii	**53,845**	–
Mr. Yau Chung Hong, an executive director of the Company ("Mr. Yau")			
Amount due to	viii	**361,358**	206,433
Consideration payable for acquisition of CNI Capital	viii	**–**	3
CNI Securities			
Amount due from	ix	**9,700**	7,100

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30. RELATED PARTY AND CONNECTED TRANSACTIONS (Continued)

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

	Notes	2007 HK$	2006 HK$
CNI Financial Holdings Limited			
Consideration receivable from disposal of CNI Securities	ix	–	100
Amount due from	ix	**100**	100
Sellwell Enterprises Limited			
Amount due from	ix	–	5,500
CNI Assets Management Limited			
Amount due from	ix	**580,000**	–
Four Gold OG Limited			
Investment in Four Gold	x	**11,900,000**	11,900,000
Amount due from	x	**70,000**	–
Quidam			
Interest income	xi	**607,882**	116,239
Amount due from	xi	**74,535**	–
Loan advance to	xi	**10,220,000**	2,970,000
Interest receivables	xi	**716,466**	128,584
Ferndene			
Interest income	xii	**573,859**	83,668
Loan advance to	xii	–	4,468,365
Interest receivables	xii	–	148,727
Kwong Fai Motor Company Limited			
Interest income	xiii	48,678	140,498
Loan advance to	xiii	–	2,000,000
Interest receivables	xiii	–	140,498
Mellow Science & Technology Group Limited			
Loan advance to	xiv	–	1,000,000
Interest receivables	xiv	–	149,671
Tripod Management Limited			
Investment management fee paid	xv	**45,000**	–
Amount due to	xv	**30,000**	–

30. RELATED PARTY AND CONNECTED TRANSACTIONS (Continued)

(a) During the year, the Group entered into the following transactions with related parties and connected parties: (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 bore interest at Hong Kong Prime Rate + 2.5% (2006: Hong Kong Prime Rate +2%) per annum. In the opinion of the directors of the Company, the loan advanced at 30 June 2007 was approximate 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 bore interest at 5.5% (2006: 5.5%) per annum. In the opinion of the directors of the Company, the loan advance at 30 June 2007 was approximate to the corresponding carrying amount.

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

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

(v) Pursuant to an investment management agreement dated 10 May 2004 (the "Investment Management Agreement") entered into between the Company and Guotai Junan Assets (Asia) Limited (the "Investment Manager"), the Investment Manager agreed to provide the Company with investment management services (excluding general administrative services) for a period of two years commencing on 1 June 2004.

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 Investment Management Agreement had been terminated by the Investment Manager in writing with effect from 16 May 2007.

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

(vi) Pursuant to a custodian agreement dated 6 October 2003 entered into between the Company and 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) The amount due to Mr. Chui is unsecured, interest-free and repayable on demand.

30. RELATED PARTY AND CONNECTED TRANSACTIONS (Continued)

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

Notes: (Continued)

(viii) The amount due from Mr. Yu is unsecured, interest-free and repayable on demand.

(ix) Mr. Yau had beneficial interests in these companies. The amounts are unsecured, interest-free and repayable on demand. The maximum amounts outstanding during the year ended 30 June 2007 were equivalent to the carrying amounts as at 30 June 2007.

(x) Mr. Chui had beneficial interests in Four Gold, as at year ended 30 June 2007, the Group held 3.04% (2006: 3.04%) beneficial interest in Four Gold. The amount due from Four Gold is unsecured, interest free and repayable on demand.

(xi) The Group had 18.25% equity interest in Quidam at 30 June 2007. The amount due from Quidam is unsecured, interest-free and repayable on demand. The term loan is unsecured, bears interest at 8% per annum for the period from 1 May 2007 to 30 April 2008 and 12% per annum for the period from 1 May 2008 to 31 December 2008.

(xii) The Group had 7.97% equity interest in Ferndene at 30 June 2007. The loan granted to Ferndene by the Group is secured by personal guarantees, repayable within one year and bore interest at 8% per annum. In the opinion of the directors of the Company, the loan advance at 30 June 2006 was approximate to the corresponding carrying amount.

(xiii) The Group had 30% equity interest in Kwong Fai Motor Company Limited at 30 June 2006 and has been disposed of during the year 30 June 2007. The loan granted to Kwong Fai Motor Co Limited by the Group is unsecured, repayable within one year and bore interest at 7% per annum. In the opinion of the directors of the Company, the loan advance at 30 June 2006 was approximate to the corresponding carrying amount.

(xiv) The Group had 12% equity interest in Mellow Science & Technology Group Ltd at 30 June 2006 and disposed of its entire interests during the year 30 June 2007. The loan granted to Mellow Science & Technology Group Ltd by the Group is secured by personal guarantee, repayable within one year and bearing interest at 8% per annum. In the opinion of the directors of the Company, the loan advance at 30 June 2006 was approximate to the corresponding carrying amount.

(xv) Pursuant to an investment management agreement dated 17 May 2007 entered into between the Company and Tripod Management Limited ("Tripod"), Tripod agreed to provide the Company with investment management services (excluding general administrative services) commencing on 17 May 2007.

30. RELATED PARTY AND CONNECTED TRANSACTIONS (Continued)

(b) Compensation of key management personnel

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

	2007	2006
	HK$	HK$
Short-term benefits	**1,036,000**	1,572,800
Post-employment benefits	**24,000**	12,000
	1,060,000	1,584,800

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

31. 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:

	2007	2006
	HK$	HK$
Within one year	**161,986**	485,958
In the second to fifth years, inclusive	**–**	161,986
	161,986	647,944

32. 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 employee's 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$44,267 (2006: HK$30,198) represents contributions payable to the schemes by the Group in respect of the current financial year.

33. POST BALANCE SHEET EVENTS

(a) On 17 July 2007, 302,181,181 ordinary shares of HK$0.01 each were issued and allotted on 24 July 2007 as fully paid by way of rights issue on the basis of one rights share for every two existing shares as on 3 July 2007.

(b) Under a placing agreement signed on 23 August 2007, 120,800,000 ordinary shares of HK$0.01 each were placed at HK$0.18 per share to not less than six placees, being individuals, institutional or other professional investors unconnected with the Company.

(c) On 30 September 2007, the Group disposed of the investment in Mass Resources to its ultimate holding company for a consideration of HK$5,500,000.

(d) On 19 October 2007, a subsidiary of the Company entered into a sale and purchase agreement with an independent third party in relation to dispose of the entire issued share capital of Intellect Enterprise Limited, which held 3.04% interest in Four Gold, plus a cash consideration of HK$5,000,000, in exchange for 30% interest in issued share capital of King Alliance Resources Limited.

(e) On 18 October 2007, the Group disposed of the investment in Beijing Illumination to上海北鑫投資管理有限公司, an independent third party for a consideration of HK$1,000,000.

(f) On 10 March 2007, a subsidiary of the Company entered into a sale and purchase agreement with an independent third party in relation to dispose of the investment in Ferndene at a consideration of HK$8,000,000. The disposal was completed on 30 September 2007.

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34. PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries held by the Company as at 30 June 2007 are as follows:

Name	Class of shares held	Place of incorporation / registration and operations	Nominal value of issued share	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
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 Limited	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.

35. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

FINANCIAL SUMMARY

A summary of the published results, assets and liabilities of the Group for the last five financial years/period, as extracted from the audited financial statements, is set out as follows:

RESULTS

	2007	2006	2005	2004	Period from 13.11.2002 to 30.6.2003
	HK$	HK$	HK$	HK$	HK$
			(Restated)*		
Turnover#	**9,300,855**	8,405,609	194,907	956,301	–
Profit (loss) before tax	**1,127,349**	11,858,413	(9,522,352)	(13,479,325)	(151,328)
Income tax expenses	**(136,884)**	(450,000)	–	–	–
Profit (loss) for the year attributable to equity holders of the Company	**990,465**	11,408,413	(9,522,352)	(13,479,325)	(151,328)

ASSETS AND LIABILITIES

	2007	2006	2005	2004	2003
	HK$	HK$	HK$	HK$	HK$
			(Restated)*		
Total assets	**153,000,035**	86,467,322	42,126,088	33,582,899	55,432
Total liabilities	**(35,697,961)**	(7,453,077)	(7,674,863)	(363,552)	(206,760)
Total equity attributable to equity holders of the Company	**117,302,074**	79,014,245	34,451,225	33,219,347	(151,328)

* (Adjusted to reflect the prior year adjustments)

Reclassified to conform with the current year's presentation.