1. CORPORATE INFORMATION

Prime Investments Holdings Limited (the "Company") was incorporated on 12 July 2000 in the Cayman Islands under the Companies Law as an exempted company with limited liability. With effect from 9 May 2006, the Company has been de-registered from the Cayman Islands and duly continued in Bermuda as an exempt company under the laws of Bermuda. The address of the registered office of the Company has been changed from Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681 GT, George Town, Grand Cayman, British West Indies to Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda.

The Company's principal place of business is located at Room 504, 5/F, Chinachem Tower, 34-37 Connaught Road Central, Central, Hong Kong.

The Company is an investment holding company while the Group is principally engaged in the investment of listed and unlisted companies established and/or doing business in Hong Kong and other parts of the PRC.

These consolidated financial statements are presented in HK dollars unless otherwise stated.

2. GOING CONCERN CONCEPT

The Group had a net loss attributable to shareholders of HK$6,557,134 for the year ended 30 June 2006 (2005: loss of HK$2,552,955). The Group and the Company had consolidated net current liabilities and net current liabilities of HK$9,218,135 (2005: net current liabilities – Group – HK$4,448,719 and Company HK$4,448,719), consolidated net liabilities and net liabilities of HK$2,642,298 and consolidated accumulated losses of HK$34,486,428 (2005: HK$32,249,294) and accumulated losses of HK$37,986,428 (2005: HK$35,749,294) at 30 June 2006. During the year, the net asset value of the Group further deteriorated, which was largely due to the impairment on available-for-sale financial assets.

The financial statements have been prepared on the basis that the Company and the Group will continue to operate as a going concern as the directors of the Company are of the opinion that the Company and the Group are able to continue as a going concern and to meet their obligations as and when they fall due having regard to the followings:

(i) On 30 November 2005, a deed of waiver was entered into between the Company and Oceanwide Investments Limited ("Oceanwide"), a shareholder of the Company, pursuant to which, Oceanwide agreed to waive the debt with accrued interest of HK$2,765,838 due by the Company as detailed in Note 19 to the financial statements and confirmed to provide the Company with continuous financial support to meet its liabilities as and when they fall due;

(ii) On 2 November 2005, the Company and the Subscriber entered into the Subscription Agreement, pursuant to which the Company agreed to allot and issue and the Subscriber agreed to subscribe in cash of HK$8,000,000 for a total of 89,142,857 Subscription Shares which represented the subscription price of approximately HK$0.0897 per Subscription Share; and the completion of the Subscription Agreement is conditional upon, the Listing Committee of the Stock Exchange granting approval of the listing and permission to deal in new shares in issue and consent in principle of the Stock Exchange to the resumption of trading if New Shares in issue having been obtained; and

(iii) The Company will be able to obtain a shareholder's loan of HK$5 million upon completion of the Subscription as mentioned in the above paragraph.

The directors believe the Group and the Company will have sufficient cash resources to satisfy its future working capital and other financing requirements. Accordingly, these financial statements have been prepared on a going concern basis and do not include any adjustments that would be required should the Group and the Company fail to continue as a going concern.

If the going concern basis were not be appropriate, adjustments would have to be made to restate the values of the Group's and the Company's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

3. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historic cost convention, as modified by the revaluation of available-for-sale financial assets, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are discussed in Note 5.

The adoption of new/revised HKFRS

In the current year, the Group adopted the new/revised standards and interpretations of HKFRS below, which are relevant to its operations, the 2005 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39	Transition and Initial Recognition of Financial Assets and Financial Liabilities Amendment
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations

The adoption of new/revised HKASs 1, 7, 8, 10, 21, 24, 27, 33 and 36 did not result in substantial changes to the Group's accounting policies. In summary:

– HKAS 1 has not affected other disclosures

– HKASs 7, 8, 10, 27, 33 and 36 had no material effect in the Group's policies.

– HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. All the Group entities have the same functional currency as the presentation currency for respective entity financial statements.

– HKAS 24 has affected the identification of related parties and some other related-party disclosures.

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the classification of available-for-sale financial assets.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

The adoption of new/revised HKFRS (Continued)

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards, wherever applicable. All standards adopted by the Group require retrospective application other than:

– HKAS 39 does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous SSAP 24 "Accounting for investments in securities" to investments in securities. The adjustments required for the accounting differences between SSAP 24 and HKAS 39 are determined and recognised at 1 July 2005. At 1 July 2005, the Company reclassified its investment securities with a carrying amount of HK$9,000,000 to available-for-sale financial assets. The adoption of HKAS 39 has had no impact on the Company's results for the current or prior accounting periods.

Standards, interpretations and amendments that are not yet effective

The Group has not early adopted the following new standards, interpretations or amendments which have been issued but are not yet effective. The adoption of these new HKFRS is not expected to result in substantial changes to the Group's accounting policies.

HKAS 1 (Amendment)	Capital Disclosures
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 and HKFRS 5 (Amendment)	Financial Guarantee Contracts
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS 7	Financial Instrument: Disclosures
HKFRS-Int 4	Determining whether an Arrangement Contains a Lease
HKFRS-Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environment Rehabilitation Funds
HKFRS (IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market-Waste Electrical and Electronic Equipment
HKFRS (IFRIC)-Int 7	Financial Reporting in Hyperinflationary Economic

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 30 June 2006. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

(c) Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(d) Related parties

For the purpose of these financial statements, parties are considered to be related to the group have the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operation decisions, or vice versa, or where the group and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the group where those parties are individuals, and post-employment benefits plans which are for the benefit of employees of the group or of any entity that is a related party of the group.

(e) Impairment of assets

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

Where an impairment loss subsequently reverse, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(f) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after assets have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of that asset.

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Furniture and fixtures	25%
Office equipment	$33^1/_3$%

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

(g) Leased assets

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

(h) Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and 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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(i) Investments

From 1 July 2004 to 30 June 2005:
The Group classified its investments in securities, other then subsidiaries, as non-trading securities.

(i) Non-trading securities

Investments which were held for non-trading purpose are stated at fair value at he balance sheet date. Changes in fair value of individual securities were credited or debited to the investment revaluation reserve until the security was sold, or when the individual security was determined to be impaired. Upon disposal, the cumulative gain or loss representing the difference between the net sales proceeds and the carrying amount of the relevant security, together with any surplus/deficit transferred from the investment revaluation reserve, was dealt with in the income statement.

Where there was objective evidence that individual investments were impaired, the cumulative loss recorded in the investment revaluation reserve was taken to the income statement.

From 1 July 2005 onwards:
The Group classified its investments in the following categories: at fair value through profit and loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition and re-evaluation this designation at every reporting date.

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

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. During the year, the Group did not hold any investments in this category.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(i) Investments *(Continued)*

Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Investments are decognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are substantially carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in investment revaluation reserve are included in the income statement as gains or losses from investment securities.

The fair value of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

(j) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liabilities in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associated and jointly controlled entities, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(k) Revenue recognition

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:

(a) income from securities trading, when the transactions are completed; and

(b) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

(l) Employee benefits

(i) Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

(ii) Pension scheme and other retirement benefits

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

(iii) Share based payments

The group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in the assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement and a corresponding adjustment to equity over the remaining vesting period.

(m) Foreign currency 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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(m) Foreign currency translation *(Continued)*

(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 currency are recognised in the 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 investment revaluation reserve in equity.

(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:

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

(ii) 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 transaction); and

(iii) 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 operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

(n) Other receivables

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(o) Provisions

Provisions are recognised when the Group of the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using the pre-tax rate that reflects current market assessments.

4. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose to a variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest-rate risk. The Group's overall risk management programme focuses on the unpredictability of financial matters and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the accountant under the guidance approved by the board of directors. The Group identifies, evaluates, and hedges financial risks in close co-operation with the Group's operating units. The board provides guidance for overall risk management, covering specific areas, such as foreign exchange risk, interest-rate risk, credit risk and investment of excess liquidity.

(i) Market risk

(1) Foreign exchange risk

Most of the Group's investments are located in the PRC where the official currency is RMB. The Group currently does not have a foreign currency hedging policy. However, the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

(2) Price risk

The Group is exposed to equity security price risk through its investments in equity securities designated as available-for-sale financial assets. The management manages this exposure by maintaining a portfolio of investments with different risk profiles.

(ii) Credit risk

The Group has no significant concentrations of credit risk. The Group has policies that limit the amount of credit exposure to any financial institution.

(iii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping sufficient cash and marketable securities.

(iv) Cash flow and fair value interest rate risk

The Group has no significant interest-bearing assets. The Group's income and cash flows are substantially independent of changes in market interest rates.

(b) Fair value estimation

The fair value of financial instruments that are not traded in an active market (for example, non-floating shares in PRC investment) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for non-floating shares in PRC investment with reference to the shares compensation proposal of the investee's equity reform scheme.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Fair value of financial instruments

Fair value of financial instruments that are not traded in an active market is determined by using valuation techniques as detailed in Note 4 (b). The Group uses its judgement to select from a variety of methods and make assumptions that are mainly based on market conditions existing at balance sheet date.

(b) Estimated impairment of available-for-sale financial assets

The Group follows the guidance of HKAS 39 when determining whether a significant or prolonged decline in the fair value of an investment classified as available-for-sale financial assets is an indicator of impairment other than temporary. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of this investment is less than its cost; and the expected time span the Group will hold this investment. In addition, the Group assesses the annual and semi-annual operating results of he investment. Based on the Group's estimation, impairment of HK$2,500,000 has been made on available-for-sale financial assets.

6. SEGMENT INFORMATION

The Group is principally engaged in the investment in listed and unlisted companies. Accordingly, no analysis of segmental information by principal activity is presented. No geographical analysis is presented as none of the Group's turnover, results, assets and liabilities are attributable to markets outside the People's Republic of China (including Hong Kong).

7. TURNOVER, OTHER REVENUE AND GAINS

The Group is principally engaged in the investment in listed and unlisted companies. An analysis of turnover, other revenue and gains is as follows:

	2006	2005
	HK$	*HK$*
Turnover		
Proceeds from sale of trading securities	**–**	–
Other revenue and gains		
Interest income	**2,570**	–

8. LOSS FROM OPERATING ACTIVITIES

The Group's loss from operating activities is arrived at after charging:

	2006 HK$	2005 HK$
Depreciation	30,371	17,458
Lease payments under operating leases on land and buildings	243,772	34,544
Auditors' remuneration	130,000	130,000
Staff costs (excluding directors' remuneration, see note 10):		
Wages and salaries	426,000	329,399
Pension scheme contributions*	34,070	17,013
	460,070	346,412
Loss on disposal of property, plant and equipment	–	21,351
Impairment of available-for-sale financial assets**	2,500,000	–

* At 30 June 2006, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2005: Nil).

** Included in "Other operating expenses" on the face of the consolidated income statement.

9. FINANCE COSTS

	Group 2006 HK$	2005 HK$
Interest expense on:		
Other loans	57,495	19,703
Advances from directors	23,999	53,020
Advance from a shareholder	31,438	77,056
Other payables	1,743	–
	114,675	149,779

10. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

	Group 2006 HK$	2005 HK$
Fees	61,250	75,000
Other emoluments:		
Basic salaries, housing allowances, other allowances and benefits in kind	1,200,000	900,000
Pension scheme contributions	12,300	10,000
	1,212,300	910,000
	1,273,550	985,000

10. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION *(Continued)*

(a) Directors' and senior management's emoluments

The remuneration of every director for the year ended 30 June 2006 and 2005 is set out below:

	Directors' Fees *HK$*	Salaries, allowances and benefits in kind *HK$*	Discretionary bonuses *HK$*	Share-based payments *HK$*	Retirement scheme contributions *HK$*	2006 Total *HK$*
Executive directors						
Wang Wenxia, Wendy	–	1,200,000	–	–	–	1,200,000
Pong Po Lam, Pual	15,000	–	–	–	–	15,000
Lau Sze Shing, Edward	–	–	–	–	–	–
Chiu Kam Hing, Kathy	8,125	–	–	–	–	8,125
Ho Chiu King, Pansy	8,125	–	–	–	–	8,125
Wu Shenbin	–	–	–	–	–	–
Non-executive directors						
Lan Ning	–	–	–	–	–	–
Chan Po Fun, Peter	15,000	–	–	–	–	15,000
Ding Xiaobin	–	–	–	–	–	–
Chan Man Yee	–	–	–	–	–	–
Independent non-executive directors						
Cheung Wai Bun, Charles	15,000	–	–	–	–	15,000
Zhang Yong	–	–	–	–	–	–
Gu Qiu Rong	–	–	–	–	–	–
	61,250	1,200,000	–	–	–	1,261,250

	Directors' Fees *HK$*	Salaries, allowances and benefits in kind *HK$*	Discretionary bonuses *HK$*	Share-based payments *HK$*	Retirement scheme contributions *HK$*	2005 Total *HK$*
Executive directors						
Wang Wenxia, Wendy	–	550,000	–	–	–	550,000
Pong Po Lam, Pual	15,000	–	–	–	–	15,000
Lau Sze Shing, Edward	–	350,000	–	–	–	350,000
Chiu Kam Hing, Kathy	15,000	–	–	–	–	15,000
Ho Chiu King, Pansy	15,000	–	–	–	–	15,000
Wu Shenbin	–	–	–	–	–	–
Non-executive directors						
Lan Ning	–	–	–	–	–	–
Chan Po Fun, Peter	15,000	–	–	–	–	15,000
Ding Xiaobin	–	–	–	–	–	–
Chan Man Yee	–	–	–	–	–	–
Independent non-executive directors						
Cheung Wai Bun, Charles	15,000	–	–	–	–	15,000
Zhang Yong	–	–	–	–	–	–
Gu Qiu Rong	–	–	–	–	–	–
	75,000	900,000	–	–	–	975,000

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

10. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION *(Continued)*

(b) Five highest paid individuals

The five highest paid individuals during the year included two (2005: two) directors, details of whose remuneration are set out in Note 10 (a) above. Details of the remuneration of the remaining three (2005: three) non-director, highest paid individuals for the year are as follows:

	Group	
	2006	2005
	HK$	*HK$*
Basic salaries, housing allowances, other allowances and benefits in kind	**1,613,838**	329,399
Pension scheme contributions	**32,541**	17,013
	1,646,379	346,412

Except for the remuneration of one director fell within the remuneration band of HK$1,000,001 to HK$1,500,000. The remuneration of the remaining four individuals fell within the remuneration band of Nil to HK$1,000,000.

11. TAXATION

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2005: Nil).

A reconciliation of the tax expense applicable to loss before tax using the statutory rate to the tax at the effective tax rate is as follows:

Group

	2006		2005	
	HK$	**%**	*HK$*	%
Loss before taxation	**(6,557,134)**		(2,552,955)	
Tax at the statutory tax rate of 17.5% (2005: 17.5%)	**(1,147,496)**	**17.5**	(446,767)	17.5
Expenses not deductible for tax	**542,713**	**(6.7)**	–	–
Deferred tax liabilities not recognised	**4,108**	**(0.1)**	(1,866)	–
Tax losses not recognised	**600,675**	**(10.7)**	448,633	(17.5)
Tax at effective rate	**–**	**–**	–	–

The Group has tax losses arising in Hong Kong of HK$9,459,384 (2005: HK$9,459,384) that are available indefinitely for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as the Group has been loss-making for some time. There were no material unprovided deferred taxation for the year. (2005: nil).

12. NET LOSS FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS

The net loss for the year attributable to shareholders for the year ended 30 June 2006 dealt with in the financial statements of the Company, was HK$6,557,134 (2005: HK$2,552,955).

13. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss for the year attributable to shareholders of HK$6,557,134 (2005: HK$2,552,955) and the weighted average of 48,000,000 (2005: 48,000,000) ordinary shares in issue during the year.

Diluted loss per share amounts for the years ended 30 June 2006 and 2005 have not been disclosed as no diluting events existed during these two years.

14. PROPERTY, PLANT AND EQUIPMENT

Group and Company	**Furniture and fixtures** *HK$*	**Office equipment** *HK$*	**Total** *HK$*
Cost:			
At 1 July 2004	113,707	215,548	329,255
Additions	90,745	23,056	113,801
Disposals	(113,707)	(215,548)	(329,255)
At 30 June 2005 and 30 June 2006	90,745	23,056	113,801
Accumulated depreciation:			
At 1 July 2004	62,211	184,504	246,715
Charge for the year	10,409	7,049	17,458
Disposals	(66,948)	(189,632)	(256,580)
At 30 June 2005	5,672	1,921	7,593
Charge for the year	22,686	7,685	30,371
At 30 June 2006	28,358	9,606	37,964
Net book value:			
At 30 June 2006	62,387	13,450	75,837
At 30 June 2005	85,073	21,135	106,208

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	Available-for-sale financial assets 2006 *HK$*	Investment securities 2005 *HK$*
Unlisted equity securities, at cost	**15,000,000**	15,000,000
Provision for impairment loss	**(8,500,000)**	(6,000,000)
	6,500,000	9,000,000

As at 30 June 2006, the carrying amounts and further details of interests in the investments were as follows:

Name	Place of incorporation	Particulars of equity interests held	Investment value Acquisition cost *HK$*	At fair value *HK$*	Interest held
China Link Investment Group Limited ("China Link") *(note i)*	British Virgin Islands ("BVI")	Ordinary shares of US$1.00 each	5,000,000	4,000,000	22%
Zhongshan Chinese Standard Building Materials Company Limited *(note ii)*	The PRC	Registered capital of RMB525,000	5,000,000	2,500,000	1.97%
Sunkock Development Limited ("Sunkock") *(note iii)*	Hong Kong	Ordinary shares of HK$1.00 each	5,000,000	–	20%

Notes:

(i) China Link is principally engaged in the development of a website providing on-line professional consultancy services in the PRC. China Link is not accounted for as an associate as, in the opinion of the directors, the Group has no significant influence over its financial and operating decisions. In February 2004, the investee company of China Link became an overseas listed company through a reverse take-over exercise.

(ii) Zhongshan Chinese Standard Building Materials Company Limited is principally engaged in the production and distribution of window frames in the PRC.

(iii) Sunkock is principally engaged in the development of medical products in the PRC.

On 1 July 2005, investment securities classified as non-current assets were designated as available-for-sale financial assets upon adoption of HKAS 39. At 30 June 2005, the investment securities amounted to HK$9,000,000.

During the year, the directors considered that there was an impairment in the investment in Sunkock as a result of substantial loss incurred by Sunkock and the provision of HK$2,500,000 was based on the best estimate of the directors, taking into account of all available information.

16. INTERESTS IN SUBSIDIARIES

	Company	
	2006	2005
	HK$	*HK$*
Unlisted shares, at cost	**32**	32
Due from subsidiaries	**18,499,968**	18,499,968
	18,500,000	18,500,000
Provision for impairment loss	**(12,000,000)**	(9,500,000)
	6,500,000	9,000,000

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

At 30 June 2006, particulars of the subsidiaries are as follows:

Name	**Place of incorporation/ registration and operations**	**Nominal value of issued ordinary share capital**	**Percentage of equity directly attributable to the Company**	**Principal activities**
Double Lucky Investment Co., Ltd.	BVI	1 ordinary share of US$1.00	100	Investment holding
Sun Talent Investment Co., Ltd.	BVI	1 ordinary share of US$1.00	100	Investment holding
Market Place Investment Co., Ltd.	BVI	1 ordinary share of US$1.00	100	Investment holding
Glorison Limited	BVI	1 ordinary share of US$1.00	100	Investment holding

17. OTHER LOANS

Except for loans of HK$1,000,000 and HK$200,000 from two independent third parties and a loan of HK$1,500,000 from a former director which bear interest at the rate of 4.5%, 10% and 3% per annum, respectively; other loans are unsecured, interest free and repayable within one year.

18. DUE TO DIRECTORS

Except for amount of HK$1,000,000 (2005: HK$1,000,000) due to a director which bears interest at the rate of 2.4% per annum, the amounts due to directors are unsecured, interest-free and repayable within one year.

19. DUE TO A SHAREHOLDER

On 30 November 2005, a deed of waiver was entered into between the Company and Oceanwide Investments Limited ("Oceanwide"), a shareholder of the Company, pursuant to which, Oceanwide agreed to waive the debt with accrued interest amounted to HK$2,765,838 due by the Company.

20. ISSUED CAPITAL

	Number of shares	2005 *HK$*
Authorised:		
Ordinary shares of HK$0.10 each	200,000,000	20,000,000
Issued and fully paid:		
Ordinary shares of HK$0.10 each	48,000,000	4,800,000

	Number of shares	**2006** ***HK$***
Authorised:		
Ordinary shares of HK$0.10 each	**200,000,000**	**20,000,000**
Subdivided each unissued share capital into 10 shares of HK$0.01 each (a)	**1,800,000,000**	**–**
	2,000,000,000	**20,000,000**
Issued and fully paid:		
Ordinary shares of HK$0.10 each	**48,000,000**	**4,800,000**
Capital reduction (a)	**–**	**(4,320,000)**
Ordinary share of HK$0.01 each	**48,000,000**	**480,000**

(a) Capital reduction

By a resolution passed at the extraordinary general meeting of the Company held on 6 April 2006, it was resolved that with effect from 9 May 2006:

(i) the nominal value of each of the issued share of HK$0.1 each was reduced from HK$0.1 each to New Share of HK$0.01 each by canceling the issued share capital to the extent of HK$0.09 on each of the issued share.

(ii) each of the authorised but unissued share capital of the Company was sub-divided into 10 New Shares of HK$0.01 each; and

(iii) utilize the entire credit arising from the capital reduction of HK$4,320,000 to eliminate part of the accumulated losses of the Company.

21. SHARE OPTION SCHEME

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

On 24 May 2001, the Company approved the Scheme under which the directors may, at their discretion, grant to full-time employees and executive directors of the Group, the right to take up options to subscribe for shares of the Company during the 10 years from its date of approval. The Scheme became effective upon the listing of the Company's shares on the Stock Exchange on 8 June 2001 and unless otherwise cancelled or amended, will remain in force for 10 years from that date. No options have been granted since the approval of the Scheme.

Subsequent to the adoption of the Scheme on 24 May 2001, the Stock Exchange introduced a number of changes to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") on share option schemes. These new rules came into effect on 1 September 2001. No share options have been granted under the Scheme since the adoption of these new rules on 1 September 2001. However, any option to be granted under the Scheme shall be subject to the new changes which include, inter alia, the following:

(a) 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 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;

(b) share options granted to a director, chief executive or substantial shareholder, or to any of their associates, are subject to approval in advance by independent non-executive directors; and

(c) the exercise price of share options is determined by directors, but may not be less than the higher of: (i) the Stock Exchange closing price of the shares on the date of grant of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the grant.

Under the existing Scheme, the maximum number of shares over which options may be granted may not exceed 10% of the issued share capital of the Company from time to time, excluding for this purpose shares issued pursuant to the Scheme. No option may be granted to any person which, if exercised in full, would result in the total number of shares already issued and issuable to him under the Scheme exceeding 25% of the aggregate number of shares subject to the Scheme, at the time it is proposed to grant the relevant option to such person. The subscription price of the options is to be subject to a minimum which is the higher of the nominal value of a share and 80% of the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the grant date of the options. The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK$1. The options granted can be exercised at any time during a period specified by the directors, which commences on the grant date and expires on the last day of such period, and in any event such period must not be less than 3 years and not more than 10 years from the grant date of the options.

The Company amended the terms of the Scheme to comply with the requirements of the amended Listing Rules on share option schemes.

22. RESERVES

(a) Group

The movements in the Group's reserves for the current and prior years are presented in the consolidated statement of changes in equity on page 21 of the financial statements.

(b) Company

	Share premium account HK$	Capital reserve HK$	Accumulated losses HK$	Total HK$
At 1 July 2004	32,098,292	–	(33,196,339)	(1,098,047)
Loss for the year	–	–	(2,552,955)	(2,552,955)
At 30 June 2005 and 1 July 2005	32,098,292	–	(35,749,294)	(3,651,002)
Capital reduction *(Note 20)*	–	–	4,320,000	4,320,000
Waiver of amount due to a shareholder	–	2,765,838	–	2,765,838
Loss for the year	–	–	(6,557,134)	(6,557,134)
At 30 June 2006	**32,098,292**	**2,765,838**	**(37,986,428)**	**(3,122,298)**

Since the accumulated losses of the Company exceeded the amount standing to the credit of its share premium account as at 30 June 2006. At 30 June 2006 and 2005, the Company did not have any reserves available for distribution.

23. OPERATING LEASE ARRANGEMENTS

The Group leases its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to two years.

	Group and Company	
	2006 **HK$**	2005 HK$
Within one year	**107,991**	170,352
In the second to fifth years, inclusive	**–**	107,991
	107,991	278,343

24. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed in Notes 18 and 19 to the financial statements, significant related party transactions, which were carried out in the normal course of the Group's business, are summarised as follows:

	Notes	2006 HK$	2005 HK$
Investment management fee paid/payable to Glory Investment Assets Limited	(i)	–	100,189
Interest expense paid/payable to a director	(ii)	23,999	8,022
Interest expense paid/payable to a shareholder	(iii)	31,348	77,056
Interest expense paid/payable to a former director	(iv)	44,998	44,998

(i) Pursuant to the Investment Management Agreement dated 24 May 2001 entered into between the Company and Glory Investment Assets Limited (the "Investment Manager"), the Investment Manager provides investment management services and general administrative services to the Group. Under this arrangement, the Investment Manager is entitled to a monthly management fee payable in advance, calculated at 2.5% per annum of the net asset value of the Group as at the end of the preceding month on the basis of the actual number of days in the relevant calendar month over a year of 365 days. In addition, the Investment Manager is also entitled to 15% of the surplus in net asset value of the Group over a financial year or period.

Pursuant to a supplemental agreement to the Investment Management Agreement dated 25 June 2002 entered into between the Company and the Investment Manager (the "Supplemental Agreement"), the monthly management fee payable in advance was reduced from 2.5% per annum to 2.0% per annum of the net asset value of the Group as at the end of the preceding month, calculated on the basis of the actual number of days in the relevant calendar month over a year of 365 days. The Supplemental Agreement became effective on 2 August 2002.

Ms. Chiu Kam Hing, Kathy, an ex-executive director of the Company, has a 30% equity interest in the Investment Manager.

The Investment Management Agreement expired on 4 July 2005, no management fee was paid/ payable during the year.

(ii) The interest expense paid to a director of the Company relates to an advance granted, further details of which are included in Note 18 to the financial statements.

(iii) The interest expense paid to a shareholder of the Company related to an advance granted, the advance together with accrued interest amounted to HK$2,765,838 was waived by the shareholder, further details of which are included in Note 19 to the financial statements.

(iv) The interest expense paid to a former director of the Company relates to an advance granted, further details of which are included in Note 17 to the financial statements.

25. POST BALANCE SHEET EVENTS

(i) Pursuant to an investment management agreement dated 21 February 2006 and subsequently amended on 1 August 2006, Pegasus Fund Managers Limited ("Pegasus"), whereby Pegasus has agreed to provide investment management services to the Company for a period of three years effective from 1 August 2006. Pegasus is entitled to from the Company a management fee calculated at the following rates:

(1) 2.5% per annum of the net asset value of the Group as at the immediately preceding valuation date on the basis of the actual number of days in the relevant calendar month over a year of 365 days, subject to a monthly minimum fee of HK$30,000.

(2) 10% of the surplus in net asset value of the Group over a financial year or period, which the surplus in the net asset value should be greater than HK$30,000,000.

(ii) On 2 November 2005, the Company and the Subscriber entered into the Subscription Agreement, pursuant to which the Company agreed to allot and issue and the Subscriber agreed to subscribe in cash of HK$8,000,000 for a total of 89,142,857 Subscription Shares which represented the subscription price of approximately HK$0.0897 per Subscription Share.

The completion of the Subscription Agreement is conditional upon, the Listing Committee of the Stock Exchange granting approval of the listing and permission to deal in the New Shares in issue and consent in principle of the Stock Exchange to the resumption of trading of New Shares in issue on the Stock Exchange having been obtained.

26. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23 October 2006.