NEPTUNE GROUP LIMITED
海王國際集團有限公司
(Incorporated in Hong Kong with limited liability)
（於香港註冊成立之有限公司）

Annual Report 2008
二零零八年年報

STOCK CODE: 00070
股份代號：00070


VENETIAN
MGM


永利
The Ultimate
Shopping Experience
CHANEL

CONTENTS


NEPTUNE

Corporate Information

BOARD OF DIRECTORS

Executive directors:

Mr. Lin Cheuk Fung *(Chairman)*

Mr. Nicholas J. Niglio

Mr. Chan Shiu Kwong, Stephen

Mr. Lau Kwok Hung

Mr. Wan Yau Shing, Ban

Mr. Lau Kwok Keung

Independent non-executive directors:

Mr. Cheung Yat Hung, Alton

Mr. Yue Fu Wing

Mr. Wong Tat Tung (Appointed on 22 August 2008)

Mr. Wong Yuk Man (Resigned on 4 August 2008)

COMPANY SECRETARY

Mr. Lau Kwok Hung

AUDIT COMMITTEE

Mr. Cheung Yat Hung, Alton

Mr. Yue Fu Wing

Mr. Wong Tat Tung (Appointed on 22 August 2008)

Mr. Wong Yuk Man (Resigned on 4 August 2008)

AUDITORS

HLB Hodgson Impey Cheng

Chartered Accountants

Certified Public Accountants

31st Floor, Gloucester Tower, The Landmark,

11 Pedder Street, Central,

Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

Chong Hing Bank Limited

LEGAL ADVISORS

Robertsons Solicitors & Notaries

SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited

Rooms 1712-16, 17th Floor, Hopewell Centre,

183 Queen's Road East,

Hong Kong

REGISTERED OFFICE

Room 1807, 18/F West Tower,

Shun Tak Centre,

168-200 Connaught Road Central,

Hong Kong

E-MAIL

enquiry@neptune.com.hk

STOCK CODE

00070

Group Financial Summary

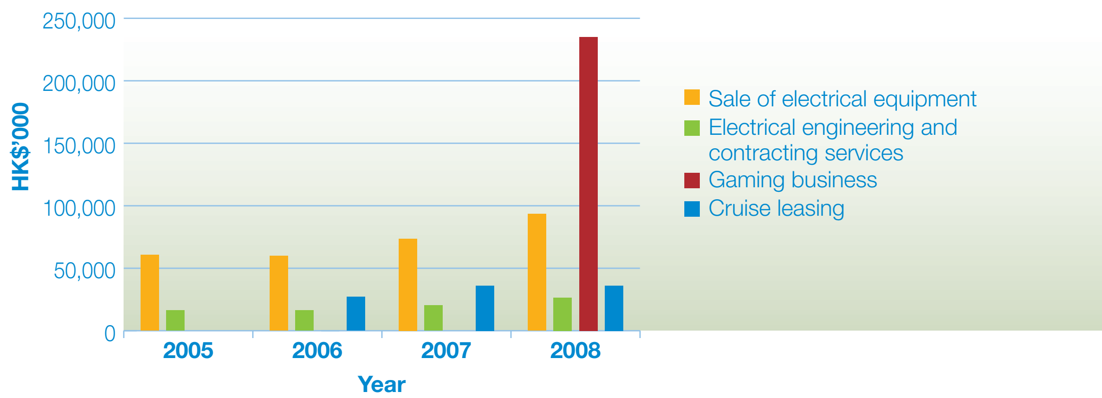
CONSOLIDATED PROFIT AND LOSS ACCOUNT (HK$'000)

	Year ended 30 June 2006	Year ended 30 June 2007	**Year ended 30 June 2008**
Turnover	103,134	129,959	**390,767**
Profit/(loss) attributable to shareholders	7,147	4,645	**(149,514)**

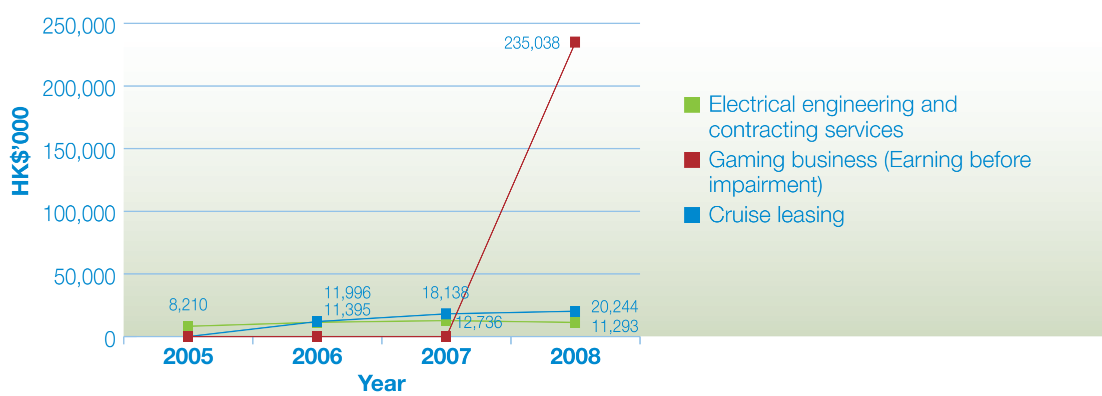
CONSOLIDATED BALANCE SHEET (HK$'000)

	As at 30 June 2006	As at 30 June 2007	**As at 30 June 2008**
Fixed assets	179,872	161,853	**142,880**
Investment properties	28,400	28,550	**30,500**
Interest in an associate	–	–	**148,617**
Intangible asset	–	–	**2,016,793**
Other non-current assets	2,688	2,559	**15,145**
Net current assets	30,087	103,627	**379,037**
Total assets less current liabilities	241,047	296,589	**2,732,972**
Convertible notes	–	–	**685,393**
Deferred tax liabilities	331	393	**50,089**
Net assets	240,716	296,196	**1,997,490**
Representing:			
Share capital	247,953	287,953	**769,449**
Share premium	61,454	61,752	**292,798**
Reserves	(79,533)	(69,097)	**243,648**
Shareholder's funds	229,874	280,608	**1,305,895**
Minority interests	10,842	15,588	**691,595**
Total equity	240,716	296,196	**1,997,490**
Shareholder's funds – NBV per share (HK$)	0.019	0.19	**0.34**
Earnings/(loss) per share (HK$)	0.58 cents	0.34 cents	**(5.61) cents**

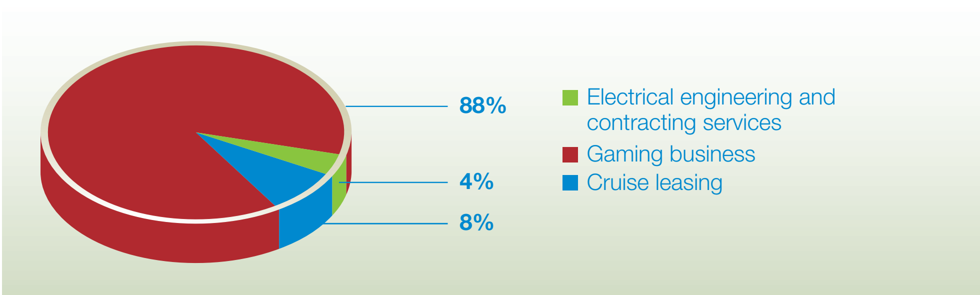
REVENUE GROWTH



SEGMENT PROFITS



PROFITS PROPORTION ON SEGMENT (JULY 2007-JUNE 2008)




NEPTUNE

■ Chairman's Statement

On behalf of the Board of Directors (the "Board") I am pleased to present the annual report and financial results of Neptune Group Limited (the "Company") and its subsidiaries (the "Group") for the year ended 30 June 2008.

(LOSS)/PROFIT FOR THE YEAR

For the financial year ended 30 June 2008, the Group recorded a turnover of approximately HK$390,767,000 representing an increase of 201% compared to one year ago (2007: HK$129,959,000). The Group's audited loss attributable to shareholders was approximately HK$149,514,000 (2007: profit of approximately HK$4,645,000). (Loss)/earnings per share was (5.61) cents (2007: 0.34 cents). The Board has resolved not to pay a dividend for the year.

CONTINUING BUSINESS REVIEW

The current year provided a platform for the company to perform in a remarkable manner. As evident by our growth in earnings, the company added assets to its core business in an expedient mode. The first being in early November, 2007, an acquisition was undertaken to invest in a 20% stake of the profit stream of the Hou Wan organisation. They operated within the VIP segment at the Sands Casino Hotel in Macau. Next, in March 2008, another acquisition was initiated for an 85% stake in the profit stream from Ultra Choice, which is the principal of the Hao Cai Profit organisation. They operated within the VIP segment at the Venetian Resort Casino in Macau. Lastly, in June 2008, the company acquired 100% stake in the profit stream of Best Max whose company Lucky Star is the owner of yet another VIP facility located in the Galaxy StarWorld Hotel Casino in Macau.

The speed and resourcefulness of the company in these strategic acquisitions was well received and recognized by the financial community both locally and internationally. As the booming VIP gaming sector continues to flourish so too will the Company enjoy its financial rewards. The challenge to diversify the Company's core assets amongst the entire Macau gaming concessionaires has proven successful.

The Neptune "brand" has achieved significant momentum during the current year. Management is especially pleased by being recognized and nominated as one of Eight Companies to Watch in 2009 by a respected international gaming publication.

Additionally, the MV Neptune, our flagship cruise line, once again added critical earnings to the Group and contributed to our "branding" mission. Previously mentioned cross marketing efforts were achieved and remain a pivotal point to the Company's overall marketing plan.

■ Chairman's Statement (Continued)

BUSINESS REVIEW AND LOOKING FORWARD

The oncoming year brings fresh and interesting challenges and opportunities to the Company. Macau VIP business has been resilient and shown increased strengths during the global economic banking turbulence of the second half of this calendar year. The Company has positioned itself carefully to take advantage of our growing demand in this market. Although, at the moment, some concern about China's Individual Visit Scheme exists. However, it is the Company's view that such temporary restraints are of limited impact to the VIP market. The Company has seen its market reach broaden to several other South East Asia countries to counter balance any shortfalls that may occur. We carefully monitor this situation and swiftly react accordingly for the protection of our shareholders and employees.

Concurrently, the opening of new resorts in Macau brings fresh opportunity for the Company. As we strengthen our balance sheet, we are uniquely prepared to take advantage of these fresh opportunities. Carefully, our marketing plan is directed to diversification, brand awareness and a superior product. Management expects the year 2009 to bear new prosperity to the company not withstanding any impact that the recent global banking crisis that has recently evolved.

The manufacturing and trading of electrical equipments and the provision of electrical engineering and contracting services remain a minority position within the Group. Careful assessment will continue and any significant deviation of record will be mattered with. It is management's anticipation that this sector will remain stagnant during the upcoming year.

The Board of Directors of Neptune Group Limited also announced that Mr. Wong Tat Tung has been appointed as an Independent Non-executive Director and a member of the Audit Committee of the Company. We welcome Mr. Wong and his experience to the board.

As a commitment to our shareholders and employees, the Group will continue to identify and research fresh opportunities on the Macau SAR. Our now strong foundations allow us to carefully execute strategically and bring the company to new level of financial growth, thereby generating long term and increased shareholders value.

ACKNOWLEDGEMENT

Finally, I would like to express my sincere appreciation to our shareholders, strategic partners and customers for their unfailing support and confidence. I would also like to extend my sincere gratitude to all the staff members of the Group for their many contributions and dedication.

Lin Cheuk Fung
Chairman of the Board

Hong Kong, 26 November 2008

Management Discussion and Analysis

BUSINESS OVERVIEW

The audited net loss of the Group for the year ended 30 June 2008 amounted to HK$24,989,000 (2007: profit HK$9,391,000). The net profit before impairment and exceptional items should be recorded as HK$298,775,000 after stripping out some non-cash items.

Throughout the past twelve months, a tepid growth of rolling turnover was recorded from VIP rooms opened in three casinos, including Sands Las Vegas, Galaxy Entertainment's StarWorld and Venetian Macao. All revenue from rolling turnover were holding up pretty well up to end of June 2008 and should reflect a holistic performance of these junkets business when it has a full calendar year result in next financial year.

Until the last two months the gaming business was tempered amid a spate of pessimism across the board. Despite ongoing financial market turmoil and a deteriorating outlook for global growth have played, we are still confident that our investment in gaming industry will be a lucrative business if Macao is still only enclave for legitimacy gaming in China. So far, market is wonderful in China and Macao is still a tourism kind of place that is appealing to Mainland China travelers.

At the moment, the Board's strategy is to stay on sideline to see what will happen in gaming business and hinge to customers demand before the upheaval of next economy cycle. We adapt prudent approach unless some investment opportunities can offer fabulous wealth to our shareholders within reasonable risk level. In fact, the Company's financial position has been relatively unscathed by the unfolding global financial crisis, as we had limited exposure in credit crunch and anticipated that our profit in the coming few years will remain stable as secured as most of our previous acquisitions were collateral to certain degree of guarantee profit in those agreements.

GAMING AND ENTERTAINMENT RELATED BUSINESS

Revenue for the commission from rolling turnover for the year was recorded HK$235,038,232 (2007: NIL), this figure only representing sharing of commission income generated in last quarter of financial year by junkets in Venetian based on 0.4% on gross rolling turnover and a full year commission income collected from junkets operated in Sand, Las Vegas as well. Share of commission in Galaxy Entertainment of Star World was captured in a separate item as share of profit from associates. When compared this year Group revenue to last year, our revenue swelled to HK$391 million, an increase of 201% mainly maintained a frenetic pace in last year.

Resulting from stellar performance of our investments in gaming related business, this sector had driven up our group revenue significantly higher than last year, that maintained a frenetic pace at peak and expect to slowdown in next year.

MANUFACTURING AND TRADING OF ELECTRICAL EQUIPMENT AND PROVISION OF ELECTRICAL ENGINEERING AND CONTRACTING SERVICES

Revenue for the manufacturing and the trading of electrical equipments and the provision of electrical engineering and contracting services were recorded approximately HK$119,729,000 (2007: HK$93,959,000), an increase of 27.4% when compared with last year and approximately representing 30.6% of the Group's total revenue. Segment result amounted to approximately HK$11,293,000 (2007: HK$3,304,000). Contribution from electrical sector, despite an extraordinary income from electrical contracting service sector of approximately HK$8,636,000, was in shamble as the business was facing a downturn due to spiraling price competition.

CRUISE BUSINESS

Revenue for the leasing of the cruise ship for the year was recorded HK$36,000,000 (2007: HK$36,000,000), remain unchanged when compared with last year. It accounted for approximately 9.2% of the Group's total revenue. Segment result amounted to approximately HK$20,244,000 (2007: HK$17,851,000). Contribution from cruise rental, hardly any increase when compared with last year. During the year, the upward trend in oil price was sustained, and remain in high level. Combined with the weaker US dollar currency against other currencies, our Group could only report steady income without growth due to the demand for cruise leasing is dwindling. At the balance sheet date, the Group accounted for an decrease in the fair value of HK$180,000,000 (2007: HK$200,000,000) based on a professional valuation.

FINANCIAL REVIEW

For the financial year ended 30 June 2008, the Group recorded a turnover of approximately HK$390,767,000 (2007: HK$129,959,000), an increase of 201% compared to the previous year.

A net loss of HK$25 million, or HK5.61 cents (loss) per share, or compared with previous year a net income of HK$9.4 million, or HK0.34 cents earnings per share. Stripping out the book loss tied to impairment of goodwill, intangible asset incurred for acquisition of junket business in Venetian casino, a net profit before impairment and exceptional items for the year should be approximately HK$298 million. The Group's loss for the year was approximately HK$25 million and loss for the year attributable to equity holders of the Company was approximately HK$149 million as compared to profit of HK$4.6 million same period last year. The loss was weighted down by some non-cash items:

	HK$
Reported loss for the year	(24,989,000)
After adding back:	
Impairment loss of goodwill and intangible assets	381,928,000
Fair value change on financial instruments	(38,521,000)
Fair value change on investment properties	(1,950,000)
Equity-settled share-based payment	30,640,000
Negative goodwill	(48,333,000)
Earning before impairment and exceptional items	298,775,000

FINANCIAL REVIEW (Continued)

Our earning before interest, taxes, depreciation and amortisation (EBITDA) was HK$4.23 million, as compared with HK$30.16 million in the previous year, an decrease of 85.97%. Regardless of our strong result of commission income in 2008 it reflects the continued solid performance of all investing activities, the impairment loss on intangible asset and goodwill is overwhelming dent to this figure.

DIVIDEND

The Directors do not recommend the payment of final dividend for the year ended 30 June 2008 (2007: Nil).

CAPTIAL STRUCTURE

As at 30 June 2008, the total issued share capital of the Company was HK$769,448,900 divided into 3,847,244,500 ordinary shares of HK$0.2 each.

719,881,500 ordinary shares of HK$0.2 per offer share were allotted and issued by way of open offer to the shareholders on the basis of one Offer Share for every two Consolidated Shares and fully completed on 9 July 2007.

247,600,000 new shares of HK$0.2 each were placed and allotted at the issue price of HK$0.57 per share. 720,000,000 ordinary shares of HK$0.3 per Consideration share were allotted and issued to each of Ultra Choice and Faith Mount and duly completed on 16 April 2008.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group had net current assets of HK$379,037,000 as at 30 June 2008 (2007: HK$103,627,000). Total bank and other borrowings amounted to HK$867,000 as at 30 June 2008 (2007: HK$374,000). The total equity of the Group as at year end was HK$1,997,490,000 (2007: HK$296,196,000). The gearing ratio, calculated on the basis of total liabilities over total shareholders' funds as at 30 June 2008, was approximately 50% (2007: 53%).

The total indebtedness of the Group comprises mainly of convertible notes and promissory notes. As at 30 June 2008, the face value of total indebtedness amount to HK$998,349,000 (2007: HK$156,228,000), comprising of HK$210 million dividend payable, HK$33 million trade and other payables, HK$0.8 million bank overdraft, HK$4.3 million tax payable, HK$50 million deferred tax liabilities, HK$15 million promissory notes and the fair value of liability component which were HK$685 million, representing the convertible bond of HK$846,000,000, with a conversion price of HK$0.3 per share, HK$136,000,000, with a conversion price of HK$0.3 per share. All of which are unsecured, with effective interest rate approximately 5% and maturing on 16 March 2018. Taken into account of two promissory notes amount to HK$30 million issued for acquiring entire share capital of Koppert International Ltd on 1 August 2007 which are unsecured, bearing an effective interest approximately 8%. Up to 30 June 2008, the remaining HK$15 million was due on 31 July 2008 and another half had been settled during this financial year.

PLEDGE OF GROUP'S ASSETS

As at 30 June 2008, no leasehold land and buildings in Hong Kong of the Group were pledged to secure the bank facilities (2007: HK$Nil) and fixed deposits of approximately HK$214,000 (2007: HK$68,000) was pledged to secure banking facilities.

CONTINGENT LIABILITIES

On 1 September 2004, a writ of summons and statement of claim was made by The Center (49) Limited against the Company in respect of the office previously rented by the Group. The claim is for a sum of approximately HK$3.3 million together with interest and cost. In the opinion of the directors, the amount claimed is unreasonable. The Group would vigorously contest against such claim. After obtaining legal advice, a provision of approximately HK$1.6 million has been made in the financial statements for the year ended 30 June 2004. During the year ended 30 June 2008, there has been no significant progress. As at the date of approval of these financial statements, the case is still pending for hearing.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES

As the Group's transactions are mostly settled by Hong Kong dollars, the exposure to foreign exchange fluctuation is minimal, therefore no use of financial instruments for hedging purpose is considered necessary.

As at 30 June 2008, the Group did not have any foreign currency investments which have been hedged by currency borrowings and other hedging instruments.

MATERIAL ACQUISITIONS

On 4 July 2007, the Company acquired the entire issued share capital of Credible Limited ("Credible") at a total cash consideration of HK$140,000,000. Credible holds 20% equity interest in Base Move Investments Limited ("Base Move"), which has entered into the profit agreement with Highest Increase Limited to acquire 0.4% of the rolling turnover generated by Huo Wan Entertainment Unipessoal Limitada. The Company has also been granted a call option from Certain Champ for further acquisition of 50% equity interest in Base Move which is considered to be the potential voting right held by the Company. Base Move is therefore accounted for as subsidiary of the Company.

On 1 August 2007, the Company acquired the entire issued share capital of Koppert International Limited ("Koppert") at a total cash consideration of HK$100,000,000. Koppert holds a 20% equity interest in Good Omen Enterprises Limited, which has entered into profit agreement with Hoi Seng Sociedade Unipessoal Limitada ("Hoi Seng") to acquire 0.4% of the rolling turnover generated by Hoi Seng.

On 16 November 2007, the Company entered into two Share Acquisition Agreements, the first one is to acquire from Ultra Choice, 85% equity interest in Profit Forest Limited for a total consideration of HK$1,144.44 million. The consideration for this Acquisition had been satisfied by paying HK$82.44 million in cash upon completion, procuring the company to issue the Convertible Bond in principal amount of HK$846 million to Ultra Choice and to allot and issue the Consideration Shares at an issue price of HK$0.3 per Consideration Share, credited as fully paid for the balance of the consideration in a sum of HK$216 million.

On same date, the Company entered into another Share Acquisition Agreement, that is to acquire from Faith Mount, 85% equity interest in Sky Advantage limited for a total consideration of HK$381.48 million. The consideration for this Acquisition had been satisfied by paying HK$27.48 million in cash upon completion, procuring the company to issue the Convertible Bond in principal amount of HK$138 million to Ultra Choice and to allot and issue the Consideration Shares at an issue price of HK$0.3 per Consideration Share, credited as fully paid for the balance of the consideration in a sum of HK$216 million.

The Group had shored up sufficient capital to develop this project. Details of the acquisition have been announced in the Company's circular dated 13 February 2008.

CAPITAL COMMITMENT

On 22 June 2008 and 27 June 2008 , Rich Pearl, a wholly-owned subsidiary of the Company, entered into the Share Acquisition Agreement and a Deed of Variation respectively to acquire from Mr. Choi, 100% of the total issued share capital of Best Max for a total consideration of HK$4,320,000,000.

The consideration for the Acquisition shall be satisfied by Rich Pearl by paying a refundable deposit in a sum of HK$50,000,000 which were duly paid on 31 July 2008 and another HK$275,000,000 in cash upon Completion. The Company will issue the Promissory Note in a principal amount of HK$1.2 billion to Mr. Choi upon Completion and subject to a cap of 19.99% of the issued share capital of the Company from time to time, procuring the Company to allot and issue the relevant number of Consideration Shares credited as fully paid, for the rest of the consideration in a sum of HK$2.795 billion upon Completion.

The Company is undercapitalized for this project and the dire situation would seriously jeopardize our ability to relent a loan to Mr. Choi if we cannot raise capital resource from the strained financial market. Mr. Choi will contemplate to scale back in this operation subject to our mutual concession.

At 30 June 2008, capital commitment in aggregate for the acquisition is as follow:

	THE GROUP AND THE COMPANY	
	2008	2007
	HK$'000	HK$'000
Contracted but not provided for acquisition of:		
– Best Max Ltd	**4,320,000**	–
– Credible Limited	**–**	140,000
– Koppert International Limited	**–**	100,000
	4,320,000	240,000

EMPLOYEES

The Group employs approximately 81 staff in Hong Kong and their remuneration packages are generally structured by reference to market terms and individual merit. Salaries are normally reviewed on an annual basis based on performance appraisals and other relevant factors.

SUBSEQUENT EVENT

Details of significant events occurring after the balance sheet date are set out in Note 43 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

■ Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Lin Cheuk Fung, aged 35, was appointed as an executive director on 21 June 2005 and re-designated as the chairman of the Board of the Company on 8 June 2006. Mr. Lin has over 10 years of experience in a number of business activities ranging from garment industry, automobile business, property investment, cruise ship operation to casino operation. Currently, he is Hong Kong Commerce & Industry Association Ltd. and the vice president of The Association of Industries and Commerce of N.E. New Territories. The Board is of the view that Mr. Lin's extensive business experience is valuable to the Group and will, in the long run, assist the Group to diversify into other areas of business.

Mr. Nicholas J. Niglio, aged 62, was appointed as an executive director on 3 September 2007. He has over 25 years varied background in gambling focused entertainment field dating back to 1983. Through out all these years, he versed himself in management of all kinds of gaming activities and have proven success of his accomplishments.

Prior to his current position, Mr. Niglio previously was Executive Vice President of Trump Taj Mahal Casino Resort, Inc. Atlantic City NJ ("Trump") serving as senior executive in Casino marketing and international operation, from October 1993 to August 2001, he originally joined Trump in October 1993 as Executive Vice President to oversee all operational and administrative management of marketing program. Regional offices including Asia, Middle East, Europe and Latin America were under all his management.

Mr. Niglio worked at Caesars World Inc, Atlantic City NJ from 1986 to1993 in such capacities as: Senior Vice President Eastern Operation and Vice President Casino Operations of Caesars Palace. He worked at Caesars in such capacities to develop casino marketing operation in all aspect and to train up staff to raise the level of customer service.

Mr. Niglio was also a senior executive holding the position of Vice President Casino Marketing and director of Casino Administration in Resort International Hotel and Casino, Atlantic City NJ from 1978 to 1986.

Mr. Niglio graduated from the California State University with a Master degree in business administration, a B.S. degree in accounting from Saint Peter's College, Jersey City NJ.

Mr. Chan Shiu Kwong, Stephen, aged 52, was appointed as an executive director of the Company on 20 April 2005. Mr. Chan holds a Master degree in Professional Accounting from Hong Kong Polytechnic University and a Bachelor of Commerce. He is currently a fellow member of CPA (Australia) and member of Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Secretaries and Administrators, the Hong Kong Institute of Company Secretaries. Mr. Chan has over 23 years of experience in property development, manufacturing, travel and gaming related industries. He has worked for multinational companies and listed companies providing him profound experience in merger and acquisition, treasury and corporate finance.

Mr. Lau Kwok Hung, aged 62, was appointed as an executive director of the Company on 11 October 2001. He is the brother of Mr. Lau Kwok Keung, an executive director of the Company. Mr. Lau holds a Senior Executive Master Degree in Business Administration from Charles Darwin University. He is a fellow of the Hong Kong Institute of Certified Public Accountants. He has over 25 years of experience in accounting and finance, auditing, taxation, company secretarial practice and corporate finance. He is also the company secretary of the Company.

Mr. Wan Yau Shing, Ban, aged 43, was appointed as an executive director of the Company on 11 April 2007. Mr. Wan Yau Shing is a management veteran in gaming industry. Mr. Wan has over 20 years of working experience in Macau gaming industry and cruise management, of which more than 10 years in senior management position. Mr. Wan was an appointed junket of several renowned casinos in Macau (including Lisboa) and was the operational director in cruise companies including Orient Princess, Success Cruise and Sea Pearl. With his remarkable success to manage gaming industry, he has a reputable standing in Macau gaming industry.

Mr. Lau Kwok Keung, aged 60, was appointed as an executive director of the Company on 13 May 2003. He is the brother of Mr. Lau Kwok Hung, an executive director of the Company. Mr. Lau graduated from the Faculty of Social Sciences, University of Hong Kong majoring in economics, accounting and business management. He also holds a Master Degree in Law from Renmin University of China. He has over 25 years of experience in manufacturing, trading, property development and securities investments.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Alton Cheung, aged 45, was elected as an independent non-executive director on 5 June 2007. He has over 12 years of business experience and is an elite of automobile dealer industry. At present he is currently holding directorship in a number of private companies which engaging in automobile distribution in PRC, China among most of the finest brand automobile in the world.

He graduated from California College of Arts and Craft, Berkeley, USA holding a Bachelor degree major in faculty of communication and fine arts. Also he is currently an Independent Non-executive Director of Hang Ten (Holdings) Ltd, being a listed company in Hong Kong and now a full membership of Royal Hong Kong Yacht Club and Hong Kong Jockey Club.

Mr. Yue Fu Wing, aged 40, was appointed as an independent non-executive director and a member of the audit committee of the Company on 15 January 2005. Mr. Yue is a fellow of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. He has a Master Degree in PRC Accounting from Jinan University in China and a Bachelor Degree in Accountancy from the City University of Hong Kong. Mr. Yue has over 10 years of experience in accounting and finance. He has worked for a multinational company, a Hong Kong listed company and an international accounting firm.

Mr. Wong Tat Tung, aged 38, has over 12 years of business experience in the field of wealth management, asset management specializing in fund portfolio and offshore financial arrangement. He is a co-founder of CASH Federick Taylor Ltd and was subsequently appointed as managing director thereafter. At present, Mr. Wong is an executive director of CASH Asset Management Ltd. Prior to joining CASH, Mr. Wong obtained vast experience in asset management whilst working as Vice President for Credit Suisse Privilege Limited in Hong Kong and across Asia.

At present, Mr. Wong serves as a councilor of Sham Shui Po District Council for the Hong Kong Special Administrative Region and a committee member of the city of Jiangmen Chinese People's Political Consultative Conference in Guangdong province. He is also an Honorary Citizen of Ararat Rural City, Australia. Mr. Wong is a keen supporter of many community service organizations including but not limited to "Guangdong Jiangmen City Young Entrepreneur's association", "Guangdong Young Entrepreneur's Association", "Sham Shui Po District Fire Safety Ambassador Honorary President's Association" etc. and now is Vice Chairman of Yan Oi Tong and at same time offered by many educational institutions as distinguished school board members of their schools. Mr. Wong is currently a Honorary advisor of Registered Financial Planner institution US.

SENIOR MANAGEMENT

Various businesses and functions of the Company are respectively under the direct responsibilities of the executive directors who are regarded as senior management of the Company.

■ Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

During the year ended 30 June 2008, the Company has, as far as possible, complied with the provisions of the Code on Corporate Governance Practices (the "Code Provisions") as set out in Appendix 14 of the Listing Rules, except for the deviation from Code Provision A.4.1 which is described below:

– Non-executive directors should be appointed for specific terms and subject to re-elections. All independent non-executive directors of the Company are not appointed for specific terms, but subject to retirement by rotations and re-elections at the annual general meeting of the Company in accordance with Bye-Laws of the Company.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in Appendix 10 of the Listing Rules. Having made specific enquiry, all Directors have fully complied with the required standard set out in the Model Code throughout the year under review.

THE BOARD OF DIRECTORS

(a) Composition

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision making. The Board currently comprises six executive directors, and three independent non-executive directors. The biographical details of the directors are set out on pages 16 to 18 of this Annual Report. The Company has received from each of the independent non-executive directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive directors to be independent.

(b) Roles of Chairman and Chief Executive Officer

The Code Provision A.2.1 stipulates that the roles of chairman of the Board (the "Chairman") and chief executive officer (the "CEO") should be separated and should not be performed by the same individual and that the division of responsibilities between the Chairman and the CEO should be clearly stated. The Company fully supports such a division of responsibility between the Chairman and the CEO in order to ensure a balance of power and authority. The positions of the chairman of the Board and the chief executive officer are segregated and are held by Mr. Lin Cheuk Fung and Mr. Nicholas J. Niglio respectively. These positions have clearly defined separate responsibilities.

The chairman is responsible for leading and supervising the operations of the Board of Directors, effective planning of board meetings, ensuring the Board is acting to the best interests of the Company.

The chief executive officer is responsible for the administration of the Company business, as well as to formulate and implement Company policies, and answerable to the Board in relation to the Company overall operation.

Corporate Governance Report (Continued)

THE BOARD OF DIRECTORS (Continued)

(c) Responsibilities

The Board determines the overall strategies, monitors and controls operating and financial performance and sets appropriate policies to manage risks in pursuit of the Group's strategic objectives. Day-to-day management of the Group's business is delegated to the executive director or officer in charge of each division. The functions and power that are so delegated are reviewed periodically to ensure that they remain appropriate.

(d) 15 board meetings were held during the financial year ended 30 June 2008. Details of directors' attendance records are set out below:

	Attendance of Board meetings
Executive directors	
Mr. Lin Cheuk Fung	**14/15**
Mr. Nicholas J. Niglio	**8/15**
Mr. Chan Shiu Kwong, Stephen	**15/15**
Mr. Lau Kwok Hung	**15/15**
Mr. Wan Yau Shing, Ban	**15/15**
Mr. Lau Kwok Keung	**14/15**
Independent non-executive directors	
Mr. Cheung Yat Hung, Alton	**12/15**
Mr. Yue Fu Wing	**15/15**
Mr. Wong Yuk Man	**3/15**

BOARD COMMITTEES

Two committees, namely, the audit committee and the remuneration committee, were established under the Board to oversee their functions. The board has not established a nomination committee at the moment, but will continue to review whether there is a need to establish such a nomination committee in future.

(a) Audit Committee

The audit committee comprises three independent non-executive directors, namely Mr. Cheung Yat Hung, Alton, Mr. Yue Fu Wing and Mr. Wong Yuk Man. Mr. Yue Fu Wing possesses relevant professional qualifications and financial management expertise and meets the requirements of rule 3.2.1 of the Listing Rules.

The audit committee has clear terms of reference and is accountable to the Board. It assists the Board in meeting its responsibilities for ensuring an effective system of internal control and compliance and in meeting its external financial reporting objectives.

BOARD COMMITTEES (Continued)

(a) Audit Committee (Continued)

2 audit committee meetings were held during the financial year ended 30 June 2008. Attendance of the members is set out below:

Members	Attendance of Audit Committee meetings
Mr. Yue Fu Wing	**2/2**
Mr. Wong Yuk Man	**nil**
Mr. Cheung Yat Hung, Alton	**2/2**

The following is a summary of the work performed by the audit committee during the year:

– review of the Group's unaudited interim report for the six months ended 31 December 2007 and audited financial statements for the year ended 30 June 2008;

– review of the internal control and risk management framework;

– review of new and/or revised accounting standards and practices applicable to the Group and their impacts to the Group; and

– report of the findings and making recommendations to the Board for improvements or implementations in respect of the above matters.

(b) Remuneration Committee

The remuneration committee comprises two independent non-executive directors and one executive director. The remuneration committee was established with specific written terms of reference and is principally responsible for reviewing and approving remuneration packages of directors and senior management, including salaries, bonuses, benefits in kind and the terms on which they participate in any share option schemes. No director or senior management will determine his own remuneration. The Remuneration Committee met once during the year.

NOMINATION OF DIRECTORS

The Board is responsible for the formulation of nomination policies, making recommendations to shareholders on directors standing for re-election, providing sufficient biographical details of directors to enable shareholders to make an informed decision on the re-election, and where necessary, nominating appropriate persons to fill causal vacancies or as additions to the Board. The chairman from time to time reviews the composition of the Board with particular regard to ensuring that there is an appropriate number of directors on the Board. He also identifies and nominates qualified individuals for appointment as new directors of the Company.

New directors of the Company will be appointed by the Board. The Board will take into consideration criteria such as expertise, experience, integrity and commitment when considering new director appointments.

On 3 September 2007, Mr. Nicholas J. Niglio was appointed as an executive director and on 22 August 2008, Mr. Wong Tat Tung was appointed as an independent non-executive director and a member of the audit committee to replace Mr. Wong Yuk Man who resigned as an independent non-executive director and a member of the audit committee on 4 August 2008.

RESPONSIBILITIES IN RESPECT OF FINANCIAL STATEMENTS

The directors acknowledge their responsibility for preparing the accounts which were prepared in accordance with statutory requirements and applicable accounting standards. A statement by the auditors about their reporting responsibilities is set out on pages 29 to 30 of this Annual Report.

There are no material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

AUDITORS' REMUNERATION

During the year ended 30 June 2008, the remuneration paid and payable to the auditors of the Company, HLB Hodgson Impey Cheng for provision of statutory audit and other non-audit services were approximately HK$650,000 and HK$449,000 respectively.

INTERNAL CONTROL

The internal control system is designed to facilitate the effectiveness and efficiency of operations, safeguard assets against unauthorized use and disposition, ensure the maintenance of proper accounting records and the truth and fairness of the financial statements, and ensure compliance with relevant legislation and regulations. It provides reasonable, but not absolute, assurance against material misstatement or loss and manages rather than eliminates risks associated with its business activities.

INTERNAL CONTROL (Continued)

The Board, recognizing its responsibilities in ensuring sound internal controls, has developed a risk management framework for the Group to assist in:

- identifying the significant risks faced by the Group in the operating environment as well as evaluating the impact of such risks identified;
- developing the necessary measures for managing these risks; and
- monitoring and reviewing the effectiveness of such measures.

The Board has entrusted the audit committee with the responsibility to oversee the implementation of the risk management framework of the Group. In discharging this responsibility, the audit committee:

- periodically evaluates identified risks for their continuing relevance in the operating environment and inclusion in the risk management framework;
- assesses adequacy of action plans and control systems developed to manage these risks; and
- monitors the performance of management in executing the action plans and operating the control systems.

These on-going processes have been in place for the year under review, and reviewed periodically by the audit committee.

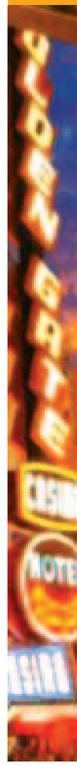
Furthermore, the Board takes extreme precautionary measures in the handling of price-sensitive information. Such information is restricted to a need-to-know basis.

The Board, through audit committee, has conducted an annual review on the Group's internal control systems and considers that it is adequate and effective. The Board is satisfied that the Group has fully complied with the provisions on internal controls as set out in CGP code.

COMMUNICATIONS WITH SHAREHOLDERS

The Company recognizes the importance of maintaining an on-going and timely communication with shareholders to enable them to form their own judgment and to provide constructive feedback.

The primary communication channel between the Company and its shareholders is through the publication of notices, circulars, interim and annual reports. The Company's Registrars serve the shareholders regarding all share registration matters. The Company's annual general meeting provides a useful forum for shareholders to exchange views with the Board. Separate resolutions are proposed at general meeting on each substantially separate issue, including the election of individual directors. The Company has also complied with the requirements of the Listing Rules and the Articles of Association in respect of voting by poll and other related matters.



Report of the Directors

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Mr. Lin Cheuk Fung (Chairman)
Mr. Nicholas J. Niglio
Mr. Chan Shiu Kwong, Stephen
Mr. Lau Kwok Hung
Mr. Wan Yau Shing, Ban
Mr. Lau Kwok Keung

Independent non-executive directors:

Mr. Yue Fu Wing
Mr. Cheung Yat Hung, Alton
Mr. Wong Tat Tung (Appointed on 22 August 2008)
Mr. Wong Yuk Man (Resigned on 4 August 2008)

In accordance with Articles 79 and 84 of the Company's Articles of Association, Mr. Lau Kwok Hung and Mr. Lau Kwok Keung, and Mr. Wong Tat Tung shall retire by rotation and being eligible, offer themselves for re-election except that Mr. Lau Kwok Keung has served a notice to the Board that he will not offer himself for re-election as an executive director at the AGM due to his personal commitments. Mr. Lau Kwok Keung will retire as an executive director at the conclusion of the AGM.

The terms of office of non-executive directors are subject to retirement by rotation in accordance with the above Articles.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Company considers all of the independent non-executive directors are independent.

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

I. Shares

As at 30 June 2008, the interests of the directors and their associates in the shares, underlying shares and debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Long positions in ordinary shares of the Company

Director	Nature of interest	Number of ordinary shares held	Percentage of shares held
Mr. Lin Cheuk Fung	Personal	375,000,000	9.75%

Note: Save as disclosed above and other than certain nominee shares in the subsidiaries held by directors in trust for the Company, none of the Company's directors or their associates had any interests, or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as defined in the SFO.

II. Options

The Company operates a share option scheme (the "Scheme") under which the directors may, at their discretion, grant options to employees, including any of the directors of the Company, to subscribe for shares in the Company, subject to the stipulated terms and conditions. Details of the Company's share option scheme are set out in the Note 37 to the financial statements.

Share options of the Company

Name of director	Number of ordinary share options held	Percentage of issued options
Mr. Lin Cheuk Fung	2,390,000	0.96%
Mr. Chan Shiu Kwong, Stephen	2,388,000	0.96%
Mr. Lau Kwok Hung	2,388,000	0.96%
Mr. Wan Yau Shing, Ban	3,000,000	1.20%
Mr. Nicholas J. Niglio	2,300,000	0.92%

Save as disclosed above, none of the Company's directors and chief executives, or their spouses or children under the age of 18, had any rights to subscribe for the securities of the Company, or had exercised any such rights during the year.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

The share option scheme adopted by the Company on 30 November 2000 enables the directors and employees of the Group to subscribe for shares in the Company, details of which are set out in Note 37 to financial statements. The share option scheme was adopted prior to the new rules on share option schemes under the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange coming into operation. The Company may only grant further options under the share option scheme if the options are granted in accordance with the requirement of the new rules of Chapter 17 of the Listing Rules.

Particulars of the Company's new share option scheme effective on 18 September 2007 and unless otherwise cancelled or amended, will remain in force for 10 years from that date and details of movements in the share options of the Company during the year are set out in Note 37 to the financial statements.

Saves as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares in or debenture of the Company or any other body corporate.

SUBSIDIARIES

Details of the Company's subsidiaries at 30 June 2008 are set out in Note 20 to financial statements.

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

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

MANAGEMENT CONTRACTS

A management services contract was made on the 1st day of October 2007 between Walden Maritime S.A. and the Company for a period of 1 year. Under this contract, the Company shall be paid a management fee of HK$500,000 per month.

DIRECTOR'S SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

DIRECTORS' INTEREST IN CONTRACTS

Saved as disclosed in Note 42 to the financial statement, no contracts of significance to which the Company or any of its subsidiaries was a party and in which any director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS AND INTERESTS DISCLOSABLE UNDER THE SFO

At 30 June 2008, the following interest of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name of shareholders	Number of ordinary shares held	Percentage of shares held
Mr. Lin Cheuk Fung	375,000,000	9.75%
Ultra Choice Limited	720,000,000	18.71%
Faith Mount Limited	720,000,000	18.71%
Jumbo Boom Holdings Limited	310,817,678	8.08%

Details of the above interests of Mr. Lin Cheuk Fung are also disclosed above under directors' interest in securities. Save as disclosed above, no person had registered an interest of 5% or more of the share capital of the Company that was required to be recorded under Section 336 of the SFO as at 30 June 2008.

MATERIAL RELATED PARTY TRANSACTIONS

Details of other related party transactions of the Group are set out in Note 42 to financial statements.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Details of biographical details of directors and senior management are set out on pages 16 to 18 of this annual report.

RETIREMENT SCHEME

Details of the retirement scheme of the Group and the employer's pension costs charged to the consolidated income statement for the year are set out in Note 39 to financial statements. In the opinion of the directors, the Group had no significant obligations at 30 June 2008 for long service payments to its employees pursuant to the requirements under the Employment Ordinance.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company was in compliance with the provisions of the Code on Corporate Governance Practices (the "Code Provisions") as set out in Appendix 14 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the "Listing Rules"), throughout the accounting year covered by the financial statements, except for code provision A.4.1 details of which are set out in the Corporate Governance Report on pages 19 to 23 of this annual report.

Report of the Directors (Continued)

MODEL CODE FOR SECURITIES BY DIRECTORS

The Company has complied with the code of conduct regarding securities transactions by the directors on terms no less exacting than the required standard of dealings as set out in the Model Code. Having made specific enquiry of all directors, they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transaction by the directors adopted by the Company. Details of compliance with the Model Code by directors are set out in the Corporate Governance Report on page 19 of this annual report.

SUBSEQUENT EVENTS

Details of significant events occurring after the balance sheet date are set out in Note 43 to the financial statements.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company. At the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares are required under the Listing Rules.

AUDIT COMMITTEE

The audit committee, comprising three members, all being independent non-executive directors of the Company, has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the Group's financial statements for the year ended 30 June 2008.

AUDITORS

Messrs HLB Hodgson Impey Cheng retire and, being eligible, offer themselves for re-appointment. A resolution will be submitted to the annual general meeting to re-appoint Messrs HLB Hodgson Impey Cheng as auditors of the Company.

On Behalf of the Board

Lin Cheuk Fung
Chairman

Hong Kong, 26 November 2008

HLB 國衛會計師事務所
Hodgson Impey Cheng

Chartered Accountants
Certified Public Accountants

31/F Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF NEPTUNE GROUP LIMITED

(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Neptune Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 31 to 129 which comprise the consolidated and company balance sheets as at 30 June 2008 and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company 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 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.

AUDITORS' 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, in accordance with Section 141 of the Hong Kong Companies Ordinance, and for no other purposes. 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.

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 auditors' 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 auditors consider 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 and the Company as at 30 June 2008 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

Hong Kong, 26 November 2008

Consolidated Income Statement

For the year ended 30 June 2008

	Notes	2008 HK$'000	2007 HK$'000
Turnover	6	390,767	129,959
Cost of sales		(116,199)	(99,085)
Gross profit		274,568	30,874
Fair value changes on financial assets at fair value through profit or loss		2,116	1,215
Other revenue	6	13,582	4,952
Other income	7	89,050	150
Distribution costs		(1,771)	(1,347)
Administrative expenses		(21,600)	(17,995)
Impairment of intangible assets	18	(171,000)	–
Impairment of goodwill	19	(210,928)	–
Equity-settled share-based payment expenses		(30,640)	(6,068)
Share of results of associate	21	42,470	–
Finance costs	8	(9,705)	(1,593)
(Loss)/profit before tax	7	(23,858)	10,188
Income tax expense	11	(1,131)	(797)
Net (loss)/profit for the year		(24,989)	9,391
Attributable to			
– Minority interests		124,525	4,746
– Equity holders of the Company		(149,514)	4,645
Net (loss)/profit for the year		(24,989)	9,391
(Loss)/earnings per share attributable to equity holders of the Company	14		
– Basic and diluted		(5.61) cents	0.34 cents

All of the Group's activities are classed as continuing.

The accompanying notes form an integral part of these financial statements.

Consolidated Balance Sheet

At 30 June 2008

	Notes	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment	15	142,880	161,853
Investment properties	16	30,500	28,550
Prepaid land premiums	17	4,662	2,514
Intangible assets	18	2,016,793	–
Goodwill	19	10,483	45
Interest in an associate	21	148,617	–
		2,353,935	192,962
Current assets			
Inventories	22	16,968	17,310
Trade and other receivables	23	390,244	50,226
Loan receivables	24	6,000	28,000
Amount due from a related company	25	710	710
Financial assets at fair value through profit or loss	26	282	1,782
Derivative financial instruments	27	145,328	–
Dividend receivable		42,470	–
Pledged bank deposits	29	214	68
Cash at securities companies		264	38,526
Cash and bank balances		39,424	122,840
		641,904	259,462
Less: Current liabilities			
Bank overdrafts	29	867	374
Trade and other payables	30	32,583	41,258
Deposits received	31	–	81,813
Amount due to a minority shareholder	32	–	29,100
Promissory notes	35	15,000	–
Dividend payable to minority shareholders		210,153	–
Tax payable		4,264	3,290
		262,867	155,835
Net current assets		379,037	103,627
Total assets less current liabilities		2,732,972	296,589

	Notes	2008 HK$'000	2007 HK$'000
Less: Non-current liabilities			
Deferred tax liabilities	34	50,089	393
Convertible notes	36	685,393	–
		735,482	393
Net assets		1,997,490	296,196
Capital and reserves			
Share capital	37	769,449	287,953
Reserves	38	536,446	(7,345)
Equity attributable to equity holders of the Company		1,305,895	280,608
Minority interests		691,595	15,588
Total equity		1,997,490	296,196

Approved by the Board of Directors on 26 November 2008 and signed on its behalf by:

Lau Kwok Hung
Director

Chan Shiu Kwong, Stephen
Director

The accompanying notes form an integral part of these financial statements.

Balance Sheet

At 30 June 2008

	Notes	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment	15	1,076	405
Interests in subsidiaries	20	2,013,959	174,707
		2,015,035	175,112
Current assets			
Other receivables	23	989	4,060
Loan receivables	24	–	17,500
Derivative financial instruments	27	145,328	–
Cash at securities companies		247	38,522
Cash and bank balances		6,989	82,819
		153,553	142,901
Less: Current liabilities			
Bank overdrafts	29	37	–
Trade and other payables	30	5,745	2,382
Deposits received	31	–	81,813
Amounts due to subsidiaries	33	2,226	2,224
Promissory notes	35	15,000	–
		23,008	86,419
Net current assets		130,545	56,482
Total assets less current liabilities		2,145,580	231,594
Less: Non-current liabilities			
Deferred tax liabilities	34	49,270	–
Convertible notes	36	685,393	–
		734,663	–
Net assets		1,410,917	231,594
Capital and reserves			
Share capital	37	769,449	287,953
Reserves	38	641,468	(56,359)
Total equity		1,410,917	231,594

Approved by the Board of Directors on 26 November 2008 and signed on its behalf by:

Lau Kwok Hung
Director

Chan Shiu Kwong, Stephen
Director

The accompanying notes form an integral part of these financial statements.

■ Consolidated Statement of Changes in Equity

For the year ended 30 June 2008

	Equity attributable to equity holders of the Company									
	Share capital HK$'000	Share premium account HK$'000	Convertible notes reserve HK$'000	Non-distributable reserve HK$'000	Special reserve HK$'000 (note (a))	Share options reserve HK$'000	Accumulated losses HK$'000	Sub-total HK$'000	Minority interest HK$'000	Total HK$'000
At 1 July 2006	247,953	61,454	277	2,264	–	–	(82,074)	229,874	10,842	240,716
Net profit for the year	–	–	–	–	–	–	4,645	4,645	4,746	9,391
Total recognised income and expense for the year	–	–	–	–	–	–	4,645	4,645	4,746	9,391
Extension of convertible notes	–	–	283	–	–	–	–	283	–	283
Conversion of convertible notes into shares	40,000	298	(560)	–		–	–	39,738	–	39,738
Recognition of equity-settled share-based payment expenses	–	–	–	–	–	6,068	–	6,068	–	6,068
At 30 June 2007 and 1 July 2007	287,953	61,752	–	2,264	–	6,068	(77,429)	280,608	15,588	296,196
Net (loss)/profit for the year	–	–	–	–	–	–	(149,514)	(149,514)	124,525	(24,989)
Total recognised income and expense for the year	–	–	–	–	–	–	(149,514)	(149,514)	124,525	(24,989)
Equity component of convertible notes	–	–	595,783	–	–	–	–	595,783	–	595,783
Deferred tax arising on issue of convertible notes	–	–	(50,404)	–	–	–	–	(50,404)	–	(50,404)
Issue of shares	193,496	91,612	–	–	–	–	–	285,108	–	285,108
Share issue expenses	–	(4,566)	–	–	–	–	–	(4,566)	–	(4,566)
Consideration shares	288,000	144,000	–	–	(113,760)	–	–	318,240	–	318,240
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	761,635	761,635
Recognition of equity-settled share-based payment expenses	–	–	–	–	–	30,640	–	30,640	–	30,640
Lapse of equity-settled share-based payment expenses	–	–	–	–	–	(9,700)	9,700	–	–	–
Dividend payable	–	–	–	–	–	–	–	–	(210,153)	(210,153)
At 30 June 2008	**769,449**	**292,798**	**545,379**	**2,264**	**(113,760)**	**27,008**	**(217,243)**	**1,305,895**	**691,595**	**1,997,490**

Note:

(a) The special reserve amounting to approximately HK$113,760,000 represents the difference between the fair value and the contracted value of the consideration shares paid for acquisition of subsidiaries during the year ended 30 June 2008 (Notes 40(c) and (d)).

The accompanying notes form an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 30 June 2008

	2008 HK$'000	2007 HK$'000
Cash flows from operating activities		
(Loss)/profit before tax	(23,858)	10,188
Adjustments for:		
Interest income	(11,637)	(4,678)
Dividend income from listed investments	(21)	(3)
Equity-settled share-based payment expenses	30,640	6,068
Fair value changes on financial assets at fair value through profit or loss	(2,116)	(1,215)
Fair value changes on investment properties	(1,950)	(150)
Fair value changes on derivative financial instruments	(38,521)	–
Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost	(48,333)	–
Amortisation	123	64
Depreciation	18,263	18,319
Finance costs	9,705	1,593
Share of results of associate	(42,470)	–
Loss on disposal of property, plant and equipment	2,958	–
Provision for obsolete inventories	–	963
Impairment of intangible assets	171,000	–
Impairment of goodwill	210,928	–
Impairment loss recognised in respect of trade receivables	357	776
Impairment loss recognised in respect of other receivables	–	477
Reversal of impairment loss recognised in respect of trade receivables	(246)	–
Operating profit before working capital changes	274,822	32,402
Decrease/(increase) in inventories	342	(955)
Increase in trade and other receivables	(246,754)	(16,729)
Decrease/(increase) in loan receivables	22,000	(28,000)
(Decrease)/increase in trade and other payables	(8,704)	2,193
Decrease in amount due to a minority shareholder	(29,100)	–
Cash generated from/(used in) operations	12,606	(11,089)
Interest paid	(13)	(989)
Hong Kong Profits Tax paid	(797)	(896)
Net cash inflow/(outflow) from operating activities	11,796	(12,974)

	2008 HK$'000	2007 HK$'000
Cash flows from investing activities		
Interest received	4,132	3,366
Purchase of property, plant and equipment	(2,248)	(300)
Purchase of prepaid land premiums	(2,328)	–
Dividend received	21	3
Proceeds from disposal of financial assets at fair value through profit or loss	3,616	–
Acquisition of subsidiaries	(320,743)	–
(Increase)/decrease in pledged bank deposits	(146)	4,383
Net cash (outflow)/inflow from investing activities	(317,696)	7,452
Cash flows from financing activities		
Deposit received from open offer	–	81,813
Proceeds from issue of shares	203,295	–
Share issue expenses	(4,566)	–
Repayment of promissory notes	(15,000)	–
Repayment of loans	–	(1,564)
Net cash inflow from financing activities	183,729	80,249
Net (decrease)/increase in cash and cash equivalents	(122,171)	74,727
Cash and cash equivalents at the beginning of the year	160,992	86,265
Cash and cash equivalents at the end of the year	38,821	160,992
Analysis of the balances of cash and cash equivalents:		
Cash and bank balances	39,424	122,840
Cash at securities companies	264	38,526
Bank overdrafts	(867)	(374)
	38,821	160,992

The accompanying notes form an integral part of these financial statements.

Notes to Financial Statements

For the year ended 30 June 2008

1. CORPORATE INFORMATION

The Company was incorporated in Hong Kong as a limited liability company and its shares are listed on The Stock Exchange of Hong Kong Limited ("The Stock Exchange"). The registered office and the principal place of business of the Company is located at Room 1807, 18 Floor, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are leasing of the 70% owned cruise, manufacturing and trading of electrical equipments, provision of electrical engineering and contracting services, and receiving the profit streams from gaming and entertainment related business.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Judgments made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustments in the next year are discussed in Note 3 to the financial statements.

In the current year, the Group has applied for the first time, the following new standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning 1 July 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK (IFRIC) – Int 10	Interim Financial Reporting and Impairment
HK (IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The adoption of the new HKFRSs, except for HKAS 1 (Amendment) and HKFRS 7, had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

Impact of new and revised HKFRSs not yet effective

		Effective for accounting periods beginning on or after
HKFRSs (Amendments)	Improvements to HKFRSs	1 January 2009 (except the amendment to HKFRS 5 which are effective for annual periods beginning on or after 1 July 2009)
HKAS 1 (Revised)	Presentation of Financial Statements	1 January 2009
HKAS 23 (Revised)	Borrowing Costs	1 January 2009
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements	1 July 2009
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2009
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations	1 January 2009
HKFRS 3 (Revised)	Business Combinations	1 July 2009
HKFRS 8	Operating Segments	1 January 2009
HK (IFRIC) – Int 12	Service Concession Arrangements	1 January 2008
HK (IFRIC) – Int 13	Customer Loyalty Programmes	1 July 2008
HK (IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2008
HK (IFRIC) – Int 15	Agreements for the Construction of Real Estate	1 January 2009
HK (IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation	1 October 2008
		Effective from
HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets	1 July 2008

The management is in the process of making an assessment of the impact of these new standards, amendments and interpretations to existing standards. The directors of the Company so far have concluded that the application of these new standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

For the year ended 30 June 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Basis of preparation

The measurement basis used in the preparation of the financial statements is historical cost convention except for certain financial assets, financial liabilities, derivative financial instruments and investment properties which have been carried at fair values as explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 30 June 2008.

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

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

Intra-group transactions and balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

Business combinations

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

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 consolidated income statement.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Investment in an associate

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor interest in a joint venture.

The results and assets and liabilities of an associate are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investment in an associate is carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profits or losses and of changes in equity of the associate, less any identified impairment losses. 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 associates), 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 cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

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.

For the year ended 30 June 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsidiaries

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement.

In the financial statements of the Company, investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received or receivable.

Goodwill

Goodwill arising on acquisitions prior to 1 January 2005

Goodwill arising on an acquisition of a subsidiary or a jointly controlled entity for which the agreement date is before 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant subsidiary or the relevant jointly controlled entity at the date of acquisition.

For previously capitalised goodwill arising on acquisitions of subsidiaries, the Group has discontinued amortisation from 1 January 2005 onwards, and such goodwill (net of cumulative amortisation at 31 December 2005) is tested for impairment annually, and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired (see the accounting policy below).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill (Continued)

Goodwill arising on acquisitions on or after 1 January 2005

Goodwill arising on an acquisition of a subsidiary or a jointly controlled entity (which is accounted for using proportionate consolidation) for which the agreement date is on or after 1 January 2005 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 or jointly controlled entity 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 or a jointly controlled entity 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 or a jointly controlled entity, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Property, plant and equipment

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

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

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

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

Investment property

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

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

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are performed in accordance with the guidance issued by the International Valuation Standards Committee. These valuations are reviewed annually by external valuers.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment property (Continued)

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated income statement during the financial period in which they are incurred.

Changes in fair values are recognised in the consolidated income statement.

Leases

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

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

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 consolidated 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 the consolidated income statement, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see below).

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfied the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to the initial recognition, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Impairment of non-financial assets (other than goodwill)

Where an indication of impairment exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the consolidated income statement in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill and certain financial assets is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the consolidated income statement in the period in which it arises.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group considers whether a contract contains an embedded derivative when the Group first becomes a party to it. The embedded derivatives are separated from the host contract which is not measured at fair value through profit or loss when the analysis shows that the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

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 as at fair value through profit or loss upon initial recognition:

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Financial assets at fair value through profit or loss (Continued)

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 value recognised directly in the consolidated income statement in the period in which they arise. The net gain or loss recognised in the consolidated income statement includes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any identified impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the consolidated income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

At each balance sheet date 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 the consolidated income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Available-for-sale financial assets (Continued)

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 and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and other valuation models.

Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair values at each balance sheet date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either hedges of the fair value of fixed-rate bank borrowings (fair value hedges) and hedges of highly probable forecast transactions for foreign currency exposure (cash flow hedges), or hedges of net investments in foreign operations.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate, being the effective interest rate computed at initial recognition. The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the consolidated income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Assets carried at amortised cost (Continued)

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the consolidated income statement to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the consolidated income statement, is transferred from equity to the consolidated income statement. Impairment losses on equity instruments classified as available-for-sale are not reversed through the consolidated income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

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 a contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at fair value through profit or loss and financial liabilities at amortised costs.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss has two categories, including financial liabilities held for trading and those designated as at fair value through profit or loss upon initial recognition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities at fair value through profit or loss (Continued)

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability 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 liability 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 liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in the consolidated income statement in the period in which they arise. The net gain or loss recognised in the consolidated income statement includes any interest paid on the financial liability.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, deposits received, amount due to a minority shareholder and bank overdrafts are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Gains and losses are recognised in the consolidated income statement when the liabilities are derecognised as well as through the amortisation process.

Convertible notes

Convertible notes issued by the Company that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument. For conversion option that does not meet the definition of an equity instrument, it is classified as a derivative financial liability and is carried at fair value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Convertible notes (Continued)

Convertible notes that contain an equity component

On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate of similar non-convertible debts. The difference between the proceeds of the issue of the convertible notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan notes into equity, is included in equity (convertible notes reserve).

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible notes reserve until the conversion option is exercised (in which case the amount will be transferred to the share premium account). Where the option remains unexercised at the expiry date, the amount stated in the convertible notes reserve will be released to retained profits. No gain or loss is to be recognised in the consolidated income statement upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and amortised over the period of the convertible notes using the effective interest method.

Convertible notes that do not contain an equity component

Conversion option that is classified as derivative financial liability are re-measured at each balance sheet date subsequent to initial recognition with changes in fair value recognised directly in the consolidated income statement in the period in which they arise.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

For grants of share options which are conditional upon satisfying specified vesting conditions, 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 options reserve). The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss with a corresponding adjustment to share options reserve.

For share options which are vested at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

At the time when the share options are exercised, the amount previously recognised in share options 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 options reserve will be transferred to retained earnings.

For the year ended 30 June 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. The difference between the carrying value of the financial liability derecognised and the consideration paid is recognised in the consolidated income statement.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amount is recognised in the consolidated income statement.

Interest-bearing bank borrowings

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

Inventories

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

Cash and cash equivalents

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

Provisions

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contingent liabilities and contingent assets

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

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

Construction contracts

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

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

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

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

Recognition of revenue

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

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

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

For the year ended 30 June 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recognition of revenue (Continued)

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

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

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

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

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

viii. Revenue from assignment of profit is recognised when the right to receive profit is established.

Foreign currencies translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in HK dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies translation (Continued)

(iii) *Group companies*

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

(2) Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(3) All resulting exchange differences are recognised as a separate component of equity. On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the consolidated income statement as part of the gain or loss on sale.

Taxation

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

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

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

Related party transactions

Parties are considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a joint-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, joint-controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment, benefit plan for the benefit of the employees of the Group, of any entity that is related party of the Group.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement benefits scheme

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

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

(iii) The Group operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

For share options granted to employees, 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 options reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The effect of the change in estimate, if any, is recognised in the consolidated income statement with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options 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 options reserve will be transferred to retained profits.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

For the year ended 30 June 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

In the process of applying the Group's accounting policies which are described in Note 2, the management has made certain key assumptions concerning the future, and other key resources of estimation uncertainty at the balance sheet date, that may have a significant risk in causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

(i) Impairment of goodwill

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

(ii) Estimate of recoverable amounts of assets

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

(iii) Measurement of convertible notes

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

(iv) Income tax

The Group is subject to income taxes in Hong Kong and the PRC. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(v) Estimate of fair value of investment properties

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

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

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

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

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

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

(v) Estimate of fair value of investment properties (Continued)

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

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

(vi) Estimated useful lives of property, plant and equipment

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

(vii) Net realisable value of inventories

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

(viii) Impairment loss of intangible assets

The Group tests annually whether intangible assets have suffered any impairment in accordance with the accounting policy stated above. The recoverable amounts of intangible assets have been determined based on discounted cash flow method (Note 18).

The carrying amount of intangible assets at the balance sheet date was approximately HK$2,016,793,000 (2007: Nil) after an impairment of approximately HK$171,000,000 (2007: Nil) was recognised during the year.

4. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT

(a) Categories of financial instruments

	2008 HK$'000	2007 HK$'000
Financial assets		
Classified as fair value through profit or loss		
– Held for trading	282	1,782
– Derivative financial instruments	145,328	–
Loans and receivables (including cash and cash equivalents)	436,856	240,370
Financial liabilities		
Amortised cost	733,843	152,545

(b) Financial risk management objectives and policies

The main risks arising from the Group's financial instruments are market risk (including interest rate risk, foreign exchange risk and other price risk), credit risk and liquidity risk. The management reviews and agrees policies for managing each of these risks and they are summarised below.

Market risk

The Group's activities expose it primarily to the financial risks of changes in interest rates, foreign currency exchange rates and equity prices.

Market risk exposures are measured by sensitivity analysis.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

Interest rate risk management

The Group's interest rate risk arises from interest-bearing borrowings. Borrowings issued at fixed rates expose the Group to fair value interest rate risk and those at variable interest rates expose the Group to cash flow interest rate risk. The Group did not enter into interest rate swap to hedge against its exposures to changes in fair values of the borrowings.

4. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

Interest rate risk management (Continued)

The Group considers that there is no significant cash flow interest rate risk as the Group does not have variable-rate borrowings.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

Foreign exchange risk management

Some subsidiaries of the Group have foreign currency sales and purchases, which expose the Group to foreign currency risk. The Group's sales and purchases are denominated primarily in Hong Kong dollars and EUR dollars, which expose the Group to foreign currency risk. The Group does not have any formal hedging policy.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	2008 HK$'000	2007 HK$'000
Assets		
EUR	5,041	1,214
Liabilities		
EUR	1,859	1,954

4. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

Sensitivity analysis on foreign exchange risk management

The following table details the Group's sensitivity to a 5% increase and decrease in Hong Kong dollars against the relevant foreign currency. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items, and adjusts their translation at the year end for a 5% change in foreign currency rates. A negative number below indicates a decrease in profit where the Hong Kong dollars strengthen 5% against the relevant currency. For a 5% weakening of the Hong Kong dollars against the relevant currency, there would be an equal and opposite impact of the profit and the balance below would be positive.

	2008 HK$'000	2007 HK$'000
Impact of EUR		
Profit or loss#	(159)	37

This is mainly attributable to the exposure outstanding on bank balances, receivables and payables denominated in EUR

Other price risks

The Group is exposed to equity price risk through its investment in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risk and return profiles. The Group's equity price risk is mainly concentrated on equity securities operating in garment and telecommunication industry sectors quoted in The Stock Exchange.

For the year ended 30 June 2008

4. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

Sensitivity analysis on other price risks

The sensitivity analysis below has been determined based on the exposure to equity price risk at the reporting date.

If equity prices had been 5% higher/lower, net profit for the year ended 30 June 2008 would increase/decrease by approximately HK$14,000 (2007: HK$89,000). This is mainly due to the changes in fair value of financial assets at fair value through profit or loss.

The Group's sensitivity to equity prices decreased due to the decrease in financial assets at fair value through profit or loss during the current year.

Credit risk

As at 30 June 2008, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet.

For sale of electrical equipments segment and electrical engineering and contracting services segment, the Group has put in place policies to ensure that sales of products are made to customers with an appropriate credit history and the Group performs periodic evaluations of its customers. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure adequate impairment losses are made for irrecoverable amounts.

For gaming and entertainment segment and cruise leasing segment, the Group has put in place policies to ensure that the debtors maintain appropriate credit policy and the Group performs periodic credit evaluations of its debtors. The Group reviews the recoverable amount of each individual debtors at each balance sheet date to ensure adequate impairment losses are made for irrecoverable amounts.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Trade receivables consist of a larger number of customers, spread across diverse industries.

Liquidity risk

The Group's liquidity risk management includes diversifying the funding sources. Internally generated cash flow, funds raising from issuance of promissory notes and convertible notes, and issuance of shares during the current year are the general source of funds to finance the operation of the Group. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

4. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

The following tables detail the Group's remaining contractual maturity for its financial liabilities which are included in the maturity analysis provided internally to the key management personnel for the purpose of managing liquidity risk. For non-derivative financial liabilities, the table reflects the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows.

	Weighted average effective interest rate %	Within 1 year HK$'000	2 to 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
At 30 June 2008						
Non-derivative financial liabilities						
Bank overdrafts	**–**	**867**	**–**	**–**	**867**	**867**
Trade and other payables	**–**	**32,583**	**–**	**–**	**32,583**	**32,583**
Promissory notes	**8**	**15,000**	**–**	**–**	**15,000**	**15,000**
Convertible notes	**5**	**–**	**–**	**984,000**	**984,000**	**685,393**
		48,450	**–**	**984,000**	**1,032,450**	**733,843**
At 30 June 2007						
Non-derivative financial liabilities						
Bank overdrafts	–	374	–	–	374	374
Trade and other payables	–	41,258	–	–	41,258	41,258
Deposits received	–	81,813	–	–	81,813	81,813
Amount due to a minority shareholder	–	29,100	–	–	29,100	29,100
		152,545	–	–	152,545	152,545

4. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (Continued)

(b) Financial risk management objectives and policies (Continued)

Fair value of financial instruments

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

(i) the fair value of financial assets and financial liabilities (including derivative instruments) with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively; and

(ii) the fair value of other financial assets and financial liabilities (including derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input. For an option-based derivative, the fair value is estimated using option pricing model (for example, Black-Scholes model and Binomial option pricing model).

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

(c) Capital risk management

The Group's objectives when managing capital are to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of debt (which includes bank overdrafts, promissory notes and convertible notes), and equity attributable to equity holders of the Company, comprising issued share capital, reserves and accumulated losses.

Gearing ratio

The directors review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. The ratio is calculated based on total debt and shareholders' equity.

4. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (Continued)

(c) Capital risk management (Continued)

Gearing ratio (Continued)

The gearing ratio at the year end was as follows:

	2008 HK$'000	2007 HK$'000
Total debt #	701,260	374
Shareholders' equity	1,305,895	280,608
Gearing ratio	53.70%	0.13%

Total debt comprises bank overdrafts, promissory notes and convertible notes as detailed in Notes 29, 35 and 36.

5. SEGMENT INFORMATION

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

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

(a) the gaming and entertainment segment consisted of the receive of profit streams from gaming and entertainment related business;

(b) the sale of electrical equipments segment consisted of the manufacture and trading of electrical equipments;

(c) the cruise leasing segment consisted of the leasing and management of the cruise; and

(d) the electrical engineering and contracting services segment consisted of the provision of electrical engineering and contracting services.

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

For the year ended 30 June 2008

5. SEGMENT INFORMATION (Continued)

(a) Business segments

THE GROUP

2008

	Gaming and entertainment HK$'000	Sale of electrical equipments HK$'000	Cruise leasing HK$'000	Electrical engineering and contracting services HK$'000	Consolidated HK$'000
Segment revenue:					
Sales/services to external customers	235,038	93,352	36,000	26,377	390,767
Segment results	(50,882)	7,610	20,244	3,683	(19,345)
Other gains and income					45,193
Unallocated administrative expenses					(9,361)
Equity-settled share-based payment expenses	(30,640)	–	–	–	(30,640)
Finance costs					(9,705)
Loss before tax					(23,858)
Income tax expense					(1,131)
Net loss for the year					(24,989)
Segment assets	2,550,528	74,354	170,928	11,297	2,807,107
Unallocated assets					188,732
Total assets					2,995,839

5. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

THE GROUP

2008 (Continued)

	Gaming and entertainment HK$'000	Sale of electrical equipments HK$'000	Cruise leasing HK$'000	Electrical engineering and contracting services HK$'000	Consolidated HK$'000
Segment liabilities	210,170	16,586	24	8,278	235,058
Unallocated liabilities					763,291
Total liabilities					998,349
Other segment information:					
Capital expenditure	2,187,793	3,533	254	–	2,191,580
Unallocated amounts					789
					2,192,369
Depreciation and amortisation	–	299	17,914	–	18,213
Unallocated amounts					173
					18,386
Other non-cash expenses:					
Impairment loss recognised in respect of trade receivables	–	87	–	270	357
Impairment of intangible assets	171,000	–	–	–	171,000
Impairment of goodwill	210,928	–	–	–	210,928

5. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

THE GROUP

2007

	Sale of electrical equipments HK$'000	Cruise leasing HK$'000	Electrical engineering and contracting services HK$'000	Consolidated HK$'000
Segment revenue:				
Sales/services to external customers	73,663	36,000	20,296	129,959
Segment results	9,113	17,851	(5,809)	21,155
Other gains and income				6,317
Unallocated administrative expenses				(9,623)
Equity-settled share-based payment expenses				(6,068)
Finance costs				(1,593)
Profit before tax				10,188
Income tax expense				(797)
Net profit for the year				9,391
Segment assets	54,647	207,612	1,790	264,049
Unallocated assets				188,375
Total assets				452,424
Segment liabilities	11,659	116,504	4,448	132,611
Unallocated liabilities				23,617
Total liabilities				156,228

5. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

THE GROUP

2007 (Continued)

	Sale of electrical equipments HK$'000	Cruise leasing HK$'000	Electrical engineering and contracting services HK$'000	Unallocated HK$'000	Consolidated HK$'000
Other segment information:					
Capital expenditure	177	117	–	6	300
Depreciation and amortisation	398	17,862	–	123	18,383
Other non-cash expenses:					
Provision for obsolete inventories	963	–	–	–	963
Impairment loss recognised in respect of trade receivables	304	–	472	–	776
Impairment loss recognised in respect of other receivables	–	–	–	477	477

For the year ended 30 June 2008

5. SEGMENT INFORMATION (Continued)

(b) Geographical segments

THE GROUP

2008

The Group's business operates in two principal geographical areas – Hong Kong and Macau. The following table provides an analysis of the Group's sales by geographical markets, irrespective of the origin of goods and services:

	Revenue from external customers 2008 HK$'000
Hong Kong	155,729
Macau	235,038
	390,767

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, prepaid land premiums and intangible assets, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets 2008 HK$'000	Additions to property, plant and equipment, prepaid land premiums and intangible assets 2008 HK$'000
Hong Kong	445,311	4,576
Macau	2,550,528	2,187,793
	2,995,839	2,192,369

5. SEGMENT INFORMATION (Continued)

(b) Geographical segments (Continued)

THE GROUP

2007

During the year ended 30 June 2007, the Group's entire turnover was derived from sales or services to customers in Hong Kong and more than 90% of the Group's assets were located at Hong Kong. Therefore, no geographical segmental information on revenue and assets was presented.

6. TURNOVER

	2008 HK$'000	2007 HK$'000
Turnover		
Gaming and entertainment	235,038	–
Sale of electrical equipments	93,352	73,663
Electrical engineering and contracting services	26,377	20,296
Cruise leasing	36,000	36,000
	390,767	129,959
Other revenue		
Interest income	11,637	4,678
Commission income	59	50
Dividend income from listed investments	21	3
Sundry income	1,865	221
	13,582	4,952

■ Notes to Financial Statements (Continued)

For the year ended 30 June 2008

7. (LOSS)/PROFIT BEFORE TAX

The Group's (loss)/profit before tax is arrived at after charging:

	2008 HK$'000	2007 HK$'000
Amortisation of prepaid land premiums (Note 17)	123	64
Auditors' remuneration	868	753
Depreciation of property, plant and equipment (Note 15)	18,263	18,319
Loss on disposal of property, plant and equipment	2,958	–
Operating lease charges in respect of land and buildings	1,577	1,007
Staff costs (excluding directors' remuneration – Note 9)		
Salaries and other benefits	6,535	13,059
Equity-settled share-based payment expenses	–	2,058
Mandatory provident fund contributions	210	537
Total staff costs	6,745	15,654
Consultancy fee paid by equity-settled share-based payment expenses	29,468	3,828
Provision for obsolete inventories	–	963
Impairment loss recognised in respect of trade receivables	357	776
Impairment loss recognised in respect of other receivables	–	477
Cost of inventories	60,147	54,141
and after crediting:		
Other income:		
Reversal of impairment loss recognised in respect of trade receivables	246	–
Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (Note 40(b))	48,333	–
Fair value changes on derivative financial instruments (Note 27)	38,521	–
Fair value changes on investment properties (Note 16)	1,950	150
	89,050	150

8. FINANCE COSTS

	2008 HK$'000	2007 HK$'000
Interest on bank overdrafts wholly repayable within five years	13	27
Imputed interest expense on convertible notes (Note 36)	9,692	1,566
	9,705	1,593

9. DIRECTORS' REMUNERATION

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

THE GROUP

Name of director	Fee		Basic salaries		Mandatory provident fund contributions		Equity-settled share-based payment expenses		Total	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Executive director										
Mr. Lin Cheuk Fung	–	–	960	960	12	12	293	62	1,265	1,034
Mr. Lau Kwok Hung	–	–	715	715	12	12	293	60	1,020	787
Mr. Chan Shiu Kwong, Stephen	–	–	650	660	12	12	293	60	955	732
Mr. Lau Kwok Keung	100	100	–	–	–	–	–	–	100	100
Mr. Wan Yau Shing, Ban (appointed on 11 April 2007)	–	–	420	93	12	3	–	–	432	96
Mr. Nicholas J. Niglio (appointed on 3 September 2007)	–	–	360	–	12	–	293	–	665	–
Independent non-executive director										
Mr. Chow Pui Fung (resigned on 5 June 2007)	–	58	–	–	–	–	–	–	–	58
Mr. Yue Fu Wing	60	60	–	–	–	–	–	–	60	60
Mr. Wong Yuk Man (resigned on 4 August 2008)	60	60	–	–	–	–	–	–	60	60
Mr. Cheung Yat Hung, Alton	60	5	–	–	–	–	–	–	60	5
Mr. Wong Tat Tung (appointed on 22 August 2008)	–	–	–	–	–	–	–	–	–	–
	280	283	3,105	2,428	60	39	1,172	182	4,617	2,932

For the year ended 30 June 2008

9. DIRECTORS' REMUNERATION (Continued)

During the year, share options of approximately HK$1,172,000 (2007: HK$182,000) were granted to the directors under the Company's share options scheme.

During the years ended 30 June 2008 and 2007, no emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office. None of the directors has waived any emoluments during the years ended 30 June 2008 and 2007.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four directors (2007: three), details of whose remuneration are set out in Note 9 above. Details of the remuneration of the remaining one (2007: two) highest paid, non-director employee are as follows:

	2008 HK$'000	2007 HK$'000
Salaries and other benefits	554	712
Equity-settled share-based payment expenses	–	2,058
Mandatory provident fund contributions	–	13
	554	2,783

Their emoluments are within the following bands:

	Number of employees 2008	2007
Nil – HK$1,000,000	1	1
HK$2,000,001 – HK$2,500,000	–	1

11. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided in the financial statements at a rate of 16.5% (2007: 17.5%) on the estimated assessable profits arising from Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
Current tax:		
Hong Kong	**1,839**	636
Under provision in prior year:		
Hong Kong	**–**	99
	1,839	735
Deferred tax (Note 34):		
Current year	**(640)**	–
Attributable to a change in tax rate	**(68)**	62
	(708)	62
Total tax charge for the year	**1,131**	797

For the year ended 30 June 2008

11. INCOME TAX EXPENSE (Continued)

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

The Group – for the year ended 30 June 2008

	Hong Kong		The PRC		Macau		Total	
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%
(Loss)/profit before tax	(277,496)		1,937		251,701		(23,858)	
Tax at the domestic income rate	(45,787)	(16.5)	484	25	30,204	12	(15,099)	(63.3)
Tax effect of expenses that are not deductible in determining taxable profit	70,189	25.3	–	–	–	–	70,189	294.2
Tax effect of income that are not taxable in determining taxable profit	(26,834)	(9.7)	–	–	(30,204)	(12)	(57,038)	(239.1)
Tax effect of unrecognised temporary difference	147	0.1	–	–	–	–	147	0.6
Tax effect of change in tax rate	–	–	(68)	(3.5)	–	–	(68)	(0.3)
Tax effect of estimated tax loss not recognised	2,996	1.1	4	0.2	–	–	3,000	12.6
Tax charge at the effective tax rate for the year	711	0.3	420	21.7	–	–	1,131	4.7

11. INCOME TAX EXPENSE (Continued)

The Group – for the year ended 30 June 2007

	Hong Kong		The PRC		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit before tax	10,064		124		10,188	
Tax at the domestic income rate	1,762	17.5	41	33.0	1,803	17.7
Tax effect of expenses that are not deductible in determining taxable profit	456	4.5	–	–	456	4.5
Tax effect of income that are not taxable in determining taxable profit	(3,086)	(30.7)	–	–	(3,086)	(30.3)
Under provision in previous year	99	1.0	–	–	99	1.0
Tax effect of unrecognised temporary difference	16	0.2	–	–	16	0.1
Tax effect of estimated tax loss not recognised	1,501	14.9	8	6.5	1,509	14.8
Tax charge at the effective tax rate for the year	748	7.4	49	39.5	797	7.8

Notes:

(a) The standard Hong Kong Profits Tax rate is 16.5% (2007: 17.5%).

(b) The standard PRC Corporate Income Tax rate for the period ended 31 December 2007 was 33%. The tax rate changed to 25% with effect from 1 January 2008.

(c) The standard Macau Complementary Tax rate is 12%.

12. DIVIDENDS

No dividend has been declared or proposed by the directors of the Company in respect of the year ended 30 June 2008 (2007: Nil).

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

	2008 HK$'000	2007 HK$'000
Dealt with in the financial statements of the Company	**(2,493)**	(14,190)
Attributable to subsidiaries and associate	**(147,021)**	18,835
	(149,514)	4,645

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

Basic (loss)/earnings per share

The calculation of the basic (loss)/earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	2008 HK$'000	2007 HK$'000
(Loss)/earnings		
(Loss)/earnings for the purpose of basic (loss)/earnings per share ((loss)/profit for the year attributable to equity holders of the Company)	**(149,514)**	4,645

	2008 '000	2007 '000
Number of ordinary shares		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	**2,666,172**	1,355,927

Diluted (loss)/earnings per share

Basic and diluted loss per share for the year ended 30 June 2008 have been presented in a single line as (i) the average market price of ordinary shares, at no time during the year, exceeds the exercise price of the option, therefore, the conversion of share option would be anti-dilutive, and (ii) the effect of the Company's outstanding convertible notes were anti-dilutive.

Basic and diluted earnings per share for the year ended 30 June 2007 have been presented in a single line as the average market price of ordinary shares, at no time during the year, exceeds the exercise price of the option, therefore, the conversion of share option would be anti-dilutive.

15. PROPERTY, PLANT AND EQUIPMENT

(a) THE GROUP

	Buildings in Hong Kong HK$'000	Leasehold improvement HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Computer equipment HK$'000	Cruise ship HK$'000	Total HK$'000
Cost:							
At 1 July 2006	3,195	42,460	20,273	3,170	319	129,180	198,597
Additions	–	85	50	158	7	–	300
Disposals	–	–	(242)	(1,314)	–	–	(1,556)
At 30 June 2007 and 1 July 2007	3,195	42,545	20,081	2,014	326	129,180	197,341
Additions	1,083	668	272	104	121	–	2,248
Disposals	–	(3,480)	–	–	–	–	(3,480)
At 30 June 2008	4,278	39,733	20,353	2,118	447	129,180	196,109
Accumulated depreciation:							
At 1 July 2006	400	6,354	2,548	2,689	275	6,459	18,725
Charge for the year	80	8,499	3,011	257	13	6,459	18,319
Written back on disposals	–	–	(242)	(1,314)	–	–	(1,556)
At 30 June 2007 and 1 July 2007	480	14,853	5,317	1,632	288	12,918	35,488
Charge for the year	107	8,509	2,982	194	12	6,459	18,263
Written back on disposals	–	(522)	–	–	–	–	(522)
At 30 June 2008	587	22,840	8,299	1,826	300	19,377	53,229
Net book value:							
At 30 June 2008	**3,691**	**16,893**	**12,054**	**292**	**147**	**109,803**	**142,880**
At 30 June 2007	2,715	27,692	14,764	382	38	116,262	161,853

For the year ended 30 June 2008

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) THE COMPANY

	Furniture, fixtures and equipment HK$'000	Leasehold improvement HK$'000	Computer equipment HK$'000	Total HK$'000
Cost:				
At 1 July 2006	98	447	96	641
Additions	–	–	7	7
At 30 June 2007 and 1 July 2007	98	447	103	648
Additions	–	668	121	789
At 30 June 2008	98	1,115	224	1,437
Accumulated depreciation:				
At 1 July 2006	18	52	51	121
Charge for the year	19	90	13	122
At 30 June 2007 and 1 July 2007	37	142	64	243
Charge for the year	18	89	11	118
At 30 June 2008	55	231	75	361
Net book value:				
At 30 June 2008	**43**	**884**	**149**	**1,076**
At 30 June 2007	61	305	39	405

16. INVESTMENT PROPERTIES

THE GROUP

	HK$'000
Fair value:	
At 1 July 2006	28,400
Fair value changes	150
At 30 June 2007 and 1 July 2007	28,550
Fair value changes	1,950
At 30 June 2008	**30,500**

The fair value of the Group's investment properties at 30 June 2008 have been arrived at on the basis of a valuation carried out on that date by Messrs. Chung, Chan & Associates, an independent qualified professional valuers not connected with the Group. Messrs. Chung, Chan & Associates are members of The Royal Institution of Chartered Surveyors, and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to Hong Kong Institution Surveyors Valuation Standards on Properties, was arrived at by reference to market evidence of transaction prices for similar properties.

All of the Group's property interests held for capital appreciation are measured using the fair value model and are classified and accounted for as investment properties.

The carrying amount of investment properties shown above comprises:

	2008	2007
	HK$'000	HK$'000
Representing:		
Leasehold land in PRC:		
– Long term lease	**30,500**	28,550

For the year ended 30 June 2008

17. PREPAID LAND PREMIUMS

THE GROUP

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

	HK$'000
Cost:	
At 1 July 2006, 30 June 2007, 1 July 2007	2,836
Additions	2,328
30 June 2008	5,164
Accumulated amortisation:	
At 1 July 2006	193
Charge for the year	64
At 30 June 2007 and 1 July 2007	257
Charge for the year	123
At 30 June 2008	380
Carrying amount:	
At 30 June 2008	**4,784**
At 30 June 2007	2,579

	2008	2007
	HK$'000	HK$'000
Representing:		
Leasehold land in Hong Kong:		
Medium term lease	**4,784**	2,579
Analysed for reporting purposes as:		
Current assets (included in trade and other receivables)	**122**	65
Non-current assets	**4,662**	2,514
	4,784	2,579

18. INTANGIBLE ASSETS

THE GROUP

	Rights in sharing of profit streams HK$'000	Development cost HK$'000	Total HK$'000
Cost:			
At 1 July 2006, 30 June 2007 and 1 July 2007	–	4,673	4,673
Additions on acquisition of subsidiaries	2,187,793	–	2,187,793
At 30 June 2008	2,187,793	4,673	2,192,466
Accumulated amortisation and impairment:			
At 1 July 2006, 30 June 2007 and 1 July 2007	–	4,673	4,673
Impairment loss recognised for the year	171,000	–	171,000
At 30 June 2008	171,000	4,673	175,673
Net book value:			
At 30 June 2008	**2,016,793**	**–**	**2,016,793**
At 30 June 2007	–	–	–

Details of rights in sharing of profit streams are as follows:

	Hou Wan Profit Agreement HK$'000	Neptune Ouro Profit Agreement HK$'000	Hao Cai Profit Agreement HK$'000	Total HK$'000
Fair value during acquisition	567,793	405,000	1,215,000	2,187,793
Impairment loss recognised for the year	–	(43,000)	(128,000)	(171,000)
At 30 June 2008	567,793	362,000	1,087,000	2,016,793

Notes to Financial Statements (Continued)

For the year ended 30 June 2008

18. INTANGIBLE ASSETS (Continued)

The intangible assets of the rights in sharing of profit streams are from junket business at the casinos' VIP rooms in Macau for an indefinite period of time. Such intangible assets are carried at cost less accumulated impairment losses.

Impairment loss in respect of rights in sharing of profit streams of approximately HK$171,000,000 was recognised during the year ended 30 June 2008 by reference to the valuation report issued by Messrs. BMI Appraisals Limited ("BMI"), independent qualified professional valuers, at 30 June 2008 which valued the rights in sharing of profit streams on discounted cash flow method. The main factor contributing to the impairment was the profit generated from the Neptune Ouro Profit Agreement and Hao Cai Profit Agreement did not meet the profit guarantee.

19. GOODWILL

THE GROUP

	HK$'000
Cost:	
At 1 July 2006, 30 June 2007 and 1 July 2007	45
Additions on acquisition of subsidiaries	229,557
Adjustments to measurement for acquisitions (note)	(8,191)
At 30 June 2008	221,411
Accumulated impairment:	
At 1 July 2006, 30 June 2007 and 1 July 2007	–
Impairment loss recognised for the year	210,928
At 30 June 2008	210,928
Net book value:	
At 30 June 2008	**10,483**
At 30 June 2007	45

Note:

The amounts represented the adjustments to the contingent consideration for acquisitions during the year due to the compensation from profit guarantee granted by the vendors.

19. GOODWILL (Continued)

As explained in Note 5, the Group uses business segments as its primary segment for reporting segment information. For the purposes of impairment testing, goodwill has been allocated to the following cash generating units (CGUs). The carrying amount of goodwill (net of accumulated impairment losses) as at 30 June 2008 is allocated as follows:

	2008 HK$'000	2007 HK$'000
Gaming and entertainment unit	10,438	–
Cruise leasing unit	45	45
	10,483	45

During the year ended 30 June 2008, the directors of the Company assessed the recoverable amount of goodwill, and determined the goodwill associated with the Group's gaming and entertainment unit was impaired by approximately HK$210,928,000 (2007: Nil). The recoverable amounts of the gaming and entertainment unit and cruise leasing unit were assessed by reference to value in use. A discount factor of 16.77% and 5% per annum was applied in respective value in use model.

The main factor contributing to the impairment of the CGUs of the gaming and entertainment unit was the profit guarantee under the Neptune Ouro Profit Agreement and Hao Cai Profit Agreement have not been attained.

Gaming and entertainment unit

The value in use calculation uses cash flow projections based on financial budgets approved by the directors covering a 5-year period. Cash flow beyond that five year period have been extrapolated using a steady 2% per annum growth rate. This growth rate does not exceed the long-term average growth rate for the market in which the gaming and entertainment unit operates.

Key assumptions used in the value in use calculations for cruise leasing unit are as follows:

Growth rate	2%
Discount rate	16.77%

Notes to Financial Statements (Continued)

For the year ended 30 June 2008

19. GOODWILL (Continued)

Gaming and entertainment unit (Continued)

Details of goodwill of gaming and entertainment unit are as follows:

	Credible HK$'000	Sky Advantage HK$'000	Profit Forest HK$'000	Total HK$'000
Goodwill arising from acquisition of subsidiaries	10,438	6,314	212,805	229,557
Adjustments to measurement for acquisitions	–	(2,048)	(6,143)	(8,191)
Impairment loss recognised for the year	–	(4,266)	(206,662)	(210,928)
At 30 June 2008	**10,438**	**–**	**–**	**10,438**

Cruise leasing unit

The value in use calculation uses cash flow projections based on financial budgets approved by the directors covering a 5-year period. Cash flow beyond that five year period have been extrapolated using a steady 3% per annum growth rate. This growth rate does not exceed the long-term average growth rate for the market in which the cruise leasing unit operates.

Key assumptions used in the value in use calculations for cruise leasing unit are as follows:

Gross margin	50%
Growth rate	3%
Discount rate	5%

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

20. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2008	2007
	HK$'000	HK$'000
Unlisted investments, at cost	**344,793**	104,420
Less: Impairment loss recognised in respect of investment cost	**(5,000)**	(5,000)
	339,793	99,420
Amounts due from subsidiaries	**1,821,033**	225,654
Less: Impairment loss recognised in respect of amounts due from subsidiaries	**(146,867)**	(150,367)
	1,674,166	75,287
Total interests in subsidiaries	**2,013,959**	174,707

The amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment, except for a loan to a subsidiary of HK$70,000,000 which is unsecured, carries interest at 2% per annum over bank's prime rate and has no fixed terms of repayment.

For the year ended 30 June 2008

20. INTERESTS IN SUBSIDIARIES (Continued)

The directors of the Group had reviewed the net asset values of the Company's subsidiaries as at 30 June 2008 and considered no provision for impairment loss in respect of amounts due from subsidiaries is required (2007: reversal of provision for impairment of approximately HK$383,000) should be made in respect of the amounts due from subsidiaries to their net recoverable values.

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

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued ordinary share capital/registered capital held by the Company		Principal activity
			Directly %	Indirectly %	
Anwill Investments Limited	Hong Kong/ Hong Kong	HK$2	–	100	Property development
Base Move Investments Limited (note)	The British Virgin Islands/Macau	US$100	–	20	Receive profit streams from gaming and entertainment related business
Century Element Entertainment (HK) Limited	Hong Kong/ Hong Kong	HK$2	–	100	Entertainment
Credible Limited	The British Virgin Islands/Hong Kong	US$100	100	–	Investment holding
Discovery Net Limited	The British Virgin Islands/Hong Kong	US$50,000	–	100	Securities trading
Eagles Wing Limited	Hong Kong/ Hong Kong	HK$2	100	–	Distribution
Goalstar Holdings Limited	The British Virgin Islands/Hong Kong	US$1	100	–	Investment holding
Great Well Global Limited	The British Virgin Islands/Hong Kong	US$1	100	–	Leasing
Hero Will Limited	The British Virgin Islands/Hong Kong	US$100	100	–	Investment holding
Jumbo Profit Investments Limited	The British Virgin Islands/Hong Kong	US$1	100	–	Securities trading

20. INTERESTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued ordinary share capital/registered capital held by the Company		Principal activity
			Directly %	Indirectly %	
Koppert International Limited	The British Virgin Islands/Hong Kong	US$100	100	–	Investment holding
Lexwin Company Limited	Hong Kong/ Hong Kong	HK$2	100	–	Assets holding
Linfield International Limited*	The British Virgin Islands/Hong Kong	US$2,850,000	80	–	Investment holding
Massive Resources Corporation (China) Limited	Hong Kong/ Hong Kong	HK$2	100	–	Investment holding
Metrix Engineering (China) Limited*	Hong Kong/ Hong Kong	HK$500,000	–	80	Inactive
Metrix Engineering Company Limited*	Hong Kong/ Hong Kong	HK$600,000	–	80	Manufacture and trading of electrical equipment
Metrix Engineering International Limited*	Hong Kong/ Hong Kong	HK$22,000,000	–	80	Investment holding
Metrix E & M Services Limited*	Hong Kong/ Hong Kong	HK$500,000	–	80	Provision of electrical engineering and contracting services
Profit Forest Limited	The British Virgin Islands/Macau	US$100	–	85	Receive profit streams from gaming and entertainment related business
Rich Pearl Enterprises Limited	The British Virgin Islands/Hong Kong	US$100	100	–	Investment holding
Sky Advantage Limited	The British Virgin Islands/Macau	US$100	–	85	Receive profit streams from gaming and entertainment related business

For the year ended 30 June 2008

20. INTERESTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued ordinary share capital/registered capital held by the Company		Principal activity
			Directly %	Indirectly %	
Smart Brilliance Development Limited	Hong Kong/ Hong Kong	HK$10,000	100	–	Licence holders
Sources Investments Limited	Hong Kong/ Hong Kong	HK$2	100	–	Securities trading
Stand Great Limited	The British Virgin Islands/Hong Kong	US$100	100	–	Investment holding
Talent Ascent Limited	Hong Kong/ Hong Kong	HK$2	100	–	Securities trading
Tenin Investments Limited	Hong Kong/ Hong Kong	HK$2	–	100	Property development
Walden Maritime S.A.	Republic of Panama/ Hong Kong	US$10,000	70	–	Cruise leasing
World Target International Limited	The British Virgin Islands/Hong Kong	US$1	100	–	Securities trading

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

* Companies audited by K. W. Lau CPA Limited

Note:

The currently exercisable purchased call option, if exercise, would give the Company 70% voting power over Base Move Investments Limited ("Base Move"). Based on the directors' assessment, the currently exercisable purchased call option provided the Company with the potential voting rights over Base Move which in turn provided the Company with the ability to control Base Move. In preparing the consolidated financial statements of the Company, for the year ended 30 June 2008, Base Move was consolidated as a subsidiary in accordance with HKAS 27. As the Company held 20% equity interests in Base Move, 80% of the post-acquisition results and net assets of Base Move were allocated to minority interests.

21. INTEREST IN AN ASSOCIATE

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
Unlisted investments, at cost	**148,617**	–
Share of post-acquisition profits, net of dividend receivable	**–**	–
	148,617	–

As at 30 June 2008, the Group had interest in the following associate:

Name of entity	Form of business structure	Place of incorporation/ operation	Class of shares held	Proportion of nominal value of issued capital held by the Group	Proportion of voting power held	Principal activity
Good Omen Enterprises Limited	Incorporated	The British Virgin Islands/Macau	Ordinary	20%	20%	Receive profit streams from gaming and entertainment related business

For the year ended 30 June 2008

21. INTEREST IN AN ASSOCIATE (Continued)

The summarised financial information in respect of the Group's associate is set out below:

	2008 HK$'000	2007 HK$'000
Total assets	227,902	–
Total liabilities	(227,901)	–
Net assets	1	–
Group's share of net assets of associate	–	–
Revenue	203,272	–
Profit for the year	212,354	–
Group's share of results of associate for the year	42,470	–
Dividend receivable from associate for the year	42,470	–

22. INVENTORIES

	THE GROUP	
	2008 HK$'000	2007 HK$'000
Raw materials	16,003	15,741
Work in progress	1,928	2,532
Less: Provision for obsolete inventories	(963)	(963)
	16,968	17,310

23. TRADE AND OTHER RECEIVABLES

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**365,874**	41,341	**–**	–
Sundry deposits and prepayments	**1,838**	2,740	**275**	293
Other receivables	**20,321**	4,356	**714**	3,767
Amounts due from contract customers (Note 28)	**2,211**	1,789	**–**	–
	390,244	50,226	**989**	4,060

Movement of trade receivables

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
Trade receivables	**366,367**	42,160
Less: Impairment loss recognised in respect of trade receivables	**(493)**	(819)
	365,874	41,341

The Group's trading terms with its customers are mainly on credit. The credit terms are generally for a period of 30 days for gaming and entertainment segment, 60 days for sale of electrical equipments segment, 30 days for cruise leasing segment and 30 days for electrical engineering and contracting services segment. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management.

Outstanding trade receivables from gaming and entertainment segment bear interest rate of 10% – 11% per annum. The outstanding trade receivables from gaming and entertainment segment as at 30 June 2008 have been fully settled subsequently.

23. TRADE AND OTHER RECEIVABLES (Continued)

Aging analysis of the Group's trade receivables, net of provision for impairment loss

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
0 – 30 days	**61,900**	17,006
31 – 60 days	**58,783**	9,895
61 – 90 days	**36,799**	5,537
Over 90 days	**208,392**	8,903
	365,874	41,341

Included in the Group's trade receivable balance are debtors with a carrying amount of approximately HK$295,071,000 (2007: HK$20,440,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

Movement in provision for impairment loss recognised in respect of trade receivables

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
At the beginning of the year	**819**	245
Impairment loss recognised in respect of trade receivables	**357**	776
Amounts written off as uncollectible	**(437)**	–
Reversal of impairment loss in respect of trade receivables	**(246)**	(202)
At the end of the year	**493**	819

Included in provision for impairment loss recognised in respect of trade receivables are individually impaired trade receivables with balance of approximately HK$357,000 (2007: HK$776,000). The individually impaired receivables related to customers that were in financial difficulties and the directors assessed that the amounts are not expected to be recovered.

Aging analysis of impaired trade receivables

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
Over 90 days	**493**	819

24. LOAN RECEIVABLES

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Loans to independent third parties	**6,000**	28,000	**–**	17,500

During the year ended 30 June 2008, the Group provided a short-term loan to an independent third party and the loan was fully repaid in July 2008. During the year ended 30 June 2007, the Group and the Company provided short term loans to two and one independent third parties respectively. The effective interest rate was approximately 9% (2007: 9.5%) per annum.

25. AMOUNT DUE FROM A RELATED COMPANY

Name of company	Maximum balance during the year	THE GROUP	
		2008	2007
	HK$'000	**HK$'000**	HK$'000
Company in which two directors of subsidiaries have beneficial interests			
Gason Electrical Contracting Limited	710	**710**	710

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

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
Financial assets at fair value through profit or loss comprise:		
Held for trading		
– Equity securities listed in Hong Kong	**282**	1,782

The fair values of the listed equity securities are determined based on the quoted market bid prices available on The Stock Exchange.

For the year ended 30 June 2008

27. DERIVATIVE FINANCIAL INSTRUMENTS

	THE GROUP AND THE COMPANY	
	2008	2007
	HK$'000	HK$'000
Assets		
Redemption option derivatives embedded in convertible notes		
At 1 July 2006, 30 June 2007 and 1 July 2007	**–**	–
Arising on issuance of convertible notes (Note 36)	**106,807**	–
Fair values changes	**38,521**	–
At 30 June 2008	**145,328**	–

Pursuant to the agreements in relation to the issuance of two convertible notes (Note 36), redemption options are held by the Company. The Company may at any time from the date of issue of the convertible notes up to the date immediately before the maturity date of the convertible notes, redeem the convertible notes (in whole or in part) at the principal amount of the convertible notes to be redeemed.

The redemption option derivatives are carried at fair value at the balance sheet date. The fair value of the redemption option derivatives embedded in the convertible notes is approximately HK$145,328,000 (2007: Nil) and are calculated using the Binomial option pricing model. Details of the variables and assumptions of the model are as follows:

	Second Convertible Note	**Third Convertible Note**
Date of issue	17 March 2008	17 March 2008
Share price at date of issue	HK$0.221	HK$0.221
Remaining life at 30 June 2008	9.7 years	9.7 years
Risk free interest rate	2.357%	2.357%
Expected volatility	86.4%	86.4%

28. CONSTRUCTION CONTRACTS

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
Contracts in progress at the balance sheet date		
Contract costs incurred plus recognised profits less recognised losses	**43,280**	40,443
Less: Progress billings	**(46,810)**	(41,965)
	(3,530)	(1,522)
Analysed for reporting purposes as:		
Amounts due from contract customers included in trade and other receivables (Note 23)	**2,211**	1,789
Amounts due to contract customers included in trade and other payables (Note 30)	**(5,741)**	(3,311)
	(3,530)	(1,522)

At 30 June 2008, retentions held by customers for contract works amounted to approximately HK$287,000 (2007: HK$748,000) as included in trade and other receivables under current assets and no advances (2007: Nil) received from customers for contract works as included trade and other payables under current liabilities.

29. BANK OVERDRAFTS

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank overdrafts, unsecured	**867**	374	**37**	–

As at 30 June 2008, the Group's fixed deposits of approximately HK$214,000 (2007: HK$68,000) was pledged to secure general banking facilities.

For the year ended 30 June 2008

30. TRADE AND OTHER PAYABLES

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**13,262**	9,421	**–**	–
Other payables	**6,809**	21,644	**3,078**	–
Accruals	**4,296**	4,484	**2,667**	2,382
Provision for legal claim for rental payment	**1,592**	1,592	**–**	–
Advance received	**883**	806	**–**	–
Amounts due to contract customers (Note 28)	**5,741**	3,311	**–**	–
	32,583	41,258	**5,745**	2,382

Aging analysis of Group's trade payables

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
0 – 30 days	**4,975**	5,136
31 – 60 days	**5,730**	1,989
61 – 90 days	**2,490**	2,295
Over 90 days	**67**	1
	13,262	9,421

31. DEPOSITS RECEIVED

THE GROUP AND THE COMPANY

On 13 June 2007, the Board of the Company has proposed to issue 719,881,500 offer shares at a price of HK$0.2 per offer shares by way of open offer for every two shares. At 30 June 2007, the Company has received approximately HK$81,813,000 in respect of the open offer and classified the fund received as deposits received. The open offer which was underwritten on a fully underwritten basis has become unconditional on 4 July 2007. For further details, please refer to Note 37 to the financial statements.

32. AMOUNT DUE TO A MINORITY SHAREHOLDER

THE GROUP

The amount due was unsecured, interest free and repayable on demand. The amount was fully settled during the year.

33. AMOUNTS DUE TO SUBSIDIARIES

THE COMPANY

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

For the year ended 30 June 2008

34. DEFERRED TAX LIABILITIES

The followings are the major deferred tax liabilities recognised by the Group and the Company and movements thereon during the current and prior year:

	Convertible notes HK$'000	Accelerated tax depreciation HK$'000	Deferred tax on fair value gains on investment properties HK$'000	Total HK$'000
THE GROUP				
At 1 July 2006	–	100	231	331
Charge to consolidated income statement for the year	–	12	50	62
At 30 June 2007 and 1 July 2007	–	112	281	393
Charge to consolidated income statement for the year	(1,134)	6	488	(640)
Charge to equity for the year	50,404	–	–	50,404
Effect of change in tax rate	–	–	(68)	(68)
At 30 June 2008	**49,270**	**118**	**701**	**50,089**
THE COMPANY				
At 1 July 2006, 30 June 2007 and 1 July 2007	–	–	–	–
Charge to consolidated income statement for the year	(1,134)	–	–	(1,134)
Charge to equity for the year	50,404	–	–	50,404
At 30 June 2008	**49,270**	**–**	**–**	**49,270**

35. PROMISSORY NOTES

THE GROUP AND THE COMPANY

On 1 August 2007, the Company issued First Promissory Note I in a principle amount of HK$15,000,000, First Promissory Note II in a principal amount of HK$15,000,000. First Promissory Note I and First Promissory Note II were issued for acquiring the entire issued share capital of Koppert International Limited ("Koppert") and interest free. The effective interest rate is approximately 8%.

First Promissory Note I is payable, if the rolling turnover generated by Hoi Seng Sociedade Unipessoal Limitada for the first six months period commencing on the first month following the date of completion of acquisition of Koppert (the "First Six Months Period") is not less than HK$6,000,000,000.

First Promissory Note II is payable if the rolling turnover generated by Hoi Seng Sociedade Unipessoal Limitada for the second next six months period following the First Six Months Period is not less than HK$6,000,000,000.

	First Promissory Note I HK$'000	First Promissory Note II HK$'000	Total HK$'000
At 1 July 2006, 30 June 2007 and 1 July 2007	–	–	–
Fair value of promissory notes	15,000	15,000	30,000
Repayment of promissory notes	(15,000)	–	(15,000)
At 30 June 2008	–	**15,000**	**15,000**

The First Promissory Note II due on 31 July 2008 and is classified as current liabilities in the financial statements as at 30 June 2008.

For the year ended 30 June 2008

36. CONVERTIBLE NOTES

THE GROUP AND THE COMPANY

(i) On 12 September 2006, the Company issued convertible notes due on 11 September 2007 with a principal amount of HK$40,000,000 which is interest bearing at 5% per annum in arrears (the "First Convertible Note"). The First Convertible Note due on 11 September 2007 is convertible into fully paid ordinary shares with a par value of HK$0.02 each of the Company at an initial conversion price of HK$0.02 per share, subject to adjustment.

During the year ended 30 June 2007, the First Convertible Note holders confirmed to extend the repayment of the principal amount of the First Convertible Note together with interest to 21 October 2007 and all terms and conditions of the First Convertible Note remains unchanged. The First Convertible Note was fully converted into ordinary shares of HK$0.02 each at the conversion price of HK$0.02 per share on 1 December 2006. Total number of ordinary shares converted was 2,000,000,000.

(ii) On 17 March 2008, the Company issued convertible notes due on 16 March 2018 with a principal amount of HK$846,000,000 which is interest bearing at 1% per annum payable semi-annually in arrears (the "Second Convertible Note"). The Second Convertible Note due on 16 March 2018 is convertible into fully paid ordinary shares with a par value of HK$0.2 each of the Company at an initial conversion price of HK$0.3 per share, subject to adjustment. The Second Convertible Note was issued as part of the consideration for the acquisition of 85% issued share capital of Profit Forest Limited ("Profit Forest"). The effective interest rate is approximately 5%.

(iii) On 17 March 2008, the Company issued convertible notes due on 16 March 2018 with a principal amount of HK$138,000,000 which is interest bearing at 1% per annum payable semi-annually in arrears (the "Third Convertible Note"). The Third Convertible Note due on 16 March 2018 is convertible into fully paid ordinary shares with a par value of HK$0.2 each of the Company at an initial conversion price of HK$0.3 per share, subject to adjustment. The Third Convertible Note was issued as part of the consideration for the acquisition of 85% issued share capital of Sky Advantage Limited ("Sky Advantage"). The effective interest rate is approximately 5%.

The convertible notes contain liability component, equity component and redemption option. The equity component is presented in equity heading "convertible notes reserve" and the redemption option is presented in current assets heading "derivative financial instruments" (Note 27). The effective interest rate of the liability component is approximately 5%.

36. CONVERTIBLE NOTES (Continued)

	First Convertible Note HK$'000	Second Convertible Note HK$'000	Third Convertible Note HK$'000	Total HK$'000
Fair value of convertible notes issued	40,000	1,003,765	163,734	1,207,499
Derivative financial instruments	–	91,828	14,979	106,807
Liability component	(39,723)	(583,365)	(95,158)	(718,246)
Equity component	277	512,228	83,555	596,060
At 1 July 2006	39,765	–	–	39,765
Interest expenses charged	1,566	–	–	1,566
Interest expenses payable	(1,593)	–	–	(1,593)
Converted into ordinary shares at 1 December 2006	(39,738)	–	–	(39,738)
At 30 June 2007 and 1 July 2007	–	–	–	–
Liability component at date of issue	–	583,365	95,158	678,523
Interest expenses charged	–	8,333	1,359	9,692
Interest expenses payable	–	(2,427)	(395)	(2,822)
At 30 June 2008	**–**	**589,271**	**96,122**	**685,393**

The fair value of the liability component of the convertible notes at 30 June 2008 and 2007 was determined based on the present value of the estimate future cash outflows discounted at the prevailing market rate for an equivalent non-convertible loan at the balance sheet date, approximately the corresponding carrying amounts.

The estimate of the fair value of the equity component and redemption option embedded in the convertible notes is measured using Binomial option pricing model carried out by BMI. The inputs into the model are as follows:

	Second Convertible Note	Third Convertible Note
Share price at date of issue:	HK$0.221	HK$0.221
Risk free interest rate:	2.357%	2.357%
Expected volatility:	131.56%	131.56%
Dividend yield	0%	0%

For the year ended 30 June 2008

37. SHARE CAPITAL

	Number of shares '000	Share capital HK$'000
Authorised:		
At 1 July 2006		
– ordinary shares of HK$0.02	50,000,000	1,000,000
Share consolidation (note ii)	(45,000,000)	–
At 30 June 2007 and 1 July 2007		
– ordinary shares of HK$0.2	5,000,000	1,000,000
Increase in authorised share capital (note iii)	45,000,000	9,000,000
At 30 June 2008		
– ordinary shares of HK$0.2	50,000,000	10,000,000
Issued and fully paid:		
At 1 July 2006		
– ordinary shares of HK$0.02	12,397,630	247,953
Convertible notes exercised (note i)	2,000,000	40,000
Share consolidation (note ii)	(12,957,867)	–
At 30 June 2007 and 1 July 2007		
– ordinary shares of HK$0.2	1,439,763	287,953
Issue of ordinary shares (note iv)	719,882	143,976
Placement of shares (note v)	247,600	49,520
Consideration shares (note vi)	1,440,000	288,000
At 30 June 2008		
– ordinary shares of HK$0.2	3,847,245	769,449

Notes:

(i) On 1 December 2006, 2,000,000,000 ordinary shares of HK$0.02 each were issued by the Company as a result of the exercise of the conversion rights attached to the convertible notes of an aggregate principal amount of HK$40,000,000 issued by the Company on 22 October 2005 at a conversion price of HK$0.02 each. For further details, please refer to Note 36.

(ii) Pursuant to an ordinary resolution passed in the special general meeting on 31 May 2007, every ten issued and unissued shares of the Company of HK$0.02 each were consolidated into one consolidated share of HK$0.2 each.

37. SHARE CAPITAL (Continued)

(iii) Pursuant to an ordinary resolution passed in the special general meeting on 7 March 2008, the authorised share capital of the Company was increased from HK$1,000,000,000 to HK$10,000,000,000 by the creation of additional 45,000,000,000 unissued ordinary shares of HK$0.2 each.

(iv) The Company issued 719,881,500 ordinary shares of HK$0.2 each at a price of HK$0.2 per share by way of open offer to the qualifying shareholders on the basis of one offer share for every two shares. The ordinary shares were issued on 9 July 2007 for the purpose of increasing general working capital for the Group. The new shares rank pari passu with the existing shares in all respects.

(v) The Company placed 247,600,000 ordinary shares of HK$0.2 each at a placing price of HK$0.57 per share. The ordinary shares were issued on 6 August 2007 for the purpose of increasing general working capital for the Group. The new shares rank pari passu with the existing shares in all respects.

(vi) On 29 November 2007, the Company entered into a conditional sale and purchase agreement to acquire from Ultra Choice Limited, 85% of the total issued share capital of Profit Forest for a total consideration of HK$1,144,440,000. The conditional sale and purchase agreement was completed on 17 March 2008. The consideration for the acquisition was satisfied by (i) HK$82,440,000 in cash; (ii) the issue of convertible notes in a principal amount of HK$846,000,000; and (iii) the issue of 720,000,000 ordinary shares at an issue price of HK$0.3 per share for the rest of the consideration in sum of HK$216,000,000. The new shares rank pari passu with the existing shares in all respects. For further details, please refer to the Company's circular dated on 13 February 2008.

On 29 November 2007, the Company entered into a conditional sale and purchase agreement to acquire from Faint Mount Limited, 85% of the total issued share capital of Sky Advantage for a total consideration of HK$381,480,000. The conditional sale and purchase agreement was completed on 17 March 2008. The consideration for the acquisition was satisfied by (i) HK$27,480,000 in cash; (ii) the issue of convertible notes in a principal amount of HK$138,000,000; and (iii) the issue of 720,000,000 ordinary shares at an issue price of HK$0.3 per share for the rest of the consideration in sum of HK$216,000,000. The new shares rank pari passu with the existing shares in all respects. For further details, please refer to the Company's circular dated on 13 February 2008.

Share options

Old Share Option Scheme

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

37. SHARE CAPITAL (Continued)

Share options (Continued)

Old Share Option Scheme (Continued)

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

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

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

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

New Share Option Scheme

On 18 September 2007, an ordinary resolution passed to approve the termination of the Scheme and adoption of a new share option scheme (the "New Scheme"). Upon adoption of the New Scheme, the Scheme was terminated and no further option would be granted.

The Company operates the New Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the New Scheme include employees of the Group, executive or non-executive directors (including independent non-executive directors) of the Company, its subsidiaries or invested entity, suppliers of goods or services to the Group or invested entity, person or entity that provides research, development or other technical support to the Group or invested entity, shareholders of members of the Group or invested entity, holders of securities issued by members of the Group or invested entity, advisers or consultants to business development of the Group or invested entity, and joint venture partners or counter-parties to business operation or business arrangements of the Group or its employees. The New Scheme became effective on 18 September 2007 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

37. SHARE CAPITAL (Continued)

Share options (Continued)

New Share Option Scheme (Continued)

The subscription price for the Company's shares under the New Scheme is determined by the Board and shall be at least the highest of (i) the closing price of the Company's shares listed on The Stock Exchange on the date of the offer of the share options; (ii) the average closing price of the Company's shares listed on The Stock Exchange on five trading days immediately preceding the date of the offer of the share options, and (iii) the nominal value of the Company's shares.

The total maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and Scheme shall not exceed 30% of the shares in issue from time to time. The total number of shares available for issue upon exercise of all options which have been or may be granted under the New Scheme and Scheme must not exceed 69,120,000 shares. The maximum number of shares issued and to be issued upon exercise of the options granted and to be granted to each eligible participant in any 12-month period up to the date of grant must not exceed 1% of the aggregate number of shares for the time being in issue. Any further grant of share options in excess of this limit is subject to shareholder's approval in a general meeting.

Share options granted to a connected person or its associates shall be approved by independent non-executive directors. In addition, any share options granted to a connected person who is also a substantial shareholder or an independent non-executive director of the Company, or to any their associates, in excess of 0.1% of the shares of the Company in issue at any time and the aggregate value (based on the closing price of the Company's shares listed on The Stock Exchange at the date of the offer of the share options) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of the share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the offeree. The exercise period of the share options ends on ten years from the date of the offer of the share options, notwithstanding the expiry of the New Scheme.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

Fair value of share options and assumption

During the year ended 30 June 2008, the Company had granted 240,700,000 (2007: 8,842,000) options to employees, including the directors of the Company and consultants under the New Scheme. During the year ended 30 June 2008, 76,200,000 options granted have been lapsed because some of the eligible participants left the Group.

As at the date of this report, the total number of shares available for issue under the Scheme is 8,842,000 (2007: 8,842,000) shares, representing 0.2% (2007: 0.6%) of the share capital of the Company in issue as at the date of this report.

As at the date of this report, the total number of shares available for issue under the New Scheme is 164,500,000 (2007: Nil) shares, representing 4.3% (2007: Nil) of the share capital of the Company in issue as at the date of this report.

37. SHARE CAPITAL (Continued)

Details of specific categories of share options and the movements during the year ended 30 June 2008 are as follows:

Participants	Share option type	At 1 July 2007 '000	Number of share options: Granted during the year '000	Share subdivided during the year '000	Exercised during the year '000	Lapsed during the year '000	At 30 June 2008 '000	Date of grant of share options*	Exercise period of share options	Exercise price of share options	Fair value at grant date	Closing price of the Company's shares immediately before the grant date
Directors												
Mr. Lin Cheuk Fung	2007A	90	–	–	–	–	90	26/02/2007	26/02/2007 to 25/02/2017	0.728	0.686	0.7
	2008A	–	2,300	–	–	–	2,300	29/10/2007	29/10/2007 to 28/10/2017	0.337	0.127	0.325
Mr. Chan Shiu, Kwong, Stephen	2007A	88	–	–	–	–	88	26/02/2007	26/02/2007 to 25/02/2017	0.728	0.686	0.7
	2008A	–	2,300	–	–	–	2,300	29/10/2007	29/10/2007 to 28/10/2017	0.337	0.127	0.325
Mr. Lau Kwok Hung	2007A	88	–	–	–	–	88	26/02/2007	26/02/2007 to 25/02/2017	0.728	0.686	0.7
	2008A	–	2,300	–	–	–	2,300	29/10/2007	29/10/2007 to 28/10/2017	0.337	0.127	0.325
Mr. Wan Yau Shing, Ban	2007A	3,000	–	–	–	–	3,000	26/02/2007	26/02/2007 to 25/02/2017	0.728	0.686	0.7
Mr. Nicholas J. Niglio	2008A	–	2,300	–	–	–	2,300	29/10/2007	29/10/2007 to 28/10/2017	0.337	0.127	0.325
Employees other than directors												
In aggregate	2007A	5,576	–	–	–	–	5,576	26/02/2007	26/02/2007 to 25/02/2017	0.728	0.686	0.7
	2008A	–	153,500	–	–	(13,000)	140,500	29/10/2007	29/10/2007 to 28/10/2017	0.337	0.127	0.325
Consultants												
In aggregate	2008A	–	78,000	–	–	(63,200)	14,800	29/10/2007	29/10/2007 to 28/10/2017	0.337	0.127	0.325
		8,842	240,700	–	–	(76,200)	173,342					

37. SHARE CAPITAL (Continued)

Details of specific categories of share options and the movements during the year ended 30 June 2007 are as follows:

Participants	Share option type	At 1 July 2006 '000	Number of share options: Granted during the year '000	Share subdivided during the year '000	Exercised during the year '000	Lapsed during the year '000	At 30 June 2007 '000	Date of grant of share options*	Exercise period of share options	Exercise price of share options**	Fair value at grant date**	Closing price of the Company's shares immediately before the grant date**
Directors												
Mr. Lin Cheuk Fung	2007A	–	900	(810)	–	–	90	26/02/2007	26/02/2007 to 25/02/2017	0.728	0.686	0.7
Mr. Chan Shiu, Kwong, Stephen	2007A	–	880	(792)	–	–	88	26/02/2007	26/02/2007 to 25/02/2017	0.728	0.686	0.7
Mr. Lau Kwok Hung	2007A	–	880	(792)	–	–	88	26/02/2007	26/02/2007 to 25/02/2017	0.728	0.686	0.7
Mr. Wan Yau Shing, Ban	2007A	–	30,000	(27,000)	–	–	3,000	26/02/2007	26/02/2007 to 25/02/2017	0.728	0.686	0.7
Employees other than directors												
In aggregate		–	55,760	(50,184)	–	–	5,576	26/02/2007	26/02/2007 to 25/02/2017	0.728	0.686	0.7
		–	88,420	(79,578)	–	–	8,842					

* The vesting period of the share options is from the grant date until the commencement of the exercise period.

** The exercise price of share options, fair value of share options at grant date and closing price of the Company's shares immediately before the grant date were after the consolidation of shares.

For the year ended 30 June 2008

37. SHARE CAPITAL (Continued)

The fair value of the share options granted during the financial year was approximately HK$30,640,000 (2007: HK$6,068,000). The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. For the share options with parties other than employees, the directors of the Company measure the services received by reference to the fair value of the share option granted as the fair value of the services received cannot be estimated reliably. The fair value of the share options granted during the year were priced using Binomial option pricing model. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of share option varies with different variables of certain subjective assumptions.

In accordance with terms of the share-based arrangement, options issued during the year, vest at the date of grant. Expected volatility was determined by using the historical volatility of the Company's share price volatility over previous 10 years.

Inputs into the model:

	Share option type	
	2008A	2007A
Grant date share price	**HK$0.325**	HK$0.7
Exercise price	**HK$0.337**	HK$0.728
Expected volatility	**130.94%**	141.52%
Option life	**10 years**	10 years
Dividend yield	**0%**	0%
Risk-free interest rate	**3.87%**	4.63%

The Company recognises the fair value of share options granted as an expense in the income statement over the vesting period with a corresponding increase being recognised in share options reserve. The share options reserve is transferred to share capital and share premium, together with the exercise price, when the option holder exercise its rights.

38. RESERVES

THE GROUP

	Share premium account HK$'000	Convertible notes reserve HK$'000	Non-distributable reserve HK$'000	Special reserve HK$'000	Share options reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 July 2006	61,454	277	2,264	–	–	(82,074)	(18,079)
Extension of convertible notes	–	283	–	–	–	–	283
Conversion of convertible notes into shares	298	(560)	–	–	–	–	(262)
Recognition of equity-settled share-based payment expenses	–	–	–	–	6,068	–	6,068
Net profit for the year	–	–	–	–	–	4,645	4,645
At 30 June 2007 and 1 July 2007	61,752	–	2,264	–	6,068	(77,429)	(7,345)
Equity component of convertible notes	–	595,783	–	–	–	–	595,783
Deferred tax arising on issue of convertible notes	–	(50,404)	–	–	–	–	(50,404)
Recognition of equity-settled share-based payment expenses	–	–	–	–	30,640	–	30,640
Lapse of equity-settled share-based payment expenses	–	–	–	–	(9,700)	9,700	–
Consideration shares	144,000	–	–	(113,760)	–	–	30,240
Issue of shares	91,612	–	–	–	–	–	91,612
Share issue expenses	(4,566)	–	–	–	–	–	(4,566)
Net loss for the year	–	–	–	–	–	(149,514)	(149,514)
At 30 June 2008	**292,798**	**545,379**	**2,264**	**(113,760)**	**27,008**	**(217,243)**	**536,446**

■ Notes to Financial Statements (Continued)

For the year ended 30 June 2008

38. RESERVES (Continued)

THE COMPANY

	Share premium account HK$'000	Convertible notes reserve HK$'000	Non-distributable reserve HK$'000	Special reserve HK$'000	Share options reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 July 2006	61,454	277	1,264	–	–	(117,003)	(54,008)
Extension of convertible notes	–	283	–	–	–	–	283
Conversion of convertible notes into shares	298	(560)	–	–	–	–	(262)
Recognition of equity-settled share-based payment expenses	–	–	–	–	6,068	–	6,068
Net loss for the year	–	–	–	–	–	(8,440)	(8,440)
At 30 June 2007 and 1 July 2007	61,752	–	1,264	–	6,068	(125,443)	(56,359)
Equity component of convertible notes	–	595,783	–	–	–	–	595,783
Deferred tax arising on issue of convertible notes	–	(50,404)	–	–	–	–	(50,404)
Recognition of equity-settled share-based payment expenses	–	–	–	–	30,640	–	30,640
Lapse of equity-settled share-based payment expenses	–	–	–	–	(9,700)	9,700	–
Consideration shares	144,000	–	–	(113,760)	–	–	30,240
Issue of shares	91,612	–	–	–	–	–	91,612
Share issue expenses	(4,566)	–	–	–	–	–	(4,566)
Net profit for the year	–	–	–	–	–	4,522	4,522
At 30 June 2008	**292,798**	**545,379**	**1,264**	**(113,760)**	**27,008**	**(111,221)**	**641,468**

39. RETIREMENT BENEFITS SCHEME

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

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

For the year ended 30 June 2008

40. ACQUISITION OF SUBSIDIARIES

(a) On 11 July 2007, the Company acquired the entire issued share capital of Credible Limited ("Credible"). Credible holds 20% equity interest in Base Move, which shares 0.4% of the rolling turnover generated by Hou Wan Entertainment Unipessoal Limitada. The Company has also been granted a call option from Certain Champ for further acquisition of 50% equity interest in Base Move which is considered to be the potential voting right held by the Company. Base Move is therefore accounted for as a subsidiary of the Company.

The consideration for the acquisition was approximately HK$140,092,000 which represented the cash paid. The amount of goodwill arising as a result of the acquisition was approximately HK$10,438,000.

	Acquiree's carrying amount HK$'000	Fair value adjustment HK$'000	Fair value HK$'000
Net assets acquired:			
Right in sharing of profit streams	–	567,793	567,793
Trade and other receivables	80,509	–	80,509
Other payables	(11)	–	(11)
	80,498	567,793	648,291
Minority interest			(518,637)
100% equity interest of Credible			129,654
Goodwill			10,438
Total consideration paid			140,092

	HK$'000
Total consideration satisfied by:	
Cash consideration	140,000
Related expense paid on acquisition	92
	140,092

40. ACQUISITION OF SUBSIDIARIES (Continued)

Net cash outflow arising on acquisition:

	HK$'000
Cash consideration paid	(140,092)

Notes:

(i) Goodwill arise in the business combination because the cost of the combination included a control premium paid to acquire Credible. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of synergies, revenue growth, future market development of Credible. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

(ii) During the year ended 30 June 2008, Credible contributed approximately HK$159,862,000 to the Group's turnover for the period from the date of acquisition to the balance sheet date.

If the acquisition had been completed on 1 July 2007, total Group's revenue for the year would have been approximately HK$396,575,000, and loss for the year attributable to equity holders of the Company would have been approximately HK$148,352,000. The pro forma information is for illustrative purpose only and is not necessarily an indication of revenue and results of the Group that actually would have been achieved had the acquisition been completed on 1 July 2007, nor is it intended to be a projection of future results.

For the year ended 30 June 2008

40. ACQUISITION OF SUBSIDIARIES (Continued)

(b) On 1 August 2007, the Company acquired the entire issued share capital of Koppert. Koppert holds 20% equity interest in Good Omen Enterprises Limited ("Good Omen"), which shares 0.4% of the rolling turnover generated by Hoi Seng Sociedade Unipessoal Limitada.

The consideration for the acquisition was approximately HK$100,279,000 which represented the cash paid and the fair value of promissory notes. The amount of excess of acquirer's interest in fair value of acquiree's identifiable net assets over cost arising as a result of the acquisition was approximately HK$48,333,000.

	Acquiree's carrying amount	**Fair value adjustment**	**Fair value**
	HK$'000	HK$'000	HK$'000
Net assets acquired:			
Interest in an associate	3,108	145,509	148,617
Other receivables	1	–	1
Other payables	(6)	–	(6)
100% equity interest of Koppert	3,103	145,509	148,612
Excess of acquirer's interest in fair value of acquiree's identifiable net assets over cost			(48,333)
Total consideration paid			100,279

	HK$'000
Total consideration satisfied by:	
Cash consideration	70,000
Fair value of promissory notes	30,000
Related expense paid on acquisition	279
	100,279

40. ACQUISITION OF SUBSIDIARIES (Continued)

Net cash outflow arising on acquisition:

	HK$'000
Cash consideration paid	(70,279)

Notes:

(i) Excess of acquirer's interest in fair value of acquiree's identifiable net assets over cost arose in the business combination is attributable to the discount on the cost of the combination paid to acquire Koppert. The Company has reassessed the fair value of acquiree's identifiable net assets and considered the values of net assets are measured reliably.

(ii) During the year ended 30 June 2008, Koppert contributed share of profit of approximately HK$42,470,000 to the Group's loss for the period from the date of acquisition to the balance sheet date.

If the acquisition had been completed on 1 July 2007, total Group's loss for the year attributable to equity holders of the Company would have been approximately HK$146,405,000. The pro forma information is for illustrative purpose only and is not necessarily an indication of revenue and results of the Group that actually would have been achieved had the acquisition been completed on 1 July 2007, nor is it intended to be a projection of future results.

(c) On 17 March 2008, Hero Will Limited, a wholly owned subsidiary of the Company acquired 85% of the total issued share capital of Sky Advantage, which shares 0.4% of the rolling turnover generated by Neptune Ouro Sociedade Unipessoal Limitada.

The consideration for the acquisition was approximately HK$350,560,000 which represented the cash paid, the fair value of convertible notes and consideration shares as at the date of acquisition. The amount of goodwill arising as a result of the acquisition was approximately HK$6,314,000.

	Acquiree's carrying amount HK$'000	**Fair value adjustment** HK$'000	**Fair value** HK$'000
Net assets acquired:			
Right in sharing of profit streams	–	405,000	405,000
Other receivables	1	–	1
Other payables	(6)	–	(6)
100% equity interest of Sky Advantage	(5)	405,000	404,995
Minority interest			(60,749)
85% equity interest of Sky Advantage			344,246
Goodwill			6,314
Total consideration paid			350,560

For the year ended 30 June 2008

40. ACQUISITION OF SUBSIDIARIES (Continued)

	HK$'000
Total consideration satisfied by:	
Cash consideration	27,480
Fair value of convertible notes	163,734
Fair value of consideration shares	159,120
Related expense paid on acquisition	226
	350,560

Net cash outflow arising on acquisition:

	HK$'000
Cash consideration paid	(27,706)

Notes:

(i) The fair value of the convertible notes issued has been arrived at on the basis of a valuation carried out on the completion date of the acquisition by BMI, independent qualified professional valuers not connected with the Group. The valuation was arrived at by reference to Binomial option pricing model.

(ii) The fair value of the consideration shares determined based on the quoted closing price of the Company's share of HK$0.221 at the date of acquisition and 720,000,000 shares.

(iii) Goodwill arise in the business combination because the cost of the combination included a control premium paid to acquire Sky Advantage. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of synergies, revenue growth, future market development of Sky Advantage. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

(iv) During the year ended 30 June 2008, Sky Advantage contributed approximately HK$18,794,000 to the Group's turnover for the period from the date of acquisition to the balance sheet date.

If the acquisition had been completed on 1 July 2007, total Group's revenue for the year would have been approximately HK$411,324,000, and loss for the year attributable to equity holders of the Company would have been approximately HK$132,041,000. The pro forma information is for illustrative purpose only and is not necessarily an indication of revenue and results of the Group that actually would have been achieved had the acquisition been completed on 1 July 2007, nor is it intended to be a projection of future results.

40. ACQUISITION OF SUBSIDIARIES (Continued)

(d) On 17 March 2008, Stand Great Limited, a wholly owned subsidiary of the Company acquired 85% of the total issued share capital of Profit Forest, which shares 0.4% of the rolling turnover generated by Hao Cai Sociedade Unipessoal Limitada.

The consideration for the acquisition was approximately HK$1,245,551,000 which represented the cash paid, the fair value of convertible notes and consideration shares as at the date of acquisition. The amount of goodwill arising as a result of the acquisition was approximately HK$212,805,000.

	Acquiree's carrying amount HK$'000	Fair value adjustment HK$'000	Fair value HK$'000
Net assets acquired:			
Right in sharing of profit streams	–	1,215,000	1,215,000
Other receivables	1	–	1
Other payables	(6)	–	(6)
100% equity interest of Profit Forest	(5)	1,215,000	1,214,995
Minority interest			(182,249)
85% equity interest of Profit Forest			1,032,746
Goodwill			212,805
Total consideration paid			1,245,551

For the year ended 30 June 2008

40. ACQUISITION OF SUBSIDIARIES (Continued)

	HK$'000
Total consideration satisfied by:	
Cash consideration	82,440
Fair value of convertible notes	1,003,765
Fair value of consideration shares	159,120
Related expense paid on acquisition	226
	1,245,551

Net cash outflow arising on acquisition:

	HK$'000
Cash consideration paid	(82,666)

Notes:

(i) The fair value of the convertible notes issued has been arrived at on the basis of a valuation carried out on the completion date of the acquisition by BMI, independent qualified professional valuers not connected with the Group. The valuation was arrived at by reference to Binomial option pricing model.

(ii) The fair value of the consideration shares determined based on the quoted closing price of the Company's share of HK$0.221 at the date of acquisition and 720,000,000 shares.

(iii) Goodwill arise in the business combination because the cost of the combination included a control premium paid to acquire Profit Forest. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of synergies, revenue growth, future market development of Profit Forest. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

(iv) During the year ended 30 June 2008, Profit Forest contributed approximately HK$56,382,000 to the Group's turnover for the period from the date of acquisition to the balance sheet date.

If the acquisition had been completed on 1 July 2007, total Group's revenue for the year would have been approximately HK$452,438,000, and loss for the year attributable to equity holders of the Company would have been approximately HK$97,094,000. The pro forma information is for illustrative purpose only and is not necessarily an indication of revenue and results of the Group that actually would have been achieved had the acquisition been completed on 1 July 2007, nor is it intended to be a projection of future results.

40. ACQUISITION OF SUBSIDIARIES (Continued)

(e) Summary of the acquisitions of subsidiaries is set out as follow:

	Credible HK$'000	Koppert HK$'000	Sky Advantage HK$'000	Profit Forest HK$'000	Total HK$'000
Effective equity interest acquired	100%	100%	85%	85%	
Acquiree's carrying amount	80,498	3,103	(5)	(5)	83,591
Fair value adjustment	567,793	145,509	405,000	1,215,000	2,333,302
	648,291	148,612	404,995	1,214,995	2,416,893
Minority interest	(518,637)	–	(60,749)	(182,249)	(761,635)
Net assets acquired	129,654	148,612	344,246	1,032,746	1,655,258
Goodwill	10,438	–	6,314	212,805	229,557
Excess of acquirer's interest in fair value of acquiree's identifiable net assets over cost	–	(48,333)	–	–	(48,333)
Total consideration paid	140,092	100,279	350,560	1,245,551	1,836,482
Total consideration satisfied by:					
Cash consideration	140,000	70,000	27,480	82,440	319,920
Fair value of promissory notes	–	30,000	–	–	30,000
Fair value of convertible notes	–	–	163,734	1,003,765	1,167,499
Fair value of consideration shares	–	–	159,120	159,120	318,240
Related expense paid on acquisition	92	279	226	226	823
	140,092	100,279	350,560	1,245,551	1,836,482
Net cash outflow arising on acquisition:					
Cash consideration paid	(140,092)	(70,279)	(27,706)	(82,666)	(320,743)

For the year ended 30 June 2008

41. OPERATING LEASE COMMITMENTS

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

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
Within 1 year	**36,000**	9,000
After 1 year but within 5 years	**9,000**	–
	45,000	9,000

(b) At 30 June 2008, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
Within 1 year	**1,017**	875
After one year but within 5 years	**414**	188
	1,431	1,063

42. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in the financial statements, during the year, the Group had entered into transactions with related parties which, in the opinion of the directors, were carried out on normal commercial terms and in the ordinary course of the Group's business, as shown below:

Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in Note 9 is as follows:

	2008 HK$'000	2007 HK$'000
Short term employee benefits	3,385	2,711
Equity-settled share-based payment expenses	1,172	182
Mandatory provident fund contribution	60	39
	4,617	2,932

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

Name of related parties	Relationship	Nature of transactions	2008 HK$'000	2007 HK$'000
Gason Electrical Contracting Ltd. (Note a)	Company in which two directors of subsidiaries have beneficial interests	Trade receivables Sales	5,771 26,376	11,623 20,291
Gold Arch Engineering Ltd. (Note b)	Company in which two directors of subsidiaries have beneficial interests	Management fee paid	390	360

Notes:

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

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

For the year ended 30 June 2008

43. SUBSEQUENT EVENTS

(a) On 22 June 2008, Rich Pearl Limited ("Rich Pearl"), a wholly owned subsidiary of the Company, entered into a share acquisition agreement with Mr. Choi Tai Wai ("Mr. Choi") to acquire the entire issued share capital of Best Max Enterprises Limited ("Best Max") for a total consideration of approximately HK$4,320,000,000. The main asset of Best Max is the Star Profit Agreement. Under the share acquisition agreement, the consideration shall be settled by Rich Pearl (i) as to HK$325,000,000 in cash; (ii) as to HK$1,200,000,000 by procuring the Company to issue the promissory notes to Mr. Choi; and (iii) as to the balance of HK$2,795,000,000 by procuring the Company to allot and issue 6,211,111,111 consideration shares to Mr. Choi at an issue price of HK$0.45 per share. Subject to certain conditions to be fulfilled, the acquisition has not been completed at the date of approval of these financial statements. For further details, please refer to the Company's circular dated 26 September 2008.

(b) On 22 June 2008, the Company entered into a loan agreement with Peak Wing Enterprises Limited ("Peak Wing"), a company wholly owned by Mr. Choi. Subject to successful completion of fund raising exercise by the Company on or before 31 March 2009, the Company shall provide a term loan facility to Peak Wing of an amount of up to HK$6,000,000,000. The loan will carry interest at the prime lending rate as quoted by the Hongkong and Shanghai Banking Corporation Limited in Hong Kong plus 2% per annum.

Pursuant to the loan agreement, within twelve months from the date thereof or such later date as the parties may agree in writing, the Company shall have the right by giving not less than three days' notice in writing to Peak Wing, to capitalise HK$200,000,000 of the principal amount of the loan for an allotment and issue of such number of new shares of Peak Wing as representing 99.99% of the enlarged issued share capital of Peak Wing on a fully diluted basis. For further details, please refer to the Company's circular dated 26 September 2008.

44. CAPITAL COMMITMENT

At 30 June 2008, capital commitment in aggregate for the acquisition is as follow:

	THE GROUP AND THE COMPANY	
	2008	2007
	HK$'000	HK$'000
Contracted but not provided for:		
– acquisition of subsidiaries	**4,320,000**	240,000

45. CONTINGENT LIABILITIES

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
Other trade guarantees	**214**	68

On 1 September 2004, a writ of summons and statement of claim was made by The Center (49) Limited against the Company in respect of the office previously rented by the Group. The claim is for a sum of approximately HK$3.3 million together with interest and cost. In the opinion of the directors, the amount claimed is unreasonable. The Group would vigorously contest against such claim. After obtaining legal advice, a provision of approximately HK$1.6 million has been made in the financial statements for the year ended 30 June 2004. During the year ended 30 June 2008, there has been no significant progress. At the date of approval of these financial statements, the case is still pending for hearing.

46. COMPARATIVE FIGURES

Certain items in the consolidated financial statements have been reclassified to conform with the current year's presentation.

47. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 26 November 2008.

Particulars of Major Properties

INVESTMENT PROPERTIES

Location	Lease expiry	Type	Gross floor area (sq.m.)	Effective % held	Nature
Old Government Building located at Zhong Shan Road West, Heng Li Zhen, Dongguan, Guangdong Province, The PRC	2063	Commercial/ residential	9,001	100%	For resale/ rental
Commercial/residential development located at Zhong Shan Road, Heng Li Zhen, Dongguan, Guangdong Province, The PRC	2064	Commercial/ residential	6,534	100%	For resale/ rental

LEASEHOLD LAND AND BUILDINGS

Location	Lease expiry	Type	Effective % held	Nature
Units 102-107, 1st Floor, Hong Leong Industrial Complex, 4 Wang Kwong Road, Kowloon Bay, Kowloon Hong Kong	2047	Godown	80%	Own use