NEPTUNE

GROUP LIMITED

(Incorporated in Hong Kong with limited liability)

ANNUAL REPORT 2007

STOCK CODE: 70

Contents

Corporate Information

BOARD OF DIRECTORS

Executive directors:

Mr. Lin Cheuk Fung *(Chairman)*
Mr. Lau Kwok Hung
Mr. Chan Shiu Kwong, Stephen
Mr. Lau Kwok Keung
Mr. Wan Yau Shing, Ban (Appointed on 11 April 2007)
Mr. Nicholas J. Niglio (Appointed on 3 September 2007)

Independent non-executive directors:

Mr. Yue Fu Wing
Mr. Wong Yuk Man
Mr. Cheung Yat Hung, Alton (Appointed on 5 June 2007)
Mr. Chow Pui Fung (Resigned on 5 June 2007)

COMPANY SECRETARY

Mr. Lau Kwok Hung

AUDIT COMMITTEE

Mr. Yue Fu Wing
Mr. Wong Yuk Man
Mr. Cheung Yat Hung, Alton (Appointed on 5 June 2007)
Mr. Chow Pui Fung (Resigned on 5 June 2007)

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

Lau, Chan & Ko Solicitors & Notaries
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

Units 1205-6, 12th Floor, Office Tower Two,
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Hunghom, Kowloon,
Hong Kong

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STOCK CODE

0070

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 2007.

PROFIT FOR THE YEAR

For the financial year ended 30 June 2007, the Group recorded a turnover of approximately HK$129,959,000 representing an increase of 26% compared to one year ago (2006: HK$103,134,000). The Group's audited profit attributable to shareholders was approximately HK$4,645,000 (2006: HK$7,147,000). Earnings per share was 0.34 cents (2006: 0.58 cents). The Board has resolved not to pay a dividend for the year.

CONTINUING BUSINESS REVIEW

Through the current year, the M.V. Neptune contributed significantly to the Group's earnings and helped establish a company "brand". The Neptune continues to attract a varied demographic base essential for lease continuity. Competition is keen within the Hong Kong "up and back" cruise market, however the Neptune stands apart, ever increasing its market share. The effort and preparation taken last year to prepare the ship for market has given the Group a strong asset that will contribute to earnings in the coming years. The Group and its management recognise its financial contribution and remains committed to monitor cruise industry trends as well as all our competition's initiatives. Our challenge to attract mid to premium clients from the mainland has been successful and will continue to be our focus. Additionally, joint cross marketing efforts between the Neptune brand in the Macau VIP rooms and the M.V Neptune will be explored and utilised where feasible.

BUSINESS REVIEW AND LOOKING FORWARD

The economy of Macau is becoming more internationalised. The rapid growth of its economy secured significant investments from many multinational organisations for the successful development of many new hotel/resort and casino in Macau. Together with the expansion of China's Individual Visit Scheme touting travelers from more mainland cities to visit the SAR, the Macau government recently recorded the highest record of gaming revenue ever exceeding 17.9 billion MOP in the first quarter of year 2007. For the Company, we have been actively growing our business model and building a stronger presence in Macau. We have recently entered into two strategic acquisitions of VIP gaming rooms business that being the Chengdu VIP Salon in Sands Macau and Neptuno VIP club at Galaxy Casino in the Star World hotel during the year. We believe that these lucrative acquisitions will broaden our Group's revenue sources and provide a stable income stream in the near future. Recently, Macau's gross gaming revenues already surpassed that of Las Vegas, Nevada in the United States and has become one of the largest gaming destinations in the world. Looking ahead, based on our most updated figures, the Group's profit is expected to be higher at the beginning of next year, significantly driven by the further expansion of our core business in the gaming industry.

During the current year, apart from fortifying our diversified cruise service platform, we continued to strengthen corporate governance by increasing the number of executive directors. Through global recruitment, we recently appointed several new members to the Board thereby strengthening further our senior management team with those who possess varied international background in the gambling and entertainment industry. We will also continue to expedite the reform of human resources management, and foster a strong corporate culture that embrace the Company's core values, thereby generating long term and increasing value for shareholders.

Chairman's Statement

On the other hand, the manufacturing and trading of electrical equipment and the provision of electrical engineering and contracting services remain difficult due to the weaker domestic market and decline in bidding price of many projects. We will maintain a prudent policy in this sector and as such we anticipate a gloomy outlook unless we experience a strong revival of the construction industry.

Currently, we have succeeded in reigniting business growth. Effort to secure more acquisitions within this industry is our long term strategy of achieving sustainable growth and becoming a bellwether of securing VIP room entrepreneurship in Macau casinos.

In the coming year, we will continue to explore other opportunities on the fast growing island of Macau. Based on our established business, strong foundation and focused approach, we will continue to expand our service platform to provide our customers with quality services and products.

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 October 2007

BUSINESS OVERVIEW

The audited net profit of the Group for the year ended 30 June 2007 amounted to HK$9,391,000 (2006: HK$9,603,000).

The Board is at all times identifying suitable projects and/or investments that would be reasonably expected to generate profits and/or have potential for capital appreciation. Should they be materialised, the consideration for such projects and/or investments would be satisfied by means of the issue of new ordinary shares of the Company and/or by being granted new and/or additional banking facilities.

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

For the year ended 30 June 2007, the Group recorded a turnover of HK$93,959,000 (2006: HK$76,134,000) in respect of the manufacturing and the trading of electrical equipments and the provision of electrical engineering and contracting services. The Group is adopting progressive strategy to expand its market share. Turnover of such business operations increased by approximately 23% as compared with those of last year and the gross profit increased by 12%.

CRUISE BUSINESS

During the year under review, cruise business has contributed a principal income to the Group. Turnover for the leasing of the cruise ship was recorded approximately HK$36,000,000 (2006: HK$27,000,000), which accounted for approximately 28% of the Group's total turnover. Segment results amounted to approximately HK$18,138,000 (2006: HK$11,996,000). The cruise business has been operating since October 2005. It recorded a steady turnover and profit contribution to the Group.

FINANCIAL REVIEW

For the financial year ended 30 June 2007, the Group recorded a turnover of approximately HK$129,959,000 (2006: HK$103,134,000), an increase of 26% compared to the previous year. Profit attributable to shareholders was HK$4,645,000 (2006: HK$7,147,000).

DIVIDENDS

No dividend has been declared or proposed by the directors of the Company in respect of the year ended 30 June 2007 (2006: Nil).

CAPITAL STRUCTURE

At 30 June 2007, the total issued share capital of the Company was HK$287,953,000 divided into 1,439,763,000 ordinary shares of HK$0.2 each.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group had net current assets of HK$103,562,000 at 30 June 2007 (2006: HK$30,087,000). Total bank and other borrowings amounted to HK$374,000 at 30 June 2007 (2006: HK$2,092,000). The total equity of the Group at year end was HK$296,196,000 (2006: HK$240,716,000). The gearing ratio, calculated on the basis of total liabilities over total shareholders' funds at 30 June 2007, was approximately 53% (2006: 47%).

PLEDGE OF GROUP'S ASSETS

At 30 June 2007, no leasehold land and buildings in Hong Kong of the Group were pledged to secure the bank facilities (2006: HK$5,438,000) and fixed deposits of approximately HK$68,000 (2006: HK$4,451,000) 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 2007, there has been no significant progress. 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.

At 30 June 2007, the Group did not have any foreign currency investments which have been hedged by currency borrowings and other hedging instruments.

CAPITAL COMMITMENT

On 16 January 2007, the Company entered into a conditional sale and purchase agreement in relation to the acquisition of 100% equity interest in Credible Limited for a total consideration of HK$140 million in cash. The consideration will be financed by the Group's open offer. Details of the acquisition have been announced in the Company's circular dated 7 May 2007.

On 8 May 2007, the Company entered into a conditional sale and purchase agreement in relation to the acquisition of 100% equity interest in Koppert International Limited for a total consideration of HK$100 million. The consideration will be financed by the Group's internal financing and issue of promissory notes. Details of the acquisition have been announced in the Company's circular dated 28 May 2007.

CAPITAL COMMITMENT (Continued)

At 30 June 2007, capital commitment in aggregate for the acquisition is as follow:

	THE GROUP AND THE COMPANY	
	2007	2006
	HK$'000	*HK$'000*
Contracted but not provided for acquisition of:		
– Credible Limited	**140,000**	–
– Koppert International Limited	**100,000**	–
	240,000	–

EMPLOYEES

The Group employs approximately 92 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 EVENTS

Details of significant events occurring after the balance sheet date are set out in Note 42 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

EXECUTIVE DIRECTORS

Mr. Lin Cheuk Fung, aged 34, 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 also the director of Yan Oi Tong, 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. Lau Kwok Hung, aged 61, 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. Chan Shiu Kwong, Stephen, aged 51, 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 member of Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Secretaries and Administrators, the Hong Kong Institute of Company Secretaries and fellow of CPA (Australia). Mr. Chan has over 20 years of experience in property development, manufacturing and travel related industries. He has previously served a number of multinational companies as chief financial personnel and many local public listed companies as a project financial manager and these attribute to his profound experience in merger and acquisition in PRC infrastructure.

Mr. Lau Kwok Keung, aged 59, 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.

Mr. Wan Yau Shing, Ban, aged 42, was appointed as an executive director on 11 April 2007. He holds the position of chief executive officer with the Company. Mr. Wan is a veteran management to develop and flourish our gaming and entertainment business based on his past experience in this industry. Prior to joining the Company, he had worked as operational director in some well known casinos including Lisboa in Macau and cruise lines including Orient Princess, Success Cruise, Sea Pearl. With his remarkable success to manage gaming business in Macau and handle customers from all walk of life, Mr. Wan gained an reputable standing in Macau gaming industry.

Mr. Nicholas J. Niglio, aged 61, was elected as an executive director on 3 September 2007. He has over 25 years varied background in gambling focused entertainment field dating back to 1983. Throughout 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 to 1993 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 is a graduate of 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yue Fu Wing, aged 39, 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 ten years' experience in accounting and finance. He has worked for a multi-national company, a Hong Kong listed company and an international accounting firm.

Mr. Wong Yuk Man, aged 56, was appointed as an independent non-executive director and a member of the audit committee of the Company on 1 March 2006. Mr. Wong graduated from Chu Hai College with a Master Degree in Arts and was a Professor of the Department of Journalism and Communication at Chu Hai College between 1988 and 1992. Formerly, he was the editorial chief of the Express Daily and the publisher of Sing Pao, and has worked as a current affair programme host for Asia Television Limited, Television Broadcast Limited, Hong Kong Cable TV Limited and Commercial Radio Hong Kong, and has more than 30 years of experience in the mass media industry. He was also the chairman of hkcyber.com (Holdings) Limited, a Hong Kong listed company.

Mr. Cheung Yat Hung, **Alton**, aged 44, was elected as an independent non-executive director on 5 June 2007. He has over 12 years business experience and is an elite of automobile dealer industry. 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 was a graduate of 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 Group Holdings Limited (Stock Code: 448), being a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and a full membership of Royal Hong Kong Yacht Club and Hong Kong Jockey Club.

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 PRACTICES

All those provisions as set out in the Code of Corporate Governance Practices in Appendix 14 to the Listing Rules (the "CGP Code") which provides guidelines to reinforce our corporate governance principles, have been adopted by the Board. The Company has complied throughout the year with all code provisions of CGP Code, with the exception of certain deviations to be discussed 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.

– The Board is of the opinion that establishment of a remuneration committee as required by code provision B.1.1 is not, for the time being, justified after careful consideration of the size of the Group and the associated costs involved. The basis of determining the emoluments payable to its directors and senior management by the Company is by reference to individual duties and market practices.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions as set out in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct regarding securities transactions by the directors. Following specific enquiry, all directors confirmed that they have complied with the required standard set out in the Model Code throughout the year under review.

THE BOARD OF DIRECTORS

During the year ended 30 June 2007, the Board comprised five executive directors, and three independent non-executive directors. The biographical details of the directors are set out on pages 8 and 9 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.

10 board meetings were held during the financial year ended 30 June 2007. Details of directors' attendance records are set out below:

	Attendance of Board meetings
Executive directors	
Mr. Lin Cheuk Fung	10/10
Mr. Lau Kwok Hung	10/10
Mr. Chan Shiu Kwong, Stephen	10/10
Mr. Lau Kwok Keung	9/10
Mr. Wan Yau Shing, Ban (Appointed on 11 April 2007)	3/10
Independent non-executive directors	
Mr. Yue Fu Wing	9/10
Mr. Wong Yuk Man	9/10
Mr. Cheung Yat Hung, Alton (Appointed on 5 June 2007)	1/10
Mr. Chow Pui Fung (Resigned on 5 June 2007)	8/10

The Board is responsible for the leadership and control of the Group. It formulates objectives, overall strategies and business plans and oversees the financial and management performance of the Group. For efficient operation, day-to-day functions and authorities are delegated to the management. It includes implementation of objectives, strategies and plans adopted by the Board and the day-to-day management of the Group's business.

According to the CGP Code requirement, the Group should arrange appropriate insurance cover in respect of legal action against its directors, but the Group has not yet arranged such insurance for all directors in 2007.

CHAIRMAN & CHIEF EXECUTIVE OFFICER

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. Wan Yau Shing, Ban 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.

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 independent of management. 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 11 April 2007, Mr. Wan Yau Shing, Ban was appointed as an executive director and on 5 June 2007, Mr. Cheung Yat Hung, Alton was appointed as an independent non-executive director and a member of the audit committee to replace Mr. Chow Pui Fung who resigned as an independent non-executive director and member of the audit committee due to personal reasons.

AUDITORS' REMUNERATION

For the year ended 30 June 2007, the external auditors of the Group provided the following services to the Group:

	2007 ***HK$'000***
Audit services	**753**
Taxation services	**26**
Other advisory services*	**290**

* Amount of approximately HK$180,000 included in other advisory services not carried out by the Group's auditors.

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.

3 audit committee meetings were held during the financial year ended 30 June 2007. Attendance of the members is set out below:

Members	Attendance of Audit Committee meetings
Mr. Yue Fu Wing	3/3
Mr. Wong Yuk Man	3/3
Mr. Cheung Yat Hung, Alton (Appointed on 5 June 2007)	1/3
Mr. Chow Pui Fung (Resigned on 5 June 2007)	2/3

The audit committee is accountable to the Board and its primary role is to assist the Board to monitor the Group's financial reporting process, to consider the nature and scope of audit reviews, to ensure the effective internal control and risk management systems are in place and to review the Group's interim and annual financial statements.

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 2006 and audited financial statements for the year ended 30 June 2007;

– 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.

DIRECTORS' RESPONSIBLE FOR THE 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 page 21 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.

INVESTOR RELATIONS & COMMUNICATION

To promote the relationship between the Group and investors and to enhance the transparency of the operation of the enterprise, the Board is committed to providing clear and updated information on the Group to shareholders through the publication of notices, circulars, interim and annual reports to shareholders.

INTERNAL CONTROL

The internal control system is designed to facilitate the effectiveness and efficiency of operations, safeguard assets against unauthorised 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.

The Board, recognising 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.

The controls built into the risk management framework are intended to manage and not expected to eliminate all risks of failure to achieve business objectives but to provide reasonable and not absolute assurance against material misstatement of management and financial information or against financial losses and fraud.

In the subsidiaries of the Group, the Board nominates representatives to sit as directors and take a proactive stance in assessing the performance of the entity with the goal of safeguarding the investment of the Group. Where practical, the Group may request functional, financial and operating information as well as assurance that such information have been prepared in accordance with reporting standards and have been derived from control environments acceptable to the Group.

The Board, through the 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 the CGP Code.

The directors have pleasure in submitting their report together with the audited financial statements of Neptune Group Limited (hereinafter referred to as the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 30 June 2007.

CHANGE OF COMPANY'S NAME

On 20 June 2007, the Company changed its name from Massive Resources International Corporation Limited to Neptune Group Limited.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries are set out in Note 21 to financial statements.

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to results by principal activities and geographical area of operations for the year ended 30 June 2007 is set out in Note 6 to financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, the five largest customers accounted for approximately 58% (2006: 52%) of the Group's total turnover and the five largest suppliers accounted for approximately 44% (2006: 62%) of the Group's total purchases.

The largest customer accounted for approximately 27% (2006: 26%) of the Group's total turnover and the largest supplier accounted for approximately 12% (2006: 22%) of the Group's total purchases.

None of the directors, their associates or any shareholders (who to the knowledge of the directors own more than 5% of the Company's share capital) had beneficial interests in the Group's five largest customers and suppliers.

RESULTS AND APPROPRIATION

The results of the Group for the year ended 30 June 2007 and the state of affairs of the Group and the Company at that date are set out in the financial statements on pages 22 to 25.

No dividend has been declared or proposed by the directors of the Company in respect of the year ended 30 June 2007 (2006: Nil).

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in Note 29 to financial statements.

At 30 June 2007, the Company did not have available reserves for distribution to shareholders (2006: Nil) in accordance with the provisions of section 79B of the Hong Kong Companies Ordinance.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out below:

Results

	Year ended 30 June				
	2003	2004	2005	2006	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Turnover	88,864	54,494	77,009	103,134	**129,959**
Operating (loss)/profit from ordinary activities	(44,466)	(25,720)	(10,608)	10,650	**10,188**
Taxation charge for the year	(759)	(76)	(366)	(1,047)	**(797)**
(Loss)/profit before minority interests	(45,225)	(25,796)	(10,974)	9,603	**9,391**
Minority interests	(54)	(79)	(379)	(2,456)	**(4,746)**
(Loss)/profit for the year	(45,279)	(25,875)	(11,353)	7,147	**4,645**

Assets and Liabilities

	At 30 June				
	2003	2004	2005	2006	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Total assets	116,660	152,434	286,054	354,521	**452,424**
Total liabilities	(47,979)	(21,230)	(55,218)	(113,805)	**(156,228)**
Minority interests	(7,904)	(7,983)	(8,386)	(10,842)	**(15,588)**
Shareholders' funds	60,777	123,221	222,450	229,874	**280,608**

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of the movements in property, plant and equipment and investment properties of the Group during the year are set out in Notes 16 and 17 to financial statements respectively.

SHARE CAPITAL

Details of movements in the share capital during the year are set out in Note 28 to financial statements.

BORROWINGS AND INTEREST CAPITALISED

All borrowings which are repayable within one year or on demand are classified as current liabilities.

No interest was capitalised by the Group during the year.

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Mr. Lin Cheuk Fung *(Chairman)*	
Mr. Lau Kwok Hung	
Mr. Chan Shiu Kwong, Stephen	
Mr. Lau Kwok Keung	
Mr. Wan Yau Shing, Ban	(Appointed on 11 April 2007)
Mr. Nicholas J. Niglio	(Appointed on 3 September 2007)

Independent non-executive directors:

Mr. Yue Fu Wing	
Mr. Wong Yuk Man	
Mr. Cheung Yat Hung, Alton	(Appointed on 5 June 2007)
Mr. Chow Pui Fung	(Resigned on 5 June 2007)

In accordance with Articles 79 and 80 of the Company's Articles of Association, Mr. Lin Cheuk Fung, Mr. Chan Shiu Kwong, Stephen, Mr. Wan Yau Shing, Ban, Mr. Nicholas J. Niglio, Mr. Yue Fu Wing and Mr. Cheung Yat Hung, Alton shall retire by rotation and being eligible, offer themselves for re-election.

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

At 30 June 2007, 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 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	250,000,000	17.36%

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 28 to the financial statements.

Share options of the Company

Name of director	Number of share options held	Percentage of issued option
Mr. Lin Cheuk Fung	90,000	1.02%
Mr. Chan Shiu Kwong, Stephen	88,000	1.00%
Mr. Lau Kwok Hung	88,000	1.00%
Mr. Wan Yau Shing, Ban	3,000,000	33.93%

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 PURCHASES 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 28 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 of Hong Kong Limited 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.

Save 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 2007 are set out in Note 21 to the 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 2005 between Walden Maritime S.A. and the Company for a period of two years. Under this contract, the Company shall be paid a management fee of HK$500,000 per month.

DIRECTORS' 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' INTERESTS IN CONTRACTS

Saved as disclosed in Note 10 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 2007, 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	No. of ordinary shares held	Percentage of shares held
Mr. Lin Cheuk Fung	250,000,000	17.36%
Mr. Chan Yan To	100,000,000	6.95%

Details of the above interests of Mr. Lin Cheuk Fung are also disclosed above under directors' interests 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 at 30 June 2007.

MATERIAL RELATED PARTY TRANSACTIONS

Details of other material related party transactions of the Group are set out in Note 38 to financial statements.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Details of biographical details of directors and senior management are set out on pages 8 to 9 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 37 to financial statements. In the opinion of the directors, the Group had no significant obligations at 30 June 2007 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 provisions A.2.1, A.4.1 and B1.1 details of which are set out in the Corporate Governance Report on pages 10 to 13 of this annual report.

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 10 of this annual report.

SUBSEQUENT EVENTS

Details of significant events occurring after the balance sheet date are set out in Note 42 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 as 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 2007.

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 October 2007

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
(FORMERLY KNOWN AS MASSIVE RESOURCES INTERNATIONAL CORPORATION LIMITED)
(incorporated in Hong Kong with limited liability)

We have audited the financial statements of Neptune Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 22 to 83 which comprise the consolidated and company balance sheets at 30 June 2007 and the consolidated income statement, the consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and true and fair presentation of these 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements give a true and fair view of the state of affairs of the Group and the Company at 30 June 2007 and of the Group's profit 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 October 2007

Consolidated Income Statement

For the year ended 30 June 2007

	Notes	2007 HK$'000	2006 HK$'000
Turnover	7	**129,959**	103,134
Cost of sales		**(99,085)**	(79,743)
Gross profit		**30,874**	23,391
Other revenue	7	**4,952**	4,112
Other income	8	**1,365**	948
Distribution costs		**(1,347)**	(1,174)
Administrative expenses		**(17,995)**	(15,401)
Equity-settled share-based payments expenses	28	**(6,068)**	–
Profit from operating activities	8	**11,781**	11,876
Finance costs	9	**(1,593)**	(1,226)
Profit before taxation		**10,188**	10,650
Taxation	12	**(797)**	(1,047)
Net profit for the year		**9,391**	9,603
Attributable to			
– Minority interests		**4,746**	2,456
– Equity holders of the Company	14	**4,645**	7,147
Net profit for the year		**9,391**	9,603
Earnings per share attributable to equity holders of the Company	15		
– Basic and diluted		**0.34 cents**	0.58 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 2007

	Notes	2007 HK$'000	2006 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	**161,853**	179,872
Investment properties	17	**28,550**	28,400
Prepaid land premiums	18	**2,579**	2,643
Goodwill	20	**45**	45
		193,027	210,960
Current assets			
Inventories	22	**17,310**	16,355
Trade and other receivables	23	**50,161**	34,685
Loan receivables	24	**28,000**	–
Amount due from a related company	25	**710**	710
Financial assets at fair value through profit or loss	26	**1,782**	567
Pledged bank deposits		**68**	4,451
Cash at securities companies		**38,526**	54,419
Cash and bank balances		**122,840**	32,374
		259,397	143,561
Total assets		**452,424**	354,521
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	28	**287,953**	247,953
Reserves	29	**(7,345)**	(18,079)
		280,608	229,874
Minority interests		**15,588**	10,842
Total equity		**296,196**	240,716

Consolidated Balance Sheet

At 30 June 2007

	Notes	2007 HK$'000	2006 HK$'000
LIABILITIES			
Non-current liability			
Deferred tax liabilities	*12*	**393**	331
		393	331
Current liabilities			
Bank and other borrowings	*30*	**374**	2,092
Trade and other payables	*31*	**41,258**	39,065
Deposits received	*32*	**81,813**	–
Convertible notes	*33*	**–**	39,765
Amount due to a minority shareholder	*34*	**29,100**	29,100
Tax payable		**3,290**	3,452
		155,835	113,474
Total liabilities		**156,228**	113,805
Total equity and liabilities		**452,424**	354,521
Net current assets		**103,562**	30,087
Total assets less current liabilities		**296,589**	241,047

Approved by the Board of Directors on 26 October 2007 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 2007

	Notes	2007 HK$'000	2006 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	**405**	520
Interests in subsidiaries	21	**174,707**	177,874
		175,112	178,394
Current assets			
Prepayments, deposits and other receivables	23	**4,060**	1,604
Loan receivables	24	**17,500**	–
Cash at securities companies		**38,522**	54,418
Cash and bank balances		**82,819**	3,429
		142,901	59,451
Total assets		**318,013**	237,845
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	28	**287,953**	247,953
Reserves	29	**(56,359)**	(54,008)
Total equity		**231,594**	193,945
LIABILITIES			
Current liabilities			
Accruals	31	**2,382**	1,895
Deposits received	32	**81,813**	–
Convertible notes	33	**–**	39,765
Amount due to a subsidiary	35	**2,224**	2,240
		86,419	43,900
Total equity and liabilities		**318,013**	237,845
Net current assets		**56,482**	15,551
Total assets less current liabilities		**231,594**	193,945

Approved by the Board of Directors on 26 October 2007 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 2007

	Equity attributable to equity holders of the Company								
	Share capital	Share premium account	Convertible notes reserve	Non-distributable reserve	Share options reserve	Accumulated losses	Sub-total	Minority interest	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 July 2005	247,953	61,454	–	2,264	–	(89,221)	222,450	8,386	230,836
Convertible notes									
– equity component	–	–	277	–	–	–	277	–	277
Net profit for the year	–	–	–	–	–	7,147	7,147	2,456	9,603
At 30 June 2006 and 1 July 2006	247,953	61,454	277	2,264	–	(82,074)	229,874	10,842	240,716
Convertible notes									
– extension	–	–	283	–	–	–	283	–	283
– redemption	40,000	298	(560)	–	–	–	39,738	–	39,738
Equity-settled share-based payments expenses	–	–	–	–	6,068	–	6,068	–	6,068
Net profit for the year	–	–	–	–	–	4,645	4,645	4,746	9,391
At 30 June 2007	**287,953**	**61,752**	**–**	**2,264**	**6,068**	**(77,429)**	**280,608**	**15,588**	**296,196**

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

Consolidated Cash Flow Statement

For the year ended 30 June 2007

	2007	2006
	HK$'000	*HK$'000*
Cash flows from operating activities		
Profit before taxation	**10,188**	10,650
Adjustments for:		
Interest income	**(4,678)**	(2,864)
Dividend income	**(3)**	–
Equity-settled share-based payments expenses	**6,068**	–
Fair value gain on financial assets at fair value through profit or loss	**(1,215)**	(155)
Fair value gain on investment properties	**(150)**	(700)
Gain on disposal of a subsidiary	**–**	(53)
Gain on disposal of financial asset at fair value through profit or loss	**–**	(582)
Gain on disposal of property, plant and equipment	**–**	(40)
Amortisation	**64**	401
Depreciation	**18,319**	15,503
Finance costs	**1,593**	1,226
Loss on disposal of property, plant and equipment	**–**	198
Impairment loss recognised on obsolescence of inventories	**963**	203
Impairment loss recognised in respect of trade receivables	**776**	–
Impairment loss recognised in respect of other receivables	**477**	264
Written off on trade receivables	**13**	–
Operating profit before working capital changes	**32,415**	24,051
Increase in inventories	**(955)**	(2,161)
Increase in trade and other receivables	**(16,742)**	(10,572)
Increase in loan receivables	**(28,000)**	–
Decrease in amount due from a related company	**–**	120
Increase in trade and other payables	**2,193**	17,253
Cash (used in)/generated from operations	**(11,089)**	28,691
Interest received	**3,366**	2,864
Hong Kong Profits Tax paid	**(896)**	–
Net cash (outflow)/inflow from operating activities	**(8,619)**	31,555

Consolidated Cash Flow Statement

For the year ended 30 June 2007

	2007	2006
	HK$'000	*HK$'000*
Cash flows from investing activities		
Payments to acquire property, plant and equipment	**(300)**	(94,769)
Dividend received	**3**	2
Proceed from disposal of property, plant and equipment	**–**	265
Cash effect of disposal of a subsidiary	**–**	(53)
Proceeds from disposal of securities	**–**	1,427
Decrease/(increase) in pledged bank deposits	**4,383**	(1,451)
Net cash inflow/(outflow) from investing activities	**4,086**	(94,579)
Cash flows from financing activities		
Deposit received from open offer	**81,813**	–
Proceeds from issue of convertible notes	**–**	40,000
Issue cost of convertible notes	**–**	(100)
Repayment of loans	**(1,564)**	(500)
Finance costs paid	**(989)**	(128)
Net cash inflow from financing activities	**79,260**	39,272
Net increase/(decrease) in cash and cash equivalents	**74,727**	(23,752)
Cash and cash equivalents at the beginning of the year	**86,265**	110,017
Cash and cash equivalents at the end of the year	**160,992**	86,265
Analysis of the balances of cash and cash equivalents:		
Cash and bank balances	**122,840**	32,374
Cash at securities companies	**38,526**	54,419
Bank overdrafts	**(374)**	(528)
	160,992	86,265

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

1. CORPORATE INFORMATION

The Company was incorporated in Hong Kong as a public limited company and its shares are listed on The Stock Exchange of Hong Kong Limited. The registered office and the principal place of business of the Company is located at Units 1205-06, 12/F., Office Tower Two, The Harbourfront, 18-22 Tak Fung Street, Hunghom, Kowloon, Hong Kong.

These consolidated financial statements are presented in Hong Kong Dollars (HK$), which is the functional currency of the Company.

The principal activities of the Company and its subsidiaries are leasing of the 70% owned cruise, the manufacturing and trading of electrical equipment, the provision of electrical engineering and contracting services and the trading of listed securities.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which are either effective for accounting periods beginning on or after 1 December 2005, 1 January 2006, 1 March 2006 or 1 May 2006. The new HKFRSs adopted by the Group in the financial statements are set out as follows:

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HKAS 39 & HKFRS 4 (Amendments)	Financial Guarantee Contracts
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HK(IFRIC) – Int 4	Determining whether an Arrangement contains a Lease
HK(IFRIC) – Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC) – Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives

The adoption of these new and revised standards and interpretation has had no material effect on these financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

The Group and the Company have not yet early applied the following new standards and interpretations that have been issued but are not yet effective. The Group is not yet in a position to determine whether these standards and interpretations will have significant impact on how the results of operations and financial position are prepared and presented. These standards and interpretations may result in changes in the future as to how the results and financial position are prepared and presented.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 23 (Revised)	Borrowing Costs[2]
HKFRS 7	Financial Instruments: Disclosures[1]
HKFRS 8	Operating Segments[2]
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment[3]
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions[4]
HK(IFRIC) – Int 12	Service Concession Arrangements[5]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[6]
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[5]

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

[2] Effective for annual periods beginning on or after 1 January 2009

[3] Effective for annual periods beginning on or after 1 November 2006

[4] Effective for annual periods beginning on or after 1 March 2007

[5] Effective for annual periods beginning on or after 1 January 2008

[6] Effective for annual periods beginning on or after 1 July 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The measurement basis used in preparation of the financial statements is historical cost convention except for certain financial assets, financial liabilities and investment properties, which are carried at fair value.

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

(a) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 30 June 2007.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of consolidation (Continued)

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.

(b) 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.

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

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.

(c) 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).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) 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.

(d) 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 income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Subsidiaries (Continued)

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.

(e) 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 contracts 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 recognised only to the extent of contract costs incurred that it is probable that the costs incurred will be recovered.

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 traded 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) 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.

Depreciation is calculated on the straight line basis to write-off the cost of each items 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%
Furniture, fixtures and equipment	:	15% to 20%
Plant and machinery	:	15%
Motor vehicles	:	25%
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.

(g) Investment properties

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Investment properties (Continued)

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the 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.

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 income statement during the financial period in which they are incurred.

Changes in fair values are recognised in the income statement.

(h) 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 profit or loss, 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 profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Intangible assets

Development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its useful life, and carried at cost less subsequent accumulated amortisation and any accumulated impairment losses.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Impairment

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

Intangible assets with finite useful lives are tested for impairment when there is an indication that an asset may be impaired (see the accounting policies in respect of impairment losses for tangible and intangible assets below).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments

Financial assets and financial liabilities are recognised on the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated as at fair value through profit or loss on initial recognition.

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- 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 profit or loss in the period in which they arise.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments (Continued)

Financial assets (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade receivables, loan receivables, other receivables, pledged bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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. At each balance sheet date subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed on initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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 profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse in profit or loss in subsequent periods. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments (Continued)

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. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at fair value through profit or loss and other financial liabilities The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities at fair value through profit or loss

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

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 profit or loss in the period in which they arise.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments (Continued)

Financial liabilities and equity (Continued)

Other financial liabilities

Other financial liabilities (including bank and other borrowings, trade and other payables, deposits received and amount due to a minority shareholder) are subsequently measured at amortised cost, using the effective interest method.

Convertible loan notes

Convertible loan 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 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.

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 loan 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 loan notes equity reserve).

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

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the 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 loan notes using the effective interest method.

Equity instruments

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

Consideration paid to reacquire the Company's own equity instruments are deducted from equity. No gain or loss is recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments (Continued)

Financial liabilities and equity (Continued)

Derivative financial instruments and hedging

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. 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.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Derecognition

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

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

(k) Interest-bearing bank borrowings

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

(l) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) 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 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.

(n) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(o) 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) 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 currencies 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 fair value 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:

(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 income statement as part of the gain or loss on sale.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) 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 income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or 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 difference 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 a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investment 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 profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the liability is settled or the asset realised. Deferred tax is charged or credited to the 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.

(q) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals (being member 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 benefit plans which are for the benefit of employees of the Group or of any entity that is a 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Cash and cash equivalents

Cash equivalents include cash at bank, 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.

(s) 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.

(t) 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.

(u) 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 consolidated income statement as incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Retirement benefits scheme (Continued)

(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 profit or loss 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.

(v) 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 profit or loss in the period in which they are incurred.

(w) 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.

4. FINANCIAL RISK MANAGEMENT

Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

The Group operates mainly in Hong Kong, primarily with respect to the Hong Kong dollars. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

(ii) Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated balance sheet as financial assets at fair value through profit or loss. The Group is not exposed to commodity price risk.

(b) Credit risk

The credit risk of the Group's other financial assets, which mainly comprise trade and other receivables, loan receivables and amount due from a related company, the Group's exposure to credit risk arises from default of the other party, with a maximum exposure equal to the carrying amount of these instruments. There are no significant concentrations of credit risk within the Group in relation to the other financial assets.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. The Group's exposure to liquidity risk is minimal.

(d) Cash flow and fair value interest rate risk

Borrowings at variable interest rates expose the Group to cash flow interest rate risk and those at fixed rate expose the Group to fair value interest rate risk.

The Group monitors the interest rate risk exposure on a continuous basis and adjusts the portfolio of borrowings where necessary.

4. FINANCIAL RISK MANAGEMENT (Continued)

Fair value estimation

The fair value of financial assets at fair value through profit or loss traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The nominal values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year, including trade and other receivables, trade and other payables and current borrowings are assumed to approximate their fair values.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

Critical accounting estimates and assumptions

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.

(i) Estimate impairment of goodwill

The Group performs annual test on whether there has been impairment of intangible assets in accordance with the accounting policy stated in note 3(c). 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) Impairment 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.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

Critical accounting estimates and assumptions (Continued)

(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.

(iv) 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.

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.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

Critical accounting estimates and assumptions (Continued)

(v) 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.

(vi) 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.

6. 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 electrical equipment segment consisted of the manufacture and sale of electrical equipment;

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

(c) the listed securities segment consisted of the purchase and sale of listed securities; 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.

6. SEGMENT INFORMATION (Continued)

(a) Business segments

THE GROUP

2007

	Sale of electrical equipments HK$'000	Cruise leasing HK$'000	Trading of listed securities 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	16,485	18,138	–	(3,749)	30,874
Other revenue					4,952
Other income					1,365
Distribution costs	(1,347)	–	–	–	(1,347)
Administrative expenses	(6,025)	(287)	(675)	(2,060)	(9,047)
Unallocated administrative expenses					(8,948)
Equity-settled share-based payment expenses					(6,068)
Profit from operating activities					11,781
Finance costs					(1,593)
Profit before taxation					10,188
Taxation					(797)
Net profit for the year					9,391
Segment assets	54,647	207,612	3,237	1,790	267,286
Unallocated assets					185,138
Total assets					452,424
Segment liabilities	11,659	116,504	4,920	4,448	137,531
Unallocated liabilities					18,697
Total liabilities					156,228
Other segment information:					
Capital expenditure	177	117	–	–	294
Unallocated amounts					6
					300
Depreciation and amortisation	398	17,862	1	–	18,261
Unallocated amounts					122
					18,383
Other non-cash expenses:					
Impairment loss recognised on obsolescence of inventories	963	–	–	–	963
Impairment loss recognised in respect of trade receivables	304	–	–	472	776
Impairment loss recognised in respect of other receivables	–	–	477	–	477
Written off on trade receivables	6	–	–	7	13

6. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

THE GROUP

2006

	Sale of electrical equipments *HK$'000*	Cruise leasing *HK$'000*	Trading of listed securities *HK$'000*	Electrical engineering and contracting services *HK$'000*	Consolidated *HK$'000*
Segment revenue:					
Sales/services to external customers	59,828	27,000	–	16,306	103,134
Segment results	10,592	11,996	–	803	23,391
Other revenue					4,112
Other income					948
Distribution costs	(1,174)	–	–	–	(1,174)
Administrative expenses	(4,981)	(1,400)	(611)	(1,313)	(8,305)
Unallocated administrative expenses					(7,096)
Profit from operating activities					11,876
Finance costs					(1,226)
Profit before taxation					10,650
Taxation					(1,047)
Net profit for the year					9,603
Segment assets	55,930	197,205	32,030	9,385	294,550
Unallocated assets					59,971
Total assets					354,521
Segment liabilities	12,737	48,625	7,839	2,909	72,110
Unallocated liabilities					41,695
Total liabilities					113,805
Other segment information:					
Capital expenditure	69	94,131	–	–	94,200
Unallocated amounts					569
					94,769
Depreciation and amortisation	599	15,004	82	–	15,685
Unallocated amounts					219
					15,904
Other non-cash expenses:					
Impairment loss recognised on obsolescence of inventories	203	–	–	–	203
Impairment loss recognised in respect of other receivables	–	–	264	–	264

6. SEGMENT INFORMATION (Continued)

(b) Geographical segments

THE GROUP

During the year ended 30 June 2007 and 2006, 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.

7. TURNOVER AND OTHER REVENUE

	2007	2006
	HK$'000	*HK$'000*
Turnover		
Manufacturing and trading of electrical equipments	**73,663**	59,828
Provision of electrical engineering and contracting services	**20,296**	16,306
Rental income from leasing of the cruise	**36,000**	27,000
	129,959	103,134
Other revenue		
Interest income	**4,678**	2,864
Commission received	**50**	83
Dividend income – listed securities	**3**	2
Gains on disposal of financial assets at fair value through profit or loss	**–**	582
Rental income	**–**	133
Sundry income	**221**	448
	4,952	4,112

8. PROFIT FROM OPERATING ACTIVITIES

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

	2007	2006
	HK$'000	HK$'000
Amortisation of development costs	–	330
Amortisation of prepaid land premiums	64	71
Auditors' remuneration	753	723
Depreciation of property, plant and equipment	18,319	15,503
Loss on disposal of property, plant and equipment	–	198
Operating lease charges in respect of land and buildings	1,007	628
Salaries and other benefits	13,059	10,887
Equity-settled share-based payments expenses	2,058	–
Mandatory provident fund contributions	537	468
Total staff costs	15,654	11,355
Consultancy fee paid by share-based payments	3,828	–
Impairment loss recognised on obsolescence of inventories	963	203
Impairment loss recognised in respect of trade receivables	776	–
Impairment loss recognised in respect of other receivables	477	264
Written off on trade receivables	13	–
Cost of inventories	54,141	41,587
and after crediting:		
Other income:		
Fair value gain on investment properties	150	700
Fair value gain on financial assets at fair value through profit or loss	1,215	155
Gain on disposal of property, plant and equipment	–	40
Gain on disposal of a subsidiary	–	53
	1,365	948

9. FINANCE COSTS

	2007	2006
	HK$'000	HK$'000
Interest on bank overdrafts and other borrowings wholly repayable within five years	27	92
Interest on finance leases	–	36
Interest on convertible notes	1,566	1,098
	1,593	1,226

10. 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		Provident fund contributions		Equity-settled share-based payments expenses		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive director										
Mr. Lin Cheuk Fung	–	–	960	960	12	12	62	–	1,034	972
Mr. Lau Kwok Hung	–	–	715	660	12	12	60	–	787	672
Mr. Chan Shiu Kwong, Stephen	–	–	660	600	12	12	60	–	732	612
Mr. Lau Kwok Keung	100	100	–	–	–	–	–	–	100	100
Mr. Wan Yau Shing, Ban	–	–	93	–	3	–	–	–	96	–
Ms. Chik Siu Yin, Urica	–	–	–	133	–	7	–	–	–	140
Independent non-executive director										
Mr. Chow Pui Fung	58	60	–	–	–	–	–	–	58	60
Mr. Yue Fu Wing	60	60	–	–	–	–	–	–	60	60
Mr. Wong Yuk Man	60	20	–	–	–	–	–	–	60	20
Mr. Cheung Yat Hung, Alton	5	–	–	–	–	–	–	–	5	–
Mr. Hung Shui Nam	–	40	–	–	–	–	–	–	–	40
	283	280	2,428	2,353	39	43	182	–	2,932	2,676

During the year, share options of HK$182,000 were granted to the directors under the Company's share options scheme (2006: Nil). There were no arrangements under which a director waived or agreed to waive any remuneration during the year (2006: Nil).

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three directors (2006: three), details of whose remuneration are set out in Note 10 above. Details of the remuneration of the two (2006: two) highest paid, non-director employees are as follows:

	2007	2006
	HK$'000	*HK$'000*
Salaries and other benefits	**712**	1,060
Equity-settled share-based payments expenses	**2,058**	–
Mandatory provident fund contributions	**13**	21
	2,783	1,081

Their emoluments are within the following bands:

	Number of employees	
	2007	2006
HK$Nil – HK$1,000,000	**1**	2
HK$1,000,001 – HK$2,000,000	**–**	–
HK$2,000,001 – HK$3,000,000	**1**	–

12. TAXATION

(a) Income tax expenses

Hong Kong Profits Tax has been provided in the financial statements at a rate of 17.5% (2006: 17.5%) on the estimated assessable profits of the subsidiaries for the year. No provision for tax is required for the Group as no assessable profits were earned by the Group during the year.

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Current year provision:		
Hong Kong	**636**	699
Under-provision in previous year	**99**	17
	735	716
Deferred taxation	**62**	331
	797	1,047

12. TAXATION (Continued)

(a) Income tax expenses (Continued)

Reconciliation between tax expense and accounting profit at applicable tax rates:

THE GROUP – for the year ended 30 June 2007

	Hong Kong		The PRC		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Profit before taxation	**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**

THE GROUP – for the year ended 30 June 2006

	Hong Kong		The PRC		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Profit before taxation	9,913		737		10,650	
Tax at the domestic income rate	1,735	17.5	243	33.0	1,978	18.6
Tax effect of expenses that are not deductible in determining taxable profit	702	7.1	–	–	702	6.6
Tax effect of income that are not taxable in determining taxable profit	(5,254)	(53.0)	–	–	(5,254)	(49.3)
Under-provision in previous year	17	0.1	–	–	17	0.2
Tax effect of estimated tax loss not recognised	3,616	36.5	(12)	(1.6)	3,604	33.8
Tax charge at the effective tax rate for the year	816	8.2	231	31.4	1,047	9.9

12. TAXATION (Continued)

(b) Deferred tax liabilities

The followings are the major deferred tax liabilities recognised by the Group and movements thereon:

	Accelerated tax depreciation *HK$'000*	Deferred tax on fair value gains on investment properties *HK$'000*	Total *HK$'000*
At 1 July 2005	–	–	–
Charge to income statement	100	231	331
At 30 June 2006 and 1 July 2006	100	231	331
Charge to income statement	12	50	62
At 30 June 2007	**112**	**281**	**393**

13. DIVIDENDS

No dividend has been declared or proposed by the directors of the Company in respect of the year ended 30 June 2007 (2006: Nil).

14. EARNINGS FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

	2007 ***HK$'000***	2006 *HK$'000*
Dealt with in the financial statements of the Company	**(14,190)**	4,221
Attributable to subsidiaries	**18,835**	2,926
	4,645	7,147

15. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of the basic and diluted earnings per share attributable to the equity holders of the Company is based on the following data:

	2007 ***HK$'000***	2006 *HK$'000*
Earnings attributable to the equity holders of the Company	**4,645**	7,147

	Number of shares	
	2007 ***'000***	2006 *'000*
Weighted average number of ordinary shares	**1,355,927**	1,239,763

Basic and diluted earnings per share for the year ended 30 June 2006 have been presented in a single line as the effect of the assumed conversion of the Company's outstanding convertible notes would increase earnings per share and therefore the conversion of convertible notes would be 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 period, exceeds the exercise price of the option, therefore, the conversion of share option would be anti-dilutive.

16. PROPERTY, PLANT AND EQUIPMENT

(a) THE GROUP

	Buildings in Hong Kong HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Cruise ship HK$'000	Total HK$'000
Cost:								
At 1 July 2005	3,195	–	336	3,042	297	2,488	97,000	106,358
Additions	–	42,460	19,937	159	33	–	32,180	94,769
Disposals	–	–	–	(31)	(11)	(2,488)	–	(2,530)
At 30 June 2006 and 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	3,195	42,545	20,081	2,014	326	–	129,180	197,341
Accumulated depreciation:								
At 1 July 2005	320	–	280	2,399	228	2,078	–	5,305
Charge for the year	80	6,354	2,268	295	47	–	6,459	15,503
Written back on disposal	–	–	–	(5)	–	(2,078)	–	(2,083)
At 30 June 2006 and 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 disposal	–	–	(242)	(1,314)	–	–	–	(1,556)
At 30 June 2007	480	14,853	5,317	1,632	288	–	12,918	35,488
Net book value:								
At 30 June 2007	**2,715**	**27,692**	**14,764**	**382**	**38**	**–**	**116,262**	**161,853**
At 30 June 2006	2,795	36,106	17,725	481	44	–	122,721	179,872

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) THE COMPANY

	Office equipment	Leasehold improvement	Computer equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At cost:					
At 1 July 2005	20	–	74	1,700	1,794
Additions	89	447	33	–	569
Disposal	(11)	–	(11)	(1,700)	(1,722)
At 30 June 2006 and 1 July 2006	98	447	96	–	641
Additions	–	–	7	–	7
At 31 July 2007	98	447	103	–	648
Accumulated depreciation:					
At 1 July 2005	10	–	42	1,290	1,342
Charge for the year	13	52	10	–	75
Written back on disposal	(5)	–	(1)	(1,290)	(1,296)
At 30 June 2006 and 1 July 2006	18	52	51	–	121
Charge for the year	19	90	13	–	122
At 31 July 2007	37	142	64	–	243
Net book value:					
At 30 June 2007	**61**	**305**	**39**	**–**	**405**
At 30 June 2006	80	395	45	–	520

(c) At 30 June 2007, no property, plant and equipment of the Group was pledged to secure general banking facilities granted to the Group (2006: HK$5,438,000).

17. INVESTMENT PROPERTIES

THE GROUP

	HK$'000
Fair value:	
At 1 July 2005	27,700
Fair value gain on investment properties	700
At 30 June 2006 and 1 July 2006	28,400
Fair value gain on investment properties	150
At 30 June 2007	**28,550**

The fair value of the Group's investment properties at 30 June 2007 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.

The carrying amounts of investment properties shown above comprise:

	2007 ***HK$'000***	2006 *HK$'000*
Representing:		
Leasehold land in the PRC:		
Medium term lease	**12,050**	12,000
Long term leases	**16,500**	16,400
	28,550	28,400

18. PREPAID LAND PREMIUMS

THE GROUP

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

	HK$'000
At cost:	
At 1 July 2005, 30 June 2006, 1 July 2006 and 30 June 2007	2,836
Accumulated amortisation:	
At 1 July 2005	122
Charge for the year	71
At 30 June 2006 and 1 July 2006	193
Charge for the year	64
At 30 June 2007	257
Carrying amount:	
At 30 June 2007	**2,579**
At 30 June 2006	2,643

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Representing:		
Leasehold land in Hong Kong:		
Medium term leases	**2,579**	2,643

At 30 June 2007, no leasehold land were pledged to a bank for securing general banking facilities granted to the Group (2006: HK$2,643,000).

19. INTANGIBLE ASSETS

THE GROUP

	Development cost
	HK$'000
At cost:	
At 1 July 2005, 30 June 2006, 1 July 2006 and 30 June 2007	4,673
Accumulated amortisation:	
At 1 July 2005	4,343
Charge for the year	330
At 30 June 2006, 1 July 2006 and 30 June 2007	4,673
Net book value:	
At 30 June 2007	**–**
At 30 June 2006	–

20. GOODWILL

THE GROUP

	HK$'000
At cost:	
At 1 July 2005, 30 June 2006, 1 July 2006 and 30 June 2007	45
Accumulated amortisation and impairment loss:	
At 1 July 2005, 30 June 2006, 1 July 2006 and 30 June 2007	–
Net book value:	
At 30 June 2007	**45**
At 30 June 2006	45

20. GOODWILL (Continued)

Impairment test for goodwill

Goodwill is allocated to the Group's cash-generating unit (CGUs) identified according to the location of operation and business segment as follows:

	2007	2006
	HK$'000	*HK$'000*
Cruise leasing	**45**	45

During the year ended 30 June 2007, the directors of the Company determine that no impairment loss would be recognised in respect of the goodwill associated with the Group's cruise leasing (2006: Nil).

The recoverable amount of the CGU is determined based on value in use calculation. That calculation used cash flow projections based on the financial budgets approved by management covering a 5 year period. Cash flow is beyond five year period extrapolated using the estimated rates stated below. The growth rate does not exceed the long-term average growth rate or the business in which the CGU operates.

Key assumptions used for value-in-use calculations:

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

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

21. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2007	2006
	HK$'000	*HK$'000*
Unlisted investments, at cost	**104,420**	104,420
Less: Impairment loss recognised in respect of investment costs	**(5,000)**	(5,000)
	99,420	99,420
Amounts due from subsidiaries	**225,654**	229,204
Less: Impairment loss recognised in respect of amounts due from subsidiaries	**(150,367)**	(150,750)
	174,707	177,874

The amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment. The directors of the Company considered that the carrying amounts of amounts due from subsidiaries approximate to their fair value.

The directors of the Company had reviewed the net asset values of the Company's subsidiaries at 30 June 2007 and considered reversal of provision for impairment in values of approximately HK$246,000 (2006: provision for impairment of HK$55,084,000) should be made in respect of the investment in subsidiaries and the amounts due from subsidiaries to their net recoverable values.

Particulars of the Company's subsidiaries at 30 June 2007 are as follows:

Name of subsidiary	**Place of incorporation/ registration/ operation/ establishment**	**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**	
			%	%	
Great Well Global Limited	The British Virgin Islands	US$1	100	–	Leasing
Jumbo Profit Investments Limited	The British Virgin Islands	US$1	100	–	Securities trading
Lexwin Company Limited	Hong Kong	HK$2	100	–	Assets holding
Goalstar Holdings Limited	The British Virgin Islands	US$1	100	–	Investment holding

21. INTERESTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ registration/ operation/ establishment	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued ordinary share capital/ registered capital held by the Company Directly %	Indirectly %	Principal activity
Linfield International Limited*	The British Virgin Islands	US$2,850,000	80	–	Investment holding
Metrix Engineering Company Limited*	Hong Kong	HK$600,000	–	80	Manufacturing and trading of electrical equipment
Metrix Engineering (China) Limited*	Hong Kong	HK$500,000	–	80	Inactive
Metrix Engineering International Limited*	Hong Kong	HK$22,000,000	–	80	Investment holding
Metrix E & M Services Limited*	Hong Kong	HK$500,000	–	80	Provision of electrical engineering and contracting services
Discovery Net Limited	The British Virgin Islands	US$50,000	–	100	Securities trading
Sources Investments Limited	Hong Kong	HK$2	100	–	Securities trading
World Target International Limited	The British Virgin Islands	US$1	100	–	Securities trading
Tenin Investments Limited	Hong Kong	HK$2	–	100	Property development

21. INTERESTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ registration/ operation/ establishment	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued ordinary share capital/ registered capital held by the Company Directly %	Indirectly %	Principal activity
Anwill Investments Limited	Hong Kong	HK$2	–	100	Property development
Century Element Entertainment (HK) Limited	Hong Kong	HK$2	–	100	Entertainment
Eagles Wing Limited	Hong Kong	HK$2	100	–	Distribution
Massive Resources Corporation (China) Limited	Hong Kong	HK$2	100	–	Investment holding
Smart Brilliance Development Limited	Hong Kong	HK$10,000	100	–	Licence holders
Talent Ascent Limited	Hong Kong	HK$2	100	–	Securities trading
Walden Maritime S.A.	Republic of Panama	US$10,000	70	–	Cruise leasing

* Companies audited by K. W. Lau CPA Limited

Subsidiaries not consolidated

In February 2001, Goalstar Holdings Limited ("Goalstar"), a wholly-owned subsidiary of the Company, purportedly entered into an agreement whereby Goalstar would purchase 60% of the issued shares and the shareholders' loan of M-Star Limited ("M-Star"). Having obtained legal advice, Goalstar duly rescinded the purported agreement. The Group's investment in M-Star had not been incorporated into these financial statements and under prudence, a full impairment of HK$16,043,000 for the investment in M-Star had been made in the year ended 30 June 2002. Official receiver had been appointed for the liquidation of M-Star during the year ended 30 June 2003.

21. INTERESTS IN SUBSIDIARIES (Continued)

Subsidiaries not consolidated (Continued)

M-Star was dissolved by compulsory winding up on 23 November 2006. No gain or loss on dissolution on the subsidiary was recognised in the income statement during the year. The dissolved subsidiary had not been incorporated into these financial statements.

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

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

22. INVENTORIES

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Raw materials	**15,741**	13,669
Work in progress	**2,532**	2,889
Less: Impairment loss recognised on obsolescence of inventories	**(963)**	(203)
	17,310	16,355

The directors of the Company consider the net realisable values and conditions of the Group's inventories at 30 June 2007 and considered provision for impairment in values should be made in respect of diminution in value of inventories due to obsolescence.

23. TRADE AND OTHER RECEIVABLES

	THE GROUP		THE COMPANY	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade receivables	**41,341**	29,490	**–**	–
Sundry deposits and prepayments	**2,675**	1,607	**293**	265
Other receivables	**4,356**	1,913	**3,767**	1,339
Amounts due from contract customers *(Note 27)*	**1,789**	1,675	**–**	–
	50,161	34,685	**4,060**	1,604

23. TRADE AND OTHER RECEIVABLES (Continued)

The movements of trade receivables were as follows:

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Trade receivables	**42,160**	29,735
Less: Impairment loss recognised in respect of trade receivables	**(819)**	(245)
	41,341	29,490

Aging analysis of trade receivables net of provision is set out below:

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
0 – 30 days	**17,006**	12,199
31 – 60 days	**9,895**	7,725
61 – 90 days	**5,537**	5,980
Over 90 days	**8,903**	3,586
	41,341	29,490

The movements in provision for impairment loss on trade receivables are as follows:

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
At 1 July 2006/2005	**245**	245
Impairment loss recognised in respect of trade receivables	**776**	–
Write back during the year	**(202)**	–
At 30 June 2007/2006	**819**	245

Notes:

(i) The credit terms for customers are generally granted in between 30-60 days.

(ii) The directors of the Company considered that the carrying amounts of trade and other receivables approximates their fair values.

(iii) Sundry deposits and prepayments was net of impairment loss of approximately HK$477,000 (2006: HK$264,000). The directors of the Company had assessed the recoverability of the sundry deposits and prepayments at 30 June 2007 and considered provision for impairment should be made to reflect its fair value.

24. LOAN RECEIVABLES

	THE GROUP		THE COMPANY	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Loans to independent third parties	**28,000**	–	**17,500**	–

The Group and the Company have provided short-terms loans to two independent third parties during the year and the loans were fully repaid in July and October 2007 respectively. The effective interest rate was 9.5% per annum.

The directors considered that the carrying amounts of loan receivables approximate their fair values.

25. AMOUNT DUE FROM A RELATED COMPANY

Name of company	Maximum balance during the year	THE GROUP	
		2007	2006
	HK$'000	***HK$'000***	*HK$'000*
Company in which two directors of subsidiaries have beneficial interests			
Gason Electrical Contracting Ltd.	**722**	**710**	710

The amount due is unsecured, interest free and recoverable on demand. The directors of the Company considered that the carrying amount of amount due from a related company approximate its fair value.

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Trading securities (at market value)		
Listed equity securities		
– in Hong Kong	**1,782**	567

27. CONSTRUCTION CONTRACTS

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Amounts due from contract customers included in trade and other receivables *(Note 23)*	**1,789**	1,675
Amounts due to contract customers included in trade and other payables *(Note 31)*	**(3,311)**	(2,905)
	(1,522)	(1,230)

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Contract costs incurred plus recognised profits less recognised losses to date	**40,443**	22,025
Less: Progress billings	**(41,965)**	(23,255)
	(1,522)	(1,230)

At 30 June 2007, no retention (2006: Nil) was held by customers for contract works as included in trade and other receivables under current assets.

28. SHARE CAPITAL

	No. of shares '000	HK$'000
Authorised:		
At 1 July 2005, 30 June 2006 and 1 July 2006		
– ordinary shares of HK$0.02	50,000,000	1,000,000
Consolidation of every ten shares into one share on 31 May 2007 *(Note ii)*	(45,000,000)	–
At 30 June 2007		
– ordinary shares of HK$0.2	5,000,000	1,000,000
Issued and fully paid:		
At 1 July 2005, 30 June 2006 and 1 July 2006		
– ordinary shares of HK$0.02	12,397,630	247,953
Issue of shares on 1 December 2006 *(Note i)*		
– ordinary shares of HK$0.02	2,000,000	40,000
Consolidation of every ten shares into one share on 31 May 2007 *(Note ii)*	(12,957,867)	–
At 30 June 2007		
– ordinary shares of HK$0.2	**1,439,763**	**287,953**

Notes:

(i) Conversion of convertible notes

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 33.

(ii) Share consolidation

On 31 May 2007, the Company had implemented the share consolidation whereby every 10 existing shares of HK$0.02 each will be consolidated into one consolidated share of HK$0.2. For further details, please refer to the Company's circular dated 7 May 2007.

All new shares issued by the Company during the year ranked pari passu with existing shares in all respects.

28. SHARE CAPITAL (Continued)

Share options

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 of Hong Kong Limited on the 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.

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 of Hong Kong Limited 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 of Hong Kong Limited closing price of the Company's shares of the five trading days immediately preceding the date of the offer of the grant of the share options.

Fair value of share options and assumption

The fair value of the share options granted during the financial year was approximately HK$6,068,000 (2006: Nil). The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options is measured based on Black-Scholes model. The contractual life of the share option is used as an input into this model.

Inputs into the model	**2007**
Grant date share price	HK$0.07
Exercise price (before share consolidation)	HK$0.0728
Expected volatility	141.52%
Option life	10 years
Dividend yield	0%
Risk-free interest rate	4.63%

28. SHARE CAPITAL (Continued)

Fair value of share options and assumption (Continued)

In accordance with terms of the share-based arrangement, options issued during the financial year ended 30 June 2007, vest at the date of grant. Expected volatility was determined by using the historical volatility of the Company's share price over the previous 8 months.

The variables and assumptions used in computing the fair value of the share options are based on the director's best estimate. The value of an option varies with different variables of certain subjective assumptions. 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 follow table discloses the movements in the Company's share options during the year ended 30 June 2007.

Name or category of participant	At 1 July 2006	Number of share options Granted during the year	Share consolidated during the year	Exercised during the year	Lapsed during the year	At 30 June 2007	Date of grant of share options* (dd/mm/yy)	Exercise period of share options (dd/mm/yy)	Exercise price of share options** HK$	Company's share price at grant date of share options*** HK$
Directors										
Mr. Lin Cheuk Fung	–	900,000	(810,000)	–	–	90,000	26/02/2007	26/02/2007 to 25/02/2017	0.728	0.07
Mr. Chan Shiu Kwong, Stephen	–	880,000	(792,000)	–	–	88,000	26/02/2007	26/02/2007 to 25/02/2017	0.728	0.07
Mr. Lau Kwok Hung	–	880,000	(792,000)	–	–	88,000	26/02/2007	26/02/2007 to 25/02/2017	0.728	0.07
Mr. Wan Yau Shing, Ban	–	30,000,000	(27,000,000)	–	–	3,000,000	26/02/2007	26/02/2007 to 25/02/2017	0.728	0.07
Employees other than directors										
In aggregate	–	55,760,000	(50,184,000)	–	–	5,576,000	26/02/2007	26/02/2007 to 25/02/2017	0.728	0.07
	–	88,420,000	(79,578,000)	–	–	8,842,000				

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

** The exercise price of the share options was after the consolidation of shares.

*** The Company's share price at the granted date of share options was before the consolidation of shares.

The Group 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 employee share-based payment reserve. The employee share-based payment reserve is transferred to share capital and share premium, together with the exercise price, when the option holder exercise its rights.

The Group implemented the share consolidation scheme during the year, pursuant to which the existing shares subject to the outstanding options would decrease from 88,420,000 existing shares to 8,842,000 consolidated shares.

29. RESERVES

THE GROUP

	Share premium account HK$'000	Convertible notes reserve HK$'000	Non-distributable reserve HK$'000	Share options reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 July 2005	61,454	–	2,264	–	(89,221)	(25,503)
Convertible notes						
– equity component	–	277	–	–	–	277
Net profit for the year	–	–	–	–	7,147	7,147
At 30 June 2006 and 1 July 2006	61,454	277	2,264	–	(82,074)	(18,079)
Convertible notes						
– extension	–	283	–	–	–	283
– redemption	298	(560)	–	–	–	(262)
Equity-settled share-based payments expenses	–	–	–	6,068	–	6,068
Net profit for the year	–	–	–	–	4,645	4,645
At 30 June 2007	**61,752**	**–**	**2,264**	**6,068**	**(77,429)**	**(7,345)**

THE COMPANY

	Share premium account HK$'000	Convertible notes reserve HK$'000	Non-distributable reserve HK$'000	Share options reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 July 2005	61,454	–	1,264	–	(61,640)	1,078
Convertible notes						
– equity component	–	277	–	–	–	277
Net loss for the year	–	–	–	–	(55,363)	(55,363)
At 30 June 2006 and 1 July 2006	61,454	277	1,264	–	(117,003)	(54,008)
Convertible notes						
– extension	–	283	–	–	–	283
– redemption	298	(560)	–	–	–	(262)
Equity-settled share-based payments expenses	–	–	–	6,068	–	6,068
Net loss for the year	–	–	–	–	(8,440)	(8,440)
At 30 June 2007	**61,752**	**–**	**1,264**	**6,068**	**(125,443)**	**(56,359)**

30. BANK AND OTHER BORROWINGS

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Bank overdrafts	**374**	528
Bank loan, secured	**–**	1,564
	374	2,092

The maturity profile of the above bank and other borrowings is as follows:

Within one year	**374**	2,092
In the second year	**–**	–
In the third to fifth years, inclusive	**–**	–
	374	2,092
Portion classified as current liabilities	**(374)**	(2,092)
Non-current portion	**–**	–

At 30 June 2007, no leasehold land and buildings in Hong Kong of the Group was pledged to secure the bank facilities (2006: HK$5,438,000) and fixed deposits of approximately HK$68,000 (2006: HK$4,451,000) was pledged to secure general banking facilities.

31. TRADE AND OTHER PAYABLES

	THE GROUP		THE COMPANY	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade creditors	**9,421**	9,077	**–**	–
Other payables	**21,644**	21,443	**–**	–
Accruals	**4,193**	3,552	**2,382**	1,895
Provision for legal claim for rental payment	**1,883**	1,883	**–**	–
Advance received	**806**	205	**–**	–
Amounts due to contract customers *(Note 27)*	**3,311**	2,905	**–**	–
	41,258	39,065	**2,382**	1,895

31. TRADE AND OTHER PAYABLES (Continued)

Aging analysis of trade creditors is set out below:

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
0 – 30 days	**5,136**	3,536
31 – 60 days	**1,989**	2,919
61 – 90 days	**2,295**	2,591
Over 90 days	**1**	31
	9,421	9,077

The directors of the Company considered that the carrying amounts of trade and other payables approximates their fair values.

32. 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 2 consolidated shares. At the balance sheet date, 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 42 to the financial statements.

33. CONVERTIBLE NOTES

	THE GROUP AND THE COMPANY
	HK$'000
Fair value of convertible notes issued	40,000
Equity component	(277)
Liability component on initial recognition	39,723
Interest expense	(100)
Amortised cost on initial recognition at 22 October 2005	39,623
Interest expenses	1,098
Interest payable	(956)
Amortised cost at 30 June 2006 and 1 July 2006	39,765
Interest expenses	1,566
Interest payable	(1,593)
Converted into ordinary shares at 1 December 2006	(39,738)
	–

33. CONVERTIBLE NOTES (Continued)

Note:

(i) Pursuant to the convertible notes subscription agreement dated 12 September 2006, the Company issued convertible notes in the principal of HK$40,000,000 (the "Notes") to two independent third parties ("the Noteholders"). The Notes bear interest at the rate of 5% per annum on the outstanding principal amount of the Notes. The Company shall repay such principal moneys outstanding under the Notes to the Noteholders together with all interest accrued thereon up to and including the date of repayment falling 12 months from the date of issue of the Notes. The Noteholders may at any business day after the date of issue of the Notes up to and including the date prior to the anniversary to the date of issue of the Notes convert the whole or any part in an amount of integral multiple of HK$1,000,000 of the principal amount of the Notes into shares of HK$0.02 each in the share capital of the Company, at the conversion price of HK$0.02 per share.

(ii) During the year ended 30 June 2007, the Noteholders have confirmed to extend the repayment of the principal amount of convertible notes together with interest to 21 October 2007 and all terms and conditions of the convertible notes will remain unchanged. The Notes were 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.

(iii) The fair value of the liability component, included in current liabilities, was calculated using a market interest rate for an equivalent non-convertible bond. The remaining balance represented the equity conversion component, is included in shareholders' equity named as convertible notes reserve.

	Carrying amounts		**Fair values**	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Convertible bonds	–	39,765	–	39,765

Interest expenses on the convertible notes is calculated using the effective interest method by applying the effective interest rate of 5.85% (2006: 5.85%) to the liability component.

34. AMOUNT DUE TO A MINORITY SHAREHOLDER

THE GROUP

The amount due is unsecured, interest free and repayable on demand. The directors of the Company considered that the carrying amount of amount due to a minority shareholder approximate its fair value.

35. AMOUNT DUE TO A SUBSIDIARY

THE COMPANY

The amount due is unsecured, interest-free and has no fixed terms of repayment. The directors of the Company considered that the carrying amount of amount due to a subsidiary approximate its fair value.

36. OPERATING LEASE COMMITMENTS

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

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Within 1 year	**9,000**	36,000
After 1 year but within 5 years	**–**	9,000
	9,000	45,000

(b) At 30 June 2007, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Within 1 year	**875**	907
After 1 year but within 5 years	**188**	1,063
	1,063	1,970

37. 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.

At the balance sheet date, the total amount of forfeited contributions, which arose upon employees leaving the defined contribution retirement benefits scheme and which are available to reduce the contributions payable in the future years was nil (2006: HK$1,190).

The employees of the Company's subsidiary in the People's Republic of China (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.

38. 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 10 is as follows:

	2007	2006
	HK$'000	*HK$'000*
Short term employee benefits	**2,711**	2,943
Equity-settled share-based payments	**182**	–
MPF contribution	**39**	63
	2,932	3,006

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

Name of related parties	**Relationship**	**Nature of transactions**	**2007**	2006
			HK$'000	*HK$'000*
Gason Electrical Contracting Ltd. *(Note a)*	Company in which two directors of subsidiaries have beneficial interests	Trade receivables	**11,623**	3,966
		Sales	**20,291**	16,304
Gold Arch Engineering Ltd. *(Note b)*	Company in which two directors of subsidiaries have beneficial interests	Management fee paid	**360**	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.

39. DISPOSAL OF SUBSIDIARIES

On 20 June 2006, the Group entered into a sale and purchase agreement to dispose of its 100% equity interest in 北京駿雷文化傳播有限公司 to a individual third party for a cash consideration of HK$1, the principal activity of which is investment holding. The net assets of 北京駿雷文化傳播有限公司at the date of disposal were as follows:

	2006
	HK$'000
Net assets disposed of:	
Property, plant and equipment	20
Inventories	2
Cash and cash equivalent	53
Trade and other payables	(126)
Taxation payable	(2)
	(53)
Gain on disposal of a subsidiary	53
Consideration satisfied by cash	–

Analysis of the net cash inflow in respect of the disposal of a subsidiary is set out below:

	HK$'000
Cash consideration received	–
Cash and cash equivalent disposed of	(53)
Net cash outflow in respect of the disposal of a subsidiary	(53)

The subsidiary disposed of during the years ended 30 June 2006 did not contribute significantly to the Group's cash flow and did not have material impact on the Group's results as a whole.

40. CAPITAL COMMITMENT

On 16 January 2007, the Company entered into a conditional sale and purchase agreement in relation to the acquisition of 100% equity interest in Credible Limited for a total consideration of HK$140 million in cash. The consideration would be financed by the Group's open offer. Details of the acquisition have been announced in the Company's circular dated 7 May 2007.

On 8 May 2007, the Company entered into a conditional sale and purchase agreement in relation to the acquisition of 100% equity interest in Koppert International Limited for a total consideration of HK$100 million. The consideration would be financed by the Group's internal financing and issue of promissory notes. Details of the acquisition have been announced in the Company's circular dated 28 May 2007.

40. CAPITAL COMMITMENT (Continued)

At 30 June 2007, capital commitment in aggregate for the acquisition is as follow:

	THE GROUP AND THE COMPANY	
	2007	2006
	HK$'000	*HK$'000*
Contracted but not provided for acquisition of:		
– Credible Limited	**140,000**	–
– Koppert International Limited	**100,000**	–
	240,000	–

41. CONTINGENT LIABILITIES

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Irrevocable letters of credit	**–**	1,384
Other trade guarantees	**68**	136
	68	1,520

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 2007, there has been no significant progress. At the date of approval of these financial statements, the case is still pending for hearing.

42. SUBSEQUENT EVENTS

(i) On 6 January 2007, the Company has entered into a sales and purchases agreement to acquire from Mr. Guo Nan 100% of the issued share capital of Credible Limited for a total consideration HK$140 million in cash. Subject to the conditions of the sales and purchases agreement, this transaction was completed on 3 July 2007. For further details, please refer to the Company's circular dated 7 May 2007.

(ii) On 8 May 2007, the Company has entered into a sales and purchases agreement to acquire from Ms. Lao Sio Meng 100% issued share capital of Koppert International Limited for a total consideration of HK$100 million. Subject to the conditions of the sale and purchases agreement, this transaction was completed on 1 August 2007. The consideration for the acquisition was satisfied by (i) HK$70 million in cash and (ii) the issue of the promissory notes in an aggregate principal amount of HK$30 million. For further details, please refer to the Company's circular dated 28 May 2007.

(iii) The Board of the Company has proposed to raise approximately HK$143.98 million, before expenses, by issuing 719,881,500 offer shares at a price of HK$0.2 per offer shares by way of open offer for every two consolidated shares held on the record date and payable in full on acceptance. The open offer which was underwritten on a fully underwritten basis has become unconditional on 4 July 2007.

(iv) On 23 July 2007, Mr. Lin Cheuk Fung entered into the Subscription Agreement with the Company. Pursuant to the Subscription Agreement, the Company has agreed to issue and Mr. Lin Cheuk Fung has agreed to subscribe up to 247,600,000 new shares at a net subscription price of approximately HK$0.558 per share. For further details, please refer to the Company's announcement dated 25 July 2007.

(v) On 18 September 2007, an ordinary resolution has been passed to approve termination of the existing share option scheme and adoption of a new share option scheme. Upon adoption of the new share option scheme, the existing scheme will terminate and no further options can be granted under the existing scheme. Apart from the existing scheme, the Company had no other share option scheme. For further details, please refer to the Company's circular dated 31 August 2007.

43. COMPARATIVE FIGURES

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

44. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 26 October 2007.

INVESTMENT PROPERTIES

	Location	Lease expiry	Type	Gross floor area (sq.m.)	Effective % held	Nature
1.	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
2.	Commercial/residential development located at Zhong Shan Road, Heng Li Zhen, Dongguan Huangdong Province, The PRC	2043	Commercial/ residential	6,534	100%	For resale/ rental

LEASEHOLD LAND AND BUILDINGS

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