ANNUAL REPORT 2008

PRIME INVESTMENTS HOLDINGS LIMITED

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)
Stock Code : 721

CONTENTS

BOARD OF DIRECTORS

Executive Directors

Ms. Wang Wen Xia *(Chairman)*
Mr. Pong Po Lam, Paul

Non-executive Directors

Dr. Chan Po Fun, Peter, *J. P.*
Mr. Ding Xiaobin
Mr. Fung Cheuk Nang Clement
Mr. Ma Jie

Independent non-executive Directors

Dr. Cheung Wai Bun, Charles, *J.P.*
Mr. Zhang Yong
Mr. Zeng Xianggao

COMPANY SECRETARY

Mr. Li Chi Chung

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton
HM11
Bermuda

SHARE REGISTERED AND TRANSFER OFFICE

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

AUDIT COMMITTEE

Dr. Cheung Wai Bun, Charles, *J.P.* *(Chairman)*
Mr. Zhang Yong
Mr. Zeng Xianggao

REMUNERATION COMMITTEE

Ms. Wang Wen Xia *(Chairman)*
Dr. Cheung Wai Bun, Charles, *J.P.*
Mr. Zhang Yong

LEGAL COUNCIL

Bermuda
Conyers Dill & Pearman
Barristers and Attorneys
Suite 2901, One Exchange Square
Connaught Place
Central, Hong Kong

AUDITORS

CCIF CPA Limited
20/F, Sunning Plaza
10 Hysan Avenue
Causeway Bay, Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai
Banking Corporation Limited
DBS Bank (Hong Kong) Limited

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 6305, 63/F
Central Plaza
18 Harbour Road
Wanchai, Hong Kong

TRADING CODE ON THE STOCK EXCHANGE OF HONG KONG LIMITED

0721

CUSTODIAN

Bank of Communications Trustee Limited

INVESTMENT MANAGERS

Pegasus Fund Managers Limited
Atlantis Investment Management
(Hong Kong) Limited

On behalf of the Board of Directors (the "Board"), I am pleased to present the audited results of Prime Investments Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 30 June 2008 (the "Year").

FINAL RESULTS

The Group's audited consolidated net loss attributable to shareholders was HK$14,498,031 for the Year (2007: consolidated net loss of HK$3,528,391). The increase in net loss principally reflected unrealized holding loss from the investment in the Hong Kong listed securities and the impairment loss from the investment in the unlisted companies.

General and administrative expenses increased from HK$3,456,740 reported last year to HK$9,778,531 this Year being in line with the increase in operating activities of the Group.

DIVIDEND

The Board does not recommend the payment of any dividend for the Year.

BUSINESS REVIEW

For the Year under review, the Group was principally engaged in the investments in the listed securities for short term and in the unlisted equities for medium and long term. Investment income recognised by the Group during the Year was the proceeds from realised gains on disposal of financial assets at fair value through profit or loss, interest income and dividend income, amounted to HK$14,558,425 (2007: Nil).

The Group has made an investment in wind power plant which consists of 66 wind power generators with an installed capacity of 49.5 million watts in Diaobingshan, Liaoning Province, the People's Republic of China (the "PRC") for the Year, Diaobingshan has a geographical feature of strong wind around the year. Electricity supply is a regulated and controlled industry in the PRC, but wind power is clean, environmental friendly and regenerative, which conforms to the national energy industrial policy development requirement. With the continuing growth of the economy in the PRC, the demand for electricity supply will increase whilst the electricity supply in the PRC is in shortage, and the operation cost of wind power is relatively low when comparing with other means of electricity generation, the Board considers that this investment is a good opportunity for the Group to expand its investment portfolio to the sustained growing industry in the PRC which will generate stable and high return in long-term for the shareholders.

Also, the Group has appointed two reputable investment managers who have unique perspectives and extensive experiences in the investments of international, Hong Kong and PRC markets. With a strong management team of the Group and veteran investment managers, the Group maintains a healthy financial position.

FINANCIAL REVIEW

Liquidity, Financial Resource and Funding

As at 30 June 2008, the Group had cash and bank balance of HK$180,817,111 (30 June 2007: HK$59,691,003). Most of the cash and bank balance were placed in Hong Kong dollar deposits with banks in Hong Kong SAR. The current ratio (calculated as the current assets to the current liabilities) of the Group as at 30 June 2008 was approximately 33,541% (30 June 2007: 760%), gearing ratio (calculated as the long term loan to the total shareholders' equity) of the Group as at 30 June 2008 was zero (30 June 2007: zero). The Group maintained a strong working capital position during the Year.

The Group's asset portfolio is mainly financed by the shareholders' funds. As at 30 June 2008, the Group had total equity of HK$270,936,611 (2007: HK$58,591,111). The increase in total equity was mainly from net proceeds of new Shares of approximately HK$218.9 million during the Year raised by subscriptions of approximately HK$21 million and by Open Offer of approximately HK$197.9 million.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

Since the Group mainly uses Hong Kong dollars and Renminbi to carry out its business transactions, the Board considers that the Group's exposure to fluctuation in exchange rates was insignificant.

INVESTMENT PORTFOLIO

The Group's investment portfolio comprised of unlisted investments and listed securities investments. The Group held minority stakes of unlisted companies which are believed to have sound prospects of long-term growth in profits and capital appreciation in the future. As at 30 June 2008, the Group's unlisted investments, valued at cost less impairment, totaling HK$33,571,905 (2007: HK$6,500,000).

As at 30 June 2008, the Group held listed investments, at market value, of HK$56,199,890 (2007: Nil).

CONTINGENT LIABILITIES

As at 30 June 2008, the Group has no significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2008, the Group had 13 employees. The total staff cost of the Group for the Year was HK$5,567,881 (2007: HK$1,761,614). The remuneration package of the employees is determined by various factors including the employees' experience and performance, the market condition, industry practice and applicable employment law.

FUTURE PROSPECT

Although the recent financial crisis has affected the global economy sharply in the third quarter of 2008, the prices of many listed and unlisted companies become under valued. The Board considers that it is a golden opportunity for the Group to select more valuable companies to acquire and invest with the strong working capital position of the Group.

After the year end, the Group acquired the Convertible Bonds issued by China Botanic Development Holdings Limited ("China Botanic") which shares are listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 2349). The Board considers that the acquisition of the Convertible Bonds will enable the Group to receive a steady income of about HK$750,000 every year until maturity of the Convertible Bonds. Also, when the Convertible Bonds are converted at the appropriate price, it will provide a valuable opportunity for the Group to hold equity interest (i.e. shares) of China Botanic and a more flexible chance for the Group to obtain highest possible return for our shareholders.

Meanwhile, the Group will continue to look at projects with high growth and carefully monitor the investment portfolios to maximize the Group's returns and ensure a stable return for the shareholders.

APPRECIATION

On behalf of the Board of Directors, I would like to take this opportunity to express my gratitude to all of our business partners, shareholders, directors and staff for their hard work and contributions during the Year.

On behalf of the Board

Wang Wen Xia
Chairman

Hong Kong, 27 October 2008

EXECUTIVE DIRECTORS

Wang Wenxia, aged 48, holds a master degree in finance from Dongbei University of Finance and Economics. Ms. Wang currently holds senior management positions in various unlisted companies incorporated in the People's Republic of China but did not hold any position in other listed companies in the last three years. Ms. Wang has active experience at the management level in structured finance over 16 years, investment, merger and acquisition, asset management services. Ms. Wang also has management experience spanning various industries including real estate, mining, mineral processing, import and export etc.. Ms. Wang is also the director of various subsidiaries of the Company.

Mr. Pong Po Lam, Paul, aged 52, is the Managing Director of Pegasus Fund Managers Limited since 1990. He has worked in the fund management industry for nearly twenty years. He is the Vice President of The Institute of Financial Planners of Hong Kong, Executive Committee member of The Hong Kong Institute of Financial Analysts and Professional Commentators Ltd, China Sub-committee member of the Hong Kong Investment Funds Association, Chairman of Investment and Fund Management Services of CEPA Business Opportunities Development Alliance, Lecturer of HKU SPACE programme and a regular guest speaker at senior management training courses for several banks and financial/insurance companies in Hong Kong and PRC.

NON-EXECUTIVE DIRECTORS

Dr. Chan Po Fun, Peter, BBS, JP. M.B.E.,DS. Ph.D., aged 86, a certified public accountant. He was the chairman of The Kowloon Stock Exchange Limited, a member of committee on Takeovers and Mergers of the former Securities Commission and the chairman of the former Hong Kong Federation of Stock Exchanges. He was a registered dealing director under the Securities Ordinance and was a member of the Urban Council for 14 years. Dr. Chan has served on the boards of many public companies in Hong Kong. He is an honorary fellow of the Society for Underwater Technology and is a member of a number of scientific institutions. Dr. Chan has been a member, and the treasurer, of the board of the Chinese Permanent Cemeteries since 1967 and the chairman of its finance committee up to 2005. He is trustee of the S.K. Yee Medical Foundation.

Mr. Ding Xiaobin, aged 39, graduated with a master of business administration degree from Huazhong University of Science and Technology, and has been honored the academic title of economist. He is ever chronologically worked for business enterprises in fields of banking, futures, clothes, import & export and investments. Currently as the managing director of Guangdong Poly Investment Limited, he is mainly in charge of directly investment consultant for projects in lines of clothes sales, harbour operation, agricultural, chemical synthesis and so on, with close cooperative relationship with the commercial banks, insurance corporation and trusting corporation. Mr. Ding has rich experience in management, merger and acquisition, restructuring.

Mr. Fung Cheuk Nang, Clement, aged 32, has gained extensive management experience in development and manufacturing of consumer products for a number of years. Mr. Fung is also a director of a number of established privately-owned manufacturing companies in Hong Kong and the PRC. His knowledge and expertise in manufacturing industry may be beneficial to the Company in research and development areas. He was an executive director of New Chinese Medicine Holdings Limited, a company listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") from July 2005 to October 2007.

Mr. Ma Jie, aged 45, graduated from the department of computer science of Zhengzhou University and holds a master degree in business administration from University of South Australia. Mr. Ma has gained extensive experience in sales and management areas. Mr. Ma is also the director of various subsidiaries of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Cheung Wai Bun, Charles, JP, aged 72, holds an honorary doctor's degree, a master's degree and a bachelor of science degree in business administration. He is Chairman of Joy Harvest International Limited. Dr. Cheung has over 30 years experience in the senior management of companies in various industries including over 22 years experience of banking business in senior management positions. He is also an independent non-executive director and chairman of audit committee of Shanghai Electric Group Limited and Pioneer Global Group Limited which are listed on the main board of the Hong Kong Stock Exchange. Dr. Cheung is a Senior Adviser to the Board of the Metropolitan Bank & Trust Company, the largest commercial bank in the Philippines. He is a council member of the Hong Kong Institute of Directors. Dr. Cheung was formerly Chief Executive and Executive Deputy Chairman of Mission Hills Group and former director and adviser of the Tung Wah Group of Hospitals. He is a Vice Chairman of Guangdong Province Golf Association. He was awarded the Directors of the Year Awards 2002 of Listed Company Non-executive Director.

Mr. Zhang Yong, aged 52, a PH.D, is a young professor and supervisor of PH.D. students. He has been honored the academic titles of National Expert of Great Contribution, Celebrated Expert of Embryo Engineering, founder of Animal Clone Base of China. Meanwhile he is the founder of the Academic Institute of Biological Engineering of Northwest Sci-Tech University of Agriculture and Forestry and Yangling Keyan Biological Engineering Ltd. As Chairman of Yang Ling Keyuan Clone Science & Technological Company Ltd, Professor Zhang is also title as member of the Technology Committee belonging to National Agriculture Department, invited member of Government's Decision-making Consultation Committee of Shan Xi province, resident syndic of Academic Committee of Agriculture Biology Technology. Professor Zhang is professionally skilled with breeding, marketing and technology information for poultry industry. He is also good at, from microcosmic and macrocosmic point of view, mastering the developing and the stratagem and tactics for hi-tech poultry corporations.

Mr. Zeng Xianggao, aged 50, is the proprietor of Kangyuan Zeng & Co. (certified public accountant firm). Mr. Zeng is a fellow member of The Association of Chartered Certified Accountants, a member of The Hong Kong Institute of Certified Public Accountants (practicing) and China CPA. Mr. Zeng was previously an accounting lecturer of Sun Yat-Sen University at Guangzhou, and an audit and tax consultant in two international accounting firms, he has extensive experience in accounting, taxation and auditing practice in Hong Kong as well as in mainland China. Mr. Zeng graduated from the Renmin University of China (Beijing) with a master degree in economics, and also obtained training certificate of independent directorship from the Shanghai National Accounting Institute in 2004. He was an independent director of China State Shipbuilding Co. Limited (formerly known as Hudong Heavy Machinery Company Limited), a company listed on the Shanghai Stock Exchange, from May 2002 to July 2007.

The directors present the audited financial statements of Prime Investments Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 30 June 2008 (the "Year").

PRINCIPAL ACTIVITIES

During the Year, the Group has been principally engaged in the investment in listed and unlisted companies established and/or doing business in Hong Kong and other parts of the People's Republic of China (the "PRC"). Details of the principal activities of the subsidiaries are set out in note 16 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the Year.

RESULTS AND APPROPRIATION

The results of the Group for the Year are set out in the consolidated income statements on page 19.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the latest five financial years, as extracted from the audited financial statements, is set out below.

	Year ended 30 June 2008 *HK$*	Year ended 30 June 2007 *HK$*	Year ended 30 June 2006 *HK$*	Year ended 30 June 2005 *HK$*	Year ended 30 June 2004 *HK$*
Dividend income	**171,506**	–	–	–	–
Realised gains on disposal of financial assets at fair value through profit or loss	**11,457,296**	–	–	–	–
Loss before taxation	**(14,411,037)**	(3,528,391)	(6,557,134)	(2,552,955)	(6,100,480)
Taxation	**(86,994)**	–	–	–	–
Net loss for the year attributable to equity holders	**(14,498,031)**	(3,528,391)	(6,557,134)	(2,552,955)	(6,100,480)

			As at 30 June		
	2008 *HK$*	2007 *HK$*	2006 *HK$*	2005 *HK$*	2004 *HK$*
Total assets	**271,645,774**	66,479,854	6,979,139	9,244,245	9,256,533
Total liabilities	**(709,163)**	(7,888,743)	(9,621,437)	(8,095,247)	(5,554,580)
Total equity	**270,936,611**	58,591,111	(2,642,298)	1,148,998	3,701,953

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the Year are set out in note 15 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the Year, together with the reasons therefore, are set out in notes 27 and 28 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASES, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and the Group during the Year are set out in note 29 to the financial statements and in the consolidated statement of changes in equity, respectively.

DIRECTORS

The directors of the Company during the Year were:

Executive directors:

Ms. Wang Wen Xia *(Chairman)*	(appointed as Chairman on 28 February 2008)
Mr. Pong Po Lam, Paul	
Mr. Wong Kwong Chi, Simon	(resigned on 23 May 2008)

Non-executive directors:

Mr. Lan Ning *(Chairman)*	(resigned as non-executive director and Chairman on 28 February 2008)
Mr. Chan Yan Ting, Gordon	(retired on 10 December 2007)
Dr. Chan Po Fun, Peter	
Mr. Ding Xiaobin	
Mr. Chan Wing Chung, Eric	(retired on 10 December 2007)
Mr. Fung Cheuk Nang, Clement	(appointed on 28 February 2008)
Mr. Ma Jie	(appointed on 28 February 2008)

Independent non-executive directors:

Dr. Cheung Wai Bun, Charles	
Mr. Zhang Yong	
Mr. Gu Qiu Rong	(resigned on 28 February 2008)
Mr. Zeng Xianggao	(appointed on 28 February 2008)

In accordance with Bye-law 87(2), Mr. Fung Cheuk Nang Clement, Mr. Ma Jie and Mr. Zeng Xianggao shall retire from office at the annual general meeting; and in accordance with Bye-laws 88(1) and 88(2), Ms. Wang Wen Xia and Mr. Pong Po Lam Paul shall retire from office by rotation at the annual general meeting. Being eligible, each of Ms. Wang Wen Xia, Mr. Pong Po Lam Paul, Mr. Fung Cheuk Nang Clement, Mr. Ma Jie and Mr. Zeng Xianggao will offer himself/herself for re-election as executive/non-executive/independent non-executive director (as the case may be) at the forthcoming annual general meeting.

The directors of the Company, including the independent non-executive directors are subject to retirement by rotation and re-election in accordance with the provisions of the Company's Bye-laws.

The Company has received from each of the independent non-executive directors an annual written confirmation of independent pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive directors are independent to the Company.

DIRECTORS' BIOGRAPHIES

Biographical details of the directors of the Group are set out on pages 5 to 6 of the Annual Report.

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 of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Except for the related party and connected transactions which are disclosed below and in note 32 to the financial statements, no director had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or its subsidiaries was a party during the Year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 June 2008, the interest and short positions of the Directors and chief executive in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

(a) Long position in ordinary shares in the Company:

Name of Directors	Capacity and nature of interest	Number of issued ordinary shares held	Percentage of the Company's issued share capital
Fung Cheuk Nang, Clement	Beneficial Owner	190,909,092	7.69%
Chan Po Fun, Peter *(Note)*	Corporation	510,000	0.02%

Note: Dr. Chan Po Fun, Peter is a beneficial shareholder of the entire issued share capital of Concord Securities Company Limited, which directly holds 510,000 shares of the Company.

(b) Share options of the Company

In light of the requirements of Chapter 17 of the Listing Rules, the Company adopted a new Share Option Scheme (the "Scheme") on 15 January 2008. Under the Scheme, the Directors may grant options to those Participants who, in the opinion of the Board, have contributed or may contribute to the development and growth of the Group and any entity in which the Group holds any equity interest. The following table discloses movement in the Company's share options under the Scheme during the Year:

Name and category of participant	Date of grant	Exercise price *HK$*	As at 1 July 2007	Granted during the Year	Exercised during the Year	As at 30 June 2008
Directors:						
Wang Wen Xia	23/1/2008	0.16	–	18,400,000	–	18,400,000
Pong Po Lam, Paul	23/1/2008	0.16	–	1,200,000	–	1,200,000
Chan Po Fun, Peter	23/1/2008	0.16	–	500,000	500,000	–
Ding Xiaobin	23/1/2008	0.16	–	500,000	–	500,000
Cheung Wai Bun, Charles	23/1/2008	0.16	–	1,300,000	–	1,300,000
Zhang Yong	23/1/2008	0.16	–	300,000	–	300,000
Ma Jie (appointed on 28/2/2008)	23/1/2008	0.16	–	8,000,000	–	8,000,000
Lan Ning (resigned on 28/2/2008)	23/1/2008	0.16	–	1,200,000	1,200,000	–
Wong Kwong Chi, Simon (resigned on 23/5/2008)	23/1/2008	0.16	–	500,000	500,000	–
Gu Qiu Rong (resigned on 28/2/2008)	23/1/2008	0.16	–	300,000	–	300,000
Qualified allotees			–		–	
in aggregate	23/1/2008	0.16	–	3,000,000	–	3,000,000
				35,200,000	2,200,000	33,000,000

No share options were granted, lapsed, exercise, expired or cancelled during the year ended 2007.

Save as disclosed above, none of the directors and chief executives had registered an interest or short position in the shares or underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARE AND UNDERLYING SHARES

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

Long position

Name	*Notes*	**Capacity and nature of interest**	**Number of ordinary shares held**	**Percentage of the Company's issued share capital**
Asset Full Resources Limited	(1)	Corporation	427,890,908	17.23%
Poly Good Group Limited	(2)	Corporation	191,997,142	7.73%
Fung Cheuk Nang Clement	(3)	Beneficial Owner	190,909,092	7.69%
Upkeep Properties Ltd.	(4)	Corporation	150,000,000	6.04%

Notes:

1. The entire issued capital of Asset Full Resources Limited is beneficially owned by Mr. Duan Chuan Liang. Mr. Duan Chuan Liang is also beneficially interested in 20,460,000 shares. Mr. Duan Chuan Liang is deemed to be interested in 448,350,908 Shares.

2. The entire issued capital of Poly Good Group Limited is beneficially owned by Mr. Chan Yan Ting. Mr. Chan Yan Ting and his spouse Chung Kit Lai are deemed to be interested in 191,997,142 Shares.

3. Mr. Fung Cheuk Nang Clement was appointed as non-executive director of the Company on 28 February 2008.

4. The entire issued capital of Upkeep Properties Ltd is beneficially owned by Mr. Tam Wo Quan. Mr. Tam is deemed to be interested in 150,000,000 Shares.

Save as disclosed above, no person, other than the directors and chief executives of the Company, whose interests are set out in the section "Directors' and chief executive interests and short position in shares and underlying shares" above, had registered an interest in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the heading "Directors' and chief executives' interests and short position in shares and underlying shares" above, at no time during the Year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or of any other body corporate granted to any directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company or its subsidiary a party to any arrangements to enable the directors, their respective spouse or children under 18 years of age to acquire such rights in the Company or any other body corporate.

RELATED PARTY AND CONNECTED TRANSACTIONS

(a) Investment Management Agreement with Pegasus Fund Managers Limited

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

(1) 2.5% per annum of the net asset value of the Group as at the immediately preceding valuation date on the basis of the actual number of days in the relevant calendar month over a year of 365 days, subject to a monthly minimum fee of HK$41,667.

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

RELATED PARTY AND CONNECTED TRANSACTIONS *(Continued)*

(a) Investment Management Agreement with Pegasus Fund Managers Limited *(Continued)*

Mr. Pong Po Lam, Paul, an executive director of the Company, has a 91.57% equity interest in Pegasus and is one of the directors of Pegasus. Accordingly, this arrangement constitutes a connected transaction under Chapter 14 of the Listing Rules and is also a related party transaction under the accounting standards issued by the Hong Kong Institute of Certified Public Accountants.

(b) Investment Management Agreement with Atlantis Investment Management (Hong Kong) Limited

Pursuant to an investment management agreement dated 18 April 2008 between the Company and Atlantis Investment Management (Hong Kong) Limited ("Atlantis"), whereby Atlantis has agreed to provide investment management services to the Company for a period of three years commencing from 13 May 2008. Atlantis is entitled to a management fee from the Company calculated at the following rates:

(1) A management fee is payable quarterly in arrears at the rate of 1% per annum of the market value of the portfolio on the last business day of each calendar quarter.

(2) Atlantis is also entitled to receive a performance-related fee of 10% of the appreciation in the market value of the portfolio above 10% hurdle rate per annum.

Pursuant to Chapter 21 of the Listing Rules, the investment manager is regarded as a connected person of the Company. Accordingly, the Investment Management Agreements constitute connected transactions of the Company.

(c) Custodian agreement

Pursuant to the Custodian Agreement (the "Custodian Agreement") dated 12 June 2007, the Company appointed Bank of Communications Trustee Limited as its custodian with effect from 12 June 2007. The custodian has agreed to provide securities services to the Company including the safe custody and physical settlement of the securities in the investment portfolio of the Company, and the collection of dividends and other entitlements in respect of such securities. The Custodian Agreement will continue in force until terminated by either the Company or the custodian giving to the other not less than 90 days' notice in writing expiring at any time. Pursuant to the Custodian Agreement, custody fee of 0.05% of net asset value will be billed quarterly (i.e. calculated on a monthly basis on the net asset value of the portfolio as at month end), fund services fee of HK$4,000 per valuation per month, and transaction fee of HK$320 per transaction for listed security and HK$650 for unlisted/ physical securities transaction. The custodian fee paid during the Year amounted to HK$210,917 (2007: HK$5,205).

The custodian is regarded as a connected person of the Company under Chapter 21 of the Listing Rules. Accordingly the Custodian Agreement constitutes a connected transaction of the Company.

In accordance with the requirements of the waiver granted by the Stock Exchange, the independent non-executive directors of the Company confirm that:

(1) the above transactions have been entered into in the ordinary and usual course of the business of the Company and are conducted in accordance with the terms of the Investment Management Agreements and the Custodian Agreement;

(2) the above transactions have been entered into on normal commercial terms and on an arm's length basis; and

(3) the above transactions have been entered into on terms that are fair and reasonable so far as the shareholders of the Company are concerned.

Details of related party transactions of the Group are set out in note 32 to the financial statements.

RETIREMENT BENEFIT SCHEME

Details of the retirement benefit scheme of the Company are set out in note 9 to the financial statements.

CORPORATE GOVERNANCE

The Company's principle corporate governance practices are set out in the Corporate Governance Report on pages 13 to 16 of the annual report.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as required under the Listing Rules during the year and up to the date of this report.

AUDIT COMMITTEE

The Company has an Audit Committee (the "Audit Committee") which was established with written terms of reference, in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group. The Audit Committee comprises three independent non-executive directors. The audit financial statements for the Year have been reviewed by the Audit Committee.

POST BALANCE SHEET EVENTS

Details of significant events subsequent to the balance sheet date are set out in Note 33 to the financial statement.

AUDITORS

A resolution for the re-appointment of CCIF CPA Limited, Certified Public Accountants, as the auditors of the Company for the ensuring year will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Wang Wen Xia
Chairman

Hong Kong
27 October 2008

The Company recognises that good corporate governance standards maintained throughout the Group serve an effective risk management for the Company. The board of directors (the "Board") of the Company is committed to lead the Group growing in an efficient manner followed by corporate missions in terms of business strategies and improved operational planning and procedures which are enforced under high corporate governance standard.

The Board believes that corporate governance is essential to the success of the Company and has adopted various measures to ensure that a high standard of corporate governance is maintained. With effect from 1 July 2005, the Company has applied the principles and adopted code provisions set out in the Code on Corporate Governance Practices (the "Code on CGP") in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as its own code on corporate governance practices. The current practices will be reviewed and updated regularly to follow the latest practices in corporate governance.

The Company has complied with all code provisions on the Code throughout the financial year ended 30 June 2008, except for the following requirements that deviate from the Code: (i) Code Provision A.4.1 that the non-executive Directors have not been appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's bye-laws (the "Bye-laws"); and (ii) Code Provision A.2.1 as explain below, the Company continues to improve its corporate governance and believes that good corporate governance will bring long-term benefits to its shareholders.

i. Board of Directors

The Board reviews and approves corporate matters such as business strategies and investments as well as the general administrative and management of the Group. The Board currently consists of 2 executive directors, 4 non-executive directors and 3 independent non-executive directors:

Executive directors:	
Ms. Wang Wen Xia *(Chairman)*	(appointed as Chairman on 28 February 2008)
Mr. Pong Po Lam, Paul	
Mr. Wong Kwong Chi, Simon	(resigned on 23 May 2008)
Non-executive directors:	
Mr. Lan Ning *(Chairman)*	(resigned as non-executive director and Chairman on 28 February 2008)
Mr. Chan Yan Ting, Gordon	(retired on 10 December 2007)
Dr. Chan Po Fun, Peter	
Mr. Ding Xiaobin	
Mr. Chan Wing Chung, Eric	(retired on 10 December 2007)
Mr. Fung Cheuk Nang, Clement	(appointed on 28 February 2008)
Mr. Ma Jie	(appointed on 28 February 2008)
Independent non-executive directors:	
Dr. Cheung Wai Bun, Charles	
Mr. Zhang Yong	
Mr. Gu Qiu Rong	(resigned on 28 February 2008)
Mr. Zeng Xianggao	(appointed on 28 February 2008)

The number of independent non-executive directors equals to one third of the Board membership. One of the independent non-executive directors, namely Mr. Zeng Xianggao, has the appropriate professional accounting experiences and expertises. The Board membership is covered by professionally qualified and widely experienced personnel so as to bringing in valuable contribution and different professional advices and consultancy for the development of the Company. There is no relationship (including financial, business, family or other material relevant relationship) among members of the Board.

i. Board of Directors *(Continued)*

(a) Chairman and Chief Executive

Ms. Wang Wen Xia is the Chairman and the Chief Executive Officer of the Company. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. Ms. Wang possesses the essential leadership skills to manage the Board and extensive knowledge in the business of the Group. The Board considers the present structure is more suitable for the Company because it can promote the efficient formulation and implementation of the Company's strategies.

(b) Appointment and re-election of directors

At each annual general meeting, one-third of the directors for the time being or, if their number is not three or a multiple of three, then the number nearest one-third, shall retire from office by rotation provided that every director shall be subject to retirement at least once every three years.

All directors have access to the services of the Company Secretary who regularly updates the Board on governance and regulatory matters. Any director and member of Audit Committee of the Company may take independent professional advice if they so wish at the expense of the Company, as arranged by the Company Secretary.

The Board has had regular board meetings in accordance with the Code on CGP. During the year, the Board held 21 regular Board meetings. The attendance of individual directors at Board meetings is set out below:

Name		*Number of meetings attended/Total*
Executive directors:		
Ms. Wang Wen Xia *(Chairman)*	(appointed as Chairman on 28 February 2008)	21/21
Mr. Pong Po Lam, Paul		11/21
Mr. Wong Kwong Chi, Simon	(resigned on 23 May 2008)	9/19
Non-executive directors:		
Mr. Lan Ning *(Chairman)*	(resigned as non-executive director and Chairman on 28 February 2008)	4/12
Mr. Chan Yan Ting, Gordon	(retired on 10 December 2007)	1/8
Dr. Chan Po Fun, Peter		9/21
Mr. Ding Xiaobin		13/21
Mr. Chan Wing Chung, Eric	(retired on 10 December 2007)	3/8
Mr. Fung Cheuk Nang, Clement	(appointed on 28 February 2008)	4/9
Mr. Ma Jie	(appointed on 28 February 2008)	9/9
Independent non-executive directors:		
Dr. Cheung Wai Bun, Charles		12/21
Mr. Zhang Yong		5/21
Mr. Gu Qiu Rong	(resigned on 28 February 2008)	2/12
Mr. Zeng Xianggao	(appointed on 28 February 2008)	3/9

ii. Audit Committee

The Audit committee (the "Audit Committee") has been established by the Board. The Audit Committee currently comprises three independent non-executive Directors. The Audit Committee will meet at least twice a year. The Audit Committee is mainly responsible for overseeing the Company's financial reporting system and internal control procedures; making recommendations to the Board in the appointment and removal of the external auditors and to approve the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of such auditors; and reviewing the interim and annual reports and accounts of the Company.

During the year, the Audit Committee held 3 meetings. Details of attendance are set out below:

Members		*Number of meetings attended/Total*
Independent non-executive directors:		
Dr. Cheung Wai Bun, Charles *(Chairman)*		3/3
Mr. Zhang Yong		3/3
Mr. Gu Qiu Rong	(resigned on 28 February 2008)	2/2
Mr. Zeng Xianggao	(appointed on 28 February 2008)	1/1

iii. Remuneration Committee

The Remuneration Committee of the Company (the "Remuneration Committee") was established in January 2008 and adopted a term of reference of the Remuneration Committee in compliance with B.1.3 of the Code Provision. As at the balance sheet and the date of this report, the Remuneration Committee comprises one executive director and two independent non-executive directors.

During the year, the Remuneration Committee held 2 meetings. Details of attendance are set out below:

Members	*Number of meetings attended/Total*
Executive director:	
Ms. Wang Wen Xia *(Chairman)*	2/2
Independent non-executive directors:	
Dr. Cheung Wai Bun, Charles	2/2
Mr. Zhang Yong	2/2

iv. Nomination Committee

In considering the nomination of new Directors, the Board will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates, especially their experience in the investment business and/or other professional areas.

Furthermore, as the full Board is responsible for the selection and approval of candidate for appointment as Director to the Board, therefore the Company has not established a Nomination Committee for the time being.

AUDITORS' REMUNERATION

During the year under review, the remunerations paid/payable to the Company's auditors, CCIF CPA Limited is set out as follows:

Services rendered	**Fees paid/payable**
	HK$
CCIF CPA Limited	
– audit Services	200,000
– non-audit Services	115,000

INTERNAL CONTROL

The Board has overall responsibilities for maintaining sound and effective internal control system in the Company. The Board has delegated to the management the implementation of such systems of internal controls as well as the review of relevant financial, operational and compliance controls and risk management procedures. An Audit Committee was established for conducting a review of the internal control of the Company which cover the material controls including financial, operational and compliance controls and risk management functions. Procedures have been set up, inter alia, for safeguarding assets against unauthorized use or disposition, controlling over capital expenditure, maintaining proper accounting records and ensuring the reliability of financial information used for business and publication. The management throughout the Company maintains and monitors the internal control system on an ongoing basis.

DIRECTORS RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Company's financial statements for each financial period and to ensure that the financial statements are in accordance with statutory requirements and applicable accounting standards. The Board also ensures the timely publication of the financial statements. The Directors, having made appropriate enquiries, confirm that they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statements of the auditors of the Company regarding their responsibilities on the financial statements are set out in the Independent Auditor's Report on pages 17 to 18 of this annual report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 of Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code throughout the year ended 30 June 2008.

COMMUNICATION WITH SHAREHOLDERS

The objective of shareholder communication is to provide our shareholders with detailed information about the Company so that they can exercise their rights as shareholders in an informed manner. The Company uses a range of communication tools to ensure its shareholders are kept well informed of key business imperatives. These include annual general meeting, annual report, interim report, various notices, announcements and circulars. Procedure for demanding a poll has been included in all circulars accompanying notice convening general meeting and such procedure has been read out by the chairman at general meeting.

The annual general meeting provides a useful forum for shareholders to exchange views with the Board. The Chairman as well as Chairman of the Audit Committees and Remuneration Committees and members of the Committees are pleased to answer shareholders' questions. Separate resolutions are proposed at general meetings on each substantially separate issue, including the election of individual directors.

CCIF
CCIF CPA LIMITED
20/F Sunning Plaza
10 Hysan Avenue
Causeway Bay Hong Kong

To the shareholders of
Prime Investments Holdings Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Prime Investments Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 19 to 54, which comprise the consolidated and Company balance sheets as at 30 June 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of the 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 auditor's 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 consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2008 and of the loss and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

CCIF CPA Limited
Certified Public Accountants
Hong Kong, 27 October 2008

Leung Chun Wa
Practising Certificate Number P04963

For the year ended 30 June 2008

	Notes	2008 HK$	2007 HK$
Dividend income		**171,506**	–
Interest income		**2,929,623**	–
Realised gains on disposal of financial assets at fair value through profit or loss	7	**11,457,296**	–
Unrealised losses on financial assets at fair value through profit or loss	7	**(11,219,782)**	–
Other income		**1,254**	76,000
Impairment of available-for-sale financial assets	*7, 17*	**(7,950,000)**	–
Administrative expenses		**(9,778,531)**	(3,456,740)
Operating loss		**(14,388,634)**	(3,380,740)
Finance costs	8	**(22,403)**	(147,651)
Loss before taxation	9	**(14,411,037)**	(3,528,391)
Taxation	11	**(86,994)**	–
Loss attributable to the equity holders of the Company	12	**(14,498,031)**	(3,528,391)
Loss per share	13		
Basic		**(1.31) cents**	(6.11) cents
Diluted		**N/A**	N/A

The notes on pages 25 to 54 form an integral part of these financial statements.

As at 30 June 2008

	Notes	2008 HK$	2007 HK$
Non-current assets			
Property, plant and equipment	15	**211,910**	45,465
Available-for-sale financial assets	17	**33,571,905**	6,500,000
		33,783,815	6,545,465
Current assets			
Financial assets at fair value through profit or loss	18	**56,199,890**	–
Amount due from a shareholder	19	**19,110**	19,110
Prepayments, deposits and other receivables	20	**825,848**	224,276
Cash and cash equivalents	21	**180,817,111**	59,691,003
		237,861,959	59,934,389
Current liabilities			
Other loans	22	**–**	1,920,000
Other payables and accruals	23	**578,820**	2,050,747
Amounts due to directors	24	**–**	3,587,996
Amount due to a related company	25	**43,349**	330,000
Tax payable		**86,994**	–
		709,163	7,888,743
Net current assets		**237,152,796**	52,045,646
Net assets		**270,936,611**	58,591,111
Capital and reserves			
Share capital	27	**24,835,340**	3,951,510
Reserves	29	**246,101,271**	54,639,601
Total equity		**270,936,611**	58,591,111
Net asset value per share	30	**10.9 cents**	14.8 cents

Approved and authorised for issue by the Board of Directors on 27 October 2008.

Wang Wen Xia
Director

Ma Jie
Director

The notes on pages 25 to 54 form an integral part of these financial statements.

As at 30 June 2008

	Notes	2008 HK$	2007 HK$
Non-current assets			
Property, plant and equipment	15	**211,910**	45,465
Interests in subsidiaries	16	**33,927,194**	6,540,832
		34,139,104	6,586,297
Current assets			
Financial assets at fair value through profit or loss	18	**56,199,890**	–
Amount due from a subsidiary	16	**39,059,409**	–
Amount due from a shareholder	19	**19,110**	19,110
Prepayments, deposits and other receivables	20	**527,752**	224,276
Cash and cash equivalents	21	**138,512,340**	59,691,003
		234,318,501	59,934,389
Current liabilities			
Other loans	22	**–**	1,920,000
Other payables and accruals	23	**393,399**	2,050,747
Amounts due to directors	24	**–**	3,587,996
Amount due to a related company	25	**43,349**	330,000
		436,748	7,888,743
Net current assets		**233,881,753**	52,045,646
Net assets		**268,020,857**	58,631,943
Capital and reserves			
Share capital	27	**24,835,340**	3,951,510
Reserves	29	**243,185,517**	54,680,433
Total equity		**268,020,857**	58,631,943

Approved and authorised for issue by the Board of Directors on 27 October 2008.

Wang Wen Xia
Director

Ma Jie
Director

The notes on pages 25 to 54 form an integral part of these financial statements.

For the year ended 30 June 2008

	Share capital HK$	Share premium account HK$	Capital reserve HK$	Share option reserve HK$	Exchange reserve HK$	Investment revaluation reserve HK$	Accumulated losses HK$	Total HK$
At 1 July 2006	480,000	32,098,292	2,765,838	–	–	(3,500,000)	(34,486,428)	(2,642,298)
Issue of new shares *(note 27(b))*								
– Placing of shares	3,471,510	61,290,290	–	–	–	–	–	64,761,800
Loss for the year	–	–	–	–	–	–	(3,528,391)	(3,528,391)
At 30 June 2007 and 1 July 2007	3,951,510	93,388,582	2,765,838	–	–	(3,500,000)	(38,014,819)	58,591,111
Impairment loss recognised in income statement	–	–	–	–	–	3,500,000	–	3,500,000
Equity settled share-based transactions	–	–	–	1,685,836	–	–	–	1,685,836
Issue of new shares *(note 27(b))*								
– Placing of shares	1,104,278	19,545,722	–	–	–	–	–	20,650,000
– Open offer	19,757,552	179,793,722	–	–	–	–	–	199,551,274
– Exercise of share options	22,000	435,365	–	(105,365)	–	–	–	352,000
Share issue expenses	–	(1,775,216)	–	–	–	–	–	(1,775,216)
Exchange difference on translation of the financial statements of foreign subsidiary	–	–	–	–	2,879,637	–	–	2,879,637
Loss for the year	–	–	–	–	–	–	(14,498,031)	(14,498,031)
At 30 June 2008	24,835,340	291,388,175	2,765,838	1,580,471	2,879,637	–	(52,512,850)	270,936,611

The notes on pages 25 to 54 form an integral part of these financial statements.

For the year ended 30 June 2008

	2008 *HK$*	2007 *HK$*
Cash flows from operating activities		
Loss before taxation	**(14,411,037)**	(3,528,391)
Adjustments for:		
Interest expenses	**22,403**	147,651
Interest income	**(2,929,623)**	–
Dividend income	**(171,506)**	–
Depreciation	**75,515**	30,372
Loss on disposal of property, plant and equipment	**30,248**	–
Realised gains on disposal of financial assets at fair value through profit or loss	**(11,457,296)**	–
Unrealised losses on trading on financial assets at fair value through profit or loss	**11,219,782**	–
Impairment of available-for-sale financial assets	**7,950,000**	–
Share-based payments	**1,685,836**	–
Operating cash flows before movements in working capital	**(7,985,678)**	(3,350,368)
Increase in prepayments, deposits and other receivables	**(601,572)**	(94,795)
Increase in amount due from a shareholder	**–**	(19,110)
Decrease in other payables and accruals	**(1,471,927)**	(65,392)
(Decrease)/Increase in amounts due to directors	**(3,587,996)**	382,698
(Decrease)/Increase in amount due to a related company	**(286,651)**	330,000
Net cash used in operations	**(13,933,824)**	(2,816,967)
Interest Income	**2,929,623**	–
Dividend Income	**171,506**	–
Net cash used in operating activities	**(10,832,695)**	(2,816,967)
Cash flows from investing activities		
Purchase of available-for-sale financial assets	**(31,521,905)**	–
Purchase of financial assets at fair value through profit or loss	**(142,027,558)**	–
Purchase of property, plant and equipment	**(272,208)**	–
Proceeds from disposal of financial assets at fair value through profit or loss	**86,065,182**	–
Net cash used in investing activities	**(87,756,489)**	–
Cash flows from financing activities		
Proceeds from issue of new shares, net	**218,778,058**	64,761,800
Prepayment of other loans	**(1,920,000)**	(2,380,000)
Interest paid	**(22,403)**	(147,651)

The notes on pages 25 to 54 form an integral part of these financial statements.

For the year ended 30 June 2008

	2008 *HK$*	2007 *HK$*
Net cash generated from financing activities	**216,835,655**	62,234,149
Increase in cash and cash equivalents	**118,246,471**	59,417,182
Cash and cash equivalents at beginning of the year	**59,691,003**	273,821
Effect of foreign rate changes	**2,879,637**	–
Cash and cash equivalents at end of the year	**180,817,111**	59,691,003
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	**180,817,111**	59,691,003

The notes on pages 25 to 54 form an integral part of these financial statements.

1. GENERAL INFORMATION

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

The Company's principal place of business is located at Suite 6305, 63/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

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

These financial statements are presented in Hong Kong dollars ("HK$") unless otherwise stated.

2. PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collectively includes Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period for the Group and the Company. Note 2 (r) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

The Group and the Company have not early adopted the following new and revised standards or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32 &1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKFRS 2 (Amendment)	Share-based Payment-Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – Int 12	Service Concession Arrangements[3]
HK(IFRIC) – Int 13	Customers Loyalty Programmes[4]
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[1]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[5]

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 January 2008
4 Effective for annual periods beginning on or after 1 July 2008
5 Effective for annual periods beginning on or after 1 October 2008

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(a) Statement of compliance *(Continued)*

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

The directors of the Company anticipate that the applications of other new and revised standards, amendments and interpretations will have no material impact on the results and financial position of the Group

(b) Basis of preparation of the financial statements

The financial statements have been prepared under the historical cost convention, except as modified by the revaluation of certain available-for-sale financial assets and financial assets at fair value through profit or loss that are stated at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

(c) Basis of consolidation

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

(d) Subsidiaries

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

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at 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.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. 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.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses (note 2(f)). The results of the subsidiaries are accounted by the Company on the basis of dividend received and receivable.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(e) Property, plant and equipment and depreciation

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

Depreciation is calculated on the straight-line basis to write off the cost of each item of fixed assets to its residual value over its estimated useful life. The annual rates used for depreciation are as follows:

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

The asset's residual values, useful lives and depreciation method are reviewed and adjusted if appropriate, at each balance sheet date.

The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset was greater than its estimated recoverable amount.

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

(f) Impairment of assets

(i) Impairment of investments in debt and equity securities and other receivables

Investments in debt and equity securities (other than investments in subsidiaries) and other receivables are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(f) Impairment of assets *(Continued)*

(i) Impairment of investments in debt and equity securities and other receivables (Continued)

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial assets and the estimated future cash flows, discounted at the current market rate of return and for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.

– For trade receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material.

If in a subsequent period, the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

– For available-for-sale securities, the cumulative loss that has been recognised directly in equity is removed from equity and is recognised in profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of principal repayment and amortisation) and current fair value, less any impairment loss on that asset that previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in equity.

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

– Property, plant and equipment (other than properties carried at revalued amounts); and

– Interests in subsidiaries.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(f) Impairment of assets *(Continued)*

(ii) Impairment of other assets (Continued)

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest Group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in the consolidated income statement whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the consolidated income statement in the year in which the reversals are recognised.

(g) Other investments in debt and equity securities

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and jointly controlled entities, are as follows:

Investments in debt and equity securities are initially stated at cost, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognized in profit or loss as incurred. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognized in profit or loss. The net gain or loss recognized in profit or loss does not included any dividends or interest earned on these investments as these are recognized in accordance with the policies set out in note.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(g) Other investments in debt and equity securities *(Continued)*

Dated debt securities that the Group and/or the Company have the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated in the balance sheet at amortised cost less impairment losses (see note 2f (i)).

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognized in the balance sheet at cost less impairment losses (see note 2f(i)).

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognized directly in equity, except foreign exchange gain and losses resulting from changes in the amortised cost of monetary items such as debt securities which are recognized directly in profit or loss. Dividend income from these investments is recognized in profit or loss in accordance with policy set out in note and, where these investments are interest-bearing, interest calculated using the effective interest method is recognized in profit or loss in accordance with policy set out in note. When these investments are derecognized or impaired (see note 2(i)), the cumulated gain or loss previously recognized directly in equity is recognized in profit or loss.

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investment or they expire.

(h) Financial liabilities

The Group's financial liabilities (including other loans, other payables and accruals, amounts due to directors and amount due to a related company) are subsequently measured at amortised cost, using the effective interest method.

(i) Derecognition

Financial assets are derecognised when the rights to receive cash flow from the asset expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of the 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 or any new asset obtained and the cumulative gain or loss that had been recognised directly in equity is recognised in income statement.

Financial liabilities are derecognised when the obligations 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 including other liabilities assumed is recognised in income statement.

(j) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the consolidated income statement except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(j) Income tax *(Continued)*

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(k) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(l) Employee benefits

(i) Paid leave carried forward

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

(ii) Pension scheme and other retirement benefits

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

(iii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date after taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the income statement for the year of the review. On vesting date, the amount recognised as an expense is adjusted to reflect tha actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where the forfeiture is only due to not achieving vesting conditions that relate to the market price of the company’s shares. The equity amount is recognised in the capital reserve until with the options is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(m) Operating leases

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

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value, having been within three months of maturity at acquisition. Bank overdrafts, if any, that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(o) Foreign currency translation

(i) Functional and presentation currency

Items included in the accounts 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 Hong Kong dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in equity.

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

(iii) Group companies

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

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

– 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

– all resulting exchange differences are recognised as a separate component of equity.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(o) Foreign currency translation *(Continued)*

(iii) Group companies (Continued)

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

(p) Revenue recognition

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend. Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

Interest income is recognised on a time-proportion basis using the effective method.

(q) Related parties

Parties are considered to be related to the Group if:

(i) directly, or indirectly through one or more intermediaries, the party:

- controls, is controlled by, or is under common control with, the Group;
- has an interest in the Group that gives it significant influence over the Group; or
- has joint control over the Group;

(ii) the party is an associate;

(iii) the party is a jointly controlled entity;

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

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

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

(r) Changes in accounting policies

The HKICPA issued a number of new and revised HKFRSs and Interpretations that are first effective or available for early adoption for the current accounting period of the Group and the Company.

There have been no significant changes to the accounting policies applied in these financial statements for the years presented as a result of these developments. However, as a result of the adoption of HKFRS 7, Financial instruments: Disclosures and the amendment to HKAS 1, Presentation of financial statements: Capital disclosures, there have been some additional disclosures provided as follows:

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(r) Changes in accounting policies *(Continued)*

As a result of the adoption of HKFRS 7, the financial statements included expanded disclosure about the significance of the Group's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32, Financial instruments: Disclosure and presentation. These disclosures are provided through these financial statements in note 3.

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Group's and the Company's objectives, policies and processes for managing capital. These disclosures are provided through these financial statements, in particular in note 27(c).

Both HKFRS 7 and the amendment to HKAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, interest rate risk, equity price risk, credit risk and liquidity 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.

(i) Foreign exchange risk

The Group and the Company undertake certain transactions including amounts due from subsidiaries and cash and bank balances, denominated in the currency other than the functional currency of the relevant group entities, hence exposures to exchange rate fluctuations arise.

The Group and the Company currently do not have a foreign currency hedging policy. However, the Group and the Company monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. The Group did not enter into any hedging contracts during the year.

The carrying amount of the Group's and the Company's monetary assets and monetary liabilities which denominated in the currency other than the functional currency of the relevant group entities at the balance sheet date is as follows:

	The Group		**The Company**	
	2008	2007	**2008**	2007
	HK$	*HK$*	***HK$***	*HK$*
Renminbi ("RMB")	**42,261,616**	–	**–**	–

The Group and the Company are mainly exposed to the currencies in RMB which is not the functional currency of the relevant group entities. The Group's and the Company's cash and bank balances, the exposure is mainly HK$ against RMB, if the exchange rate of RMB against HK$ has been increased/decreased by 5%, the exchange reserve as at 30 June 2008 would have been increased/decreased by HK$2,012,000 (2007: Nil).

3. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factors *(Continued)*

(ii) Interest rate risk

The Group and the Company are exposed to cash flow interest rate risk through the impact of rate of changes on interest bearing financial assets which are mainly short term bank deposits at market rates.

The sensitivity analyses below, which include interest rate exposure on variable interest bearing bank deposits, have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. A 100 basis point change is used which represents the management's assessment of the possible change in interest rates.

At the balance sheet date, if interest rate had been 100 basis points higher/lower and all other variable were held constant, the Group's loss would increase/decrease by HK$169,000 (2007: HK$79,000) and the Company's loss for the year would increase/decrease by HK$169,000 (2007: HK$79,000). This is mainly attributable to the interest earned from bank balances.

(iii) Equity price risk

The Group is exposed to equity price changes arising from equity securities held for trading which are classified financial assets at fair value through profit or loss and available-for-sale financial assets. Other than the unquoted securities held for strategic purposes, all of the other investments are listed. The Group's listed investments are mainly listed on the Stock Exchange of Hong Kong. Decisions to buy or sell financial assets at fair value through profit or loss are rested with assigned investment managers and governed by specific investment guidelines.

Assuming a 10% upward/downward movement in the Hang Seng Index with all other variable held constant at the balance sheet date, the Group's loss before tax would have increased/decreased by an estimated HK$5,619,000 (2007: Nil) in respect of equity securities held for trading.

Subsequent to 30 June 2008, the global financial turmoil has been worsening and as a result, the Hang Seng Index has dropped from 22,102 on 30 June 2008 to 11,015 on 27 October 2008. The management is still evaluating the effect on the investment portfolio of the Group.

(iv) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and the Company.

The Group's and the Company's financial assets include equity investments, other receivables and cash and bank balances.

The Group's and the Company's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 30 June 2008 in relation to each class of recognised financial assets if the carrying amount of those assets stated in the consolidated and the Company's balance sheet, net of any allowances for losses.

Although the bank balances are concentrated to certain counterparties, the credit risk on liquid funds is limited because the counterparties are bank with good credit ratings assigned. In this regards, the directors consider that the Group's and the Company's credit risk of such authorised institutions is low.

(v) Liquidity risk

Liquidity risk is the risk that the Group and the Company are unable to meet its payment obligations associated with its financial liabilities when they fall due. The Group and the Company manage liquidity risk by maintaining adequate reserves, banking facilities by continuously monitoring forecast and actual cash flows.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factors *(Continued)*

(v) Liquidity risk (Continued)

Internally generated cash flow is the main source of funds to finance the operations of the Group and the Company. The Group's and the Company's liquidity risk management includes making available standby banking facilities and diversifying the funding sources. The Group and the Company regularly review the major funding positions to ensure adequate financial resources are available to meet their respective financial obligations.

The Group's and the Company's financial liabilities represent other payables (management and performance fee accruals) which are interest free and repayable on demand. In the opinion of the management, no maturity profile is required to be prepared by virtue of its nature.

(b) Fair value of financial instruments

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price for financial assets held by the Group is the current bid price.

The fair values of financial instruments that are not traded in an active market is determined by using valuation techniques, such as estimated discounted cash flows. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

The carrying values of the Group's cash and cash equivalents, short-term other receivables, deposits and other loans, other payable and accruals approximate their fair values due to their short maturities.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Fair value of financial instruments

For financial assets held at fair value through profit or loss, the fair value is principally based on their quoted market prices at the balance sheet date. Judgement is required when determining whether the quoted market prices can reflect the fair value of the financial assets. For unquoted investments, the fair value is significantly affected by the combination of the valuation methodologies employed, the parameters used and, if required, the underlying sample chosen. The valuation methodologies adopted by the Group is discussed in note 3(b).

(b) Impairment of available-for-sale financial assets

For available-for-sale financial assets, a significant or prolonged decline in fair value below cost is considered to be objective evidence of impairment. Judgement is required when determining whether a decline in fair value has been significant or prolonged. In making this judgement, the historical data on market volatility as well as the price of the specific investment are taken into account. The Group also takes into account other factors, such as industry and sector performance and financial information regarding the issuer/investee.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(c) Income taxes

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

Recognition of deferred tax assets, which principally related to tax losses, depends on the management's expectation of future taxable profit that will be available against which the tax losses can be utilised. The outcome of their actual utilisation may be different.

(d) Employee benefits – share-based payments

The valuation of the fair value of the share option granted requires judgement in determining the expected volatility of the share price, the dividends expected on the shares, the risk-free interest rate during the life of the option and the number of share options that are expected to become exercisable, and details of which are set in note 28 to the financial statements. Where the outcome of the number of share options that are exercisable is different from the previously estimated number of exercisable options, such difference will impact the income statement in the subsequent remaining vesting period to the relevant share options.

5. INVESTMENT MANAGEMENT FEES

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

(i) 2.5% per annum of the net asset value of the Group as at the immediately preceding valuation date on the basis of the actual number of days in the relevant calendar month over a year of 365 days, subject to a monthly minimum fee of HK$41,667.

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

Management fee paid to Pegasus for the year ended 30 June 2008 amounted to HK$618,925 (2007: HK$330,000).

(b) On 18 April 2008, the new investment management agreement was entered into by the Company and Altantis Investment Management (Hong Kong) Limited ("Altantis"), whereby Altantis has agreed to provide investment management services to the Company for a period of three years effective from 13 May 2008. Altantis is entitled to receive a management fee calculated at the following rates:

(i) A management fee is payable quarterly in arrears at the rate of 1% per annum of the market value of the portfolio on the last business day of each calendar quarter.

(ii) Atlantis is also entitled to receive a performance-related fee of 10% of the appreciation in the market value of the portfolio above 10% hurdle rate per annum.

Management fee charged by Altantis for the year ended 30 June 2008 amounted to HK$43,349.

6. SEGMENT INFORMATION

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

7. GAINS AND LOSSES ON INVESTMENTS

	Group	
	2008	2007
	HK$	*HK$*
Sale proceeds of securities held for trading	**86,065,182**	–
Less: costs of securities disposed	**(74,607,886)**	–
Realised gains on disposal of financial assets at fair value through profit or loss	**11,457,296**	–
Unrealised losses on financial assets at fair value through profit or loss	**(11,219,782)**	–
Impairment of available-for-sale financial assets *(note 17)*	**(7,950,000)**	–
Total losses on investments	**(19,169,782)**	–
Total net losses on investments	**(7,712,486)**	–

Gains and losses presented above exclude dividend income.

8. FINANCE COSTS

	Group	
	2008	2007
	HK$	*HK$*
Interest expense on borrowings wholly repayable within five years:		
Bank overdraft interest	**10,365**	–
Other loans	**10,000**	74,382
Advances from directors	**2,038**	73,269
	22,403	147,651

9. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	Group	
	2008	2007
	HK$	*HK$*
Auditor's remuneration		
– audit services	**200,000**	150,000
– non-audit services	**115,000**	60,000
Custodian fees	**210,917**	5,205
Depreciation *(note 15)*	**75,515**	30,372
Investment management fees *(note 5)*	**662,274**	330,000
Operating leases charges for premises	**738,477**	220,380
Staff costs		
Salaries and allowances	**3,840,895**	1,728,489
Contributions to retirement benefits schemes	**41,150**	33,125
Share-based payments *(note 28)*	**1,685,836**	–
	5,567,881	1,761,614

10. DIRECTORS' AND EMPLOYEES' REMUNERATION

Details of emoluments paid or payable by the Group to the directors during the year are as follows:

	Group 2008 HK$	Group 2007 HK$
Salaries, allowances and benefits in kind	**3,258,210**	1,245,000
Retirement scheme contributions	**18,000**	12,000
Share-based payments	**1,542,157**	–
	4,818,367	1,257,000

(a) Directors' and senior management's emoluments

The remuneration of each director for the year ended 30 June 2008 and 2007 is set out below:

	Fees HK$	Salaries and benefits in kind HK$	Retirement scheme contributions HK$	Sub-total HK$	Share-based payments HK$	2008 HK$
Executive directors						
Wang Wen Xia	50,000	2,592,000	12,000	2,654,000	881,233	3,535,233
Pong Po Lam, Paul	37,500	–	–	37,500	57,472	94,972
Wong Kwong Chi, Simon (resigned on 23/5/2008)	23,710	–	–	23,710	23,946	47,656
Non-executive directors						
Chan Po Fun, Peter	37,500	–	–	37,500	23,946	61,446
Ding Xiaobin	30,000	–	–	30,000	23,946	53,946
Fung Cheuk Nang, Clement (appointed on 28/2/2008)	20,000	–	–	20,000	–	20,000
Ma Jie (appointed on 28/2/2008)	20,000	340,000	6,000	366,000	383,145	749,145
Lan Ning (resigned on 28/2/2008)	–	–	–	–	57,472	57,472
Independent non-executive directors						
Cheung Wai Bun, Charles	57,500	–	–	57,500	62,261	119,761
Zhang Yong	30,000	–	–	30,000	14,368	44,368
Zeng Xianggao (appointed on 28/2/2008)	20,000	–	–	20,000	–	20,000
Gu Qiu Rong (resigned on 28/2/2008)	–	–	–	–	14,368	14,368
	326,210	2,932,000	18,000	3,276,210	1,542,157	4,818,367

10. DIRECTORS' AND EMPLOYEES' REMUNERATION *(Continued)*

(a) Directors' and senior management's emoluments *(Continued)*

	Fees	Salaries and benefits in kind	Retirement scheme contributions	Sub-total	Share-based payments	2007
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Executive directors						
Wang Wen Xia	–	1,200,000	12,000	1,212,000	–	1,212,000
Pong Po Lam, Paul	15,000	–	–	15,000	–	15,000
Wong Kwong Chi, Simon	–	–	–	–	–	–
Non-executive directors						
Lan Ning	–	–	–	–	–	–
Chan Po Fun, Peter	15,000	–	–	15,000	–	15,000
Ding Xiaobin	–	–	–	–	–	–
Chan Yan Ting, Gordon	–	–	–	–	–	–
Chan Wing Chung, Eric	–	–	–	–	–	–
Independent non-executive directors						
Cheung Wai Bun, Charles	15,000	–	–	15,000	–	15,000
Zhang Yong	–	–	–	–	–	–
Gu Qiu Rong	–	–	–	–	–	–
	45,000	1,200,000	12,000	1,257,000	–	1,257,000

No directors of the Company waived any emoluments in both years.

No emoluments were paid to any directors as an inducement to join or upon joining the group or as compensation for loss of office during the year ended 30 June 2008 and 2007.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included three (2007: two) directors whose emolument are reflected in the analysis presented above. The emoluments paid to the remaining two (2007: three) individuals during the year are as follows:

	Group	
	2008	2007
	HK$	*HK$*
Basic salaries, allowances and benefits in kind	**582,685**	483,489
Retirement scheme contributions	**23,150**	21,125
Share-based payments	**–**	–
	605,835	504,614

The emoluments of the two individuals in 2008 and 2007 fell within the band of HK$Nil to HK$1,000,000.

There were no emoluments paid by the Group to any of the five highest paid employees as an inducement to join, or upon joining of the Group, or as compensation for loss in office in both years.

11. TAXATION

	Group	
	2008	2007
	HK$	*HK$*
Current year		
PRC Enterprise Income Tax	**86,994**	–

The provision for the PRC Enterprise Income Tax for the Group's subsidiary in the PRC, Jiangxi Jianghe Water Affairs Co., Ltd is based on the applicable income tax rate of 25% of the taxable income as determined in accordance with the relevant tax rules and regulations of the PRC during the year.

No provision has been made for Hong Kong Profits Tax as the Group sustained losses in Hong Kong for tax purposed during both years.

The taxation charge for the year can be reconciled to the loss before taxation in the consolidated income statement as follows:

	Group	
	2008	2007
	HK$	*HK$*
Loss before taxation	**(14,411,037)**	(3,528,391)
Income tax calculated at the rates applicable to respective companies comprising the Group	**(2,496,561)**	(617,468)
Tax effect of non-deductible expenses	**1,745,498**	–
Tax effect of non-taxable revenue	**(289,468)**	–
Tax effect of temporary differences not recognised	**10,227**	4,264
Tax effect of tax losses not recognised	**1,117,298**	613,204
Taxation for the year	**86,994**	–

There were no material unprovided deferred tax liabilities for both years.

12. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss attributable to equity holders is dealt with in the financial statements of the Company included a loss of HK$11,074,980 (2007: HK$3,487,559) which has been dealt with in the financial statements of the Company.

13. LOSS PER SHARE

The calculation of basic loss per share is based on the Group's loss attributable to equity holders of the Company of HK$14,498,031 (2007: loss of HK$3,528,391) and the weighted average number of 1,104,397,512 (2007: 57,755,214) ordinary shares in issue during the year.

Diluted loss per share for the year ended 30 June 2008 was not presented as the effect arising from the outstanding share options would be anti-dilutive. No diluted loss per share for the last year ended 30 June 2007 was presented as there was no dilutive event for the last year.

14. DIVIDENDS

No dividend was paid or declared by the Company for both years.

15. PROPERTY, PLANT AND EQUIPMENT

	Group and Company		
	Furniture and fixtures HK$	Office equipment HK$	Total HK$
Cost:			
At 1 July 2006, 30 June 2007 and 1July 2007	90,745	23,056	113,801
Disposal	(90,745)	–	(90,745)
Additions	226,185	46,023	272,208
At 30 June 2008	226,185	69,079	295,264
Accumulated depreciation:			
At 1 July 2006	28,358	9,606	37,964
Charge for the year	22,686	7,686	30,372
At 30 June 2007 and 1 July 2007	51,044	17,292	68,336
Charge for the year	61,033	14,482	75,515
Disposal	(60,497)	–	(60,497)
At 30 June 2008	51,580	31,774	83,354
Net book value:			
At 30 June 2008	174,605	37,305	211,910
At 30 June 2007	39,701	5,764	45,465

16. INTERESTS IN SUBSIDIARIES

	Company	
	2008 *HK$*	2007 *HK$*
Non-current assets:		
Unlisted investment, at cost	**41**	32
Amounts due from subsidiaries *(note a)*	**50,377,153**	18,540,800
Less: impairment losses recognised	**(16,450,000)**	(12,000,000)
	33,927,194	6,540,832
Current assets:		
Amount due from a subsidiary *(note b)*	**39,059,409**	–

Notes:

(a) The amounts due are unsecured and interest free and in substance form part of the Company's interests in subsidiaries as quasi-equity contributions.

(b) The amounts due are unsecured, interest free and repayable on demand.

16. INTERESTS IN SUBSIDIARIES *(Continued)*

The following is a list of subsidiaries held by the Company at 30 June 2008:

Name	Legal form	Place of incorporation	Issued share capital	Interest held Directly	Interest held Indirectly	Principal activities
Double Lucky Investment Co., Ltd.	Corporate	British Virgin Islands ("BVI")	1 ordinary share at US$1.00 each	100%	–	Investment holding
Sun Talent Investment Co., Ltd.	Corporate	BVI	1 ordinary share at US$1.00 each	100%	–	Investment holding
Market Place Investment Co., Ltd.	Corporate	BVI	1 ordinary share at US$1.00 each	100%	–	Investment holding
Glorison Limited	Corporate	BVI	1 ordinary share at US$1.00 each	100%	–	Investment holding
Joy State Holdings Limited	Corporate	Hong Kong	1 ordinary share at HK$1.00 each	100%	–	Investment holding
Globe Capital Resources Investment Limited	Corporate	BVI	1 ordinary share at US$1.00 each	100%	–	Investment holding
Jiangxi Jianghe Water Affairs Co., Ltd	Corporate	PRC	Registered capital US$5,000,000	–	100%	Investment holding

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group 2008 HK$	Group 2007 HK$
Unlisted investments, at cost	**46,521,905**	15,000,000
Fair value losses dealt with in investment revaluation reserve	**–**	(3,500,000)
Impairment loss recognised in income statement	**(12,950,000)**	(5,000,000)
	33,571,905	6,500,000
Unlisted equity investments, at fair value *(notes (a), (b) and (c))*	**2,050,000**	6,500,000
Unlisted equity investments, at cost less impairment *(note (d))*	**31,521,905**	–
	33,571,905	6,500,000

As at 30 June 2008, the Group's available-for-sale equity securities were individually determined to be impaired on the basis of a material prolonged decline in their fair value below cost and adverse changes in the market which these investees operated which indicated the cost of the Group's investment in them may not be recovered. Impairment losses on these investments were recognised in profit or loss in accordance with the accounting policy set in note 2(f)(i).

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS *(Continued)*

As at 30 June 2008, the Group held the following principal available-for-sale financial assets:

Name	Place of incorporation	Principal activities	Effective interest attributable to the Group	
			2008	2007
China Link Investment Group Limited ("China Link") *(note a)*	BVI	Provision of on-line consultant services	**22%**	22%
Zhongshan Chinese Standard Building Materials Company Limited ("Zhongshan Chinese Standard") *(note b)*	PRC	Manufacturing of window frames	**1.97%**	1.97%
Sunkock Development Limited ("Sunkock") *(note c)*	Hong Kong	Development of medical products	**20%**	20%
CWIG Disobingshan Windpower Company Limited ("CWIG") *(note d)*	PRC	Wind power generation	**20%**	–

Notes:

(a) The Company through a subsidiary, Market Place Investment Co., Ltd holds 22% interest in China Link at cost of HK$5,000,000, the directors considered that the Group cannot exercise significant influence on the financial and operating policies of China Link and accordingly, it is classified as an available-for-sale investment. As at 30 June 2008, the directors of the Company reviewed its carrying amount, taking into account of the global financial turmoil and the present value of the estimated future cash flows expected to arise from the investment and considered that it is unlikely to recover in full the interest in China Link. Accordingly, an impairment loss of HK$4,900,000 (2007: Nil) was recognised in the income statement of which a loss of HK$1,000,000 was removed from equity and recognised in the income statement.

(b) The Company through a subsidiary, Sun Talent Investment Co., Ltd, holds 1.97% interest in Zhongshan Chinese Standard at cost of HK$5,000,000, as at 30 June 2008, the directors of the Company reviewed its carrying amount, taking into account of the macroeconomic policies imposed by PRC government, in particular for the property development industry, and global financial turmoil, and considered that it is unlikely to fully recover the interest in Zhongshan Chinese Standard. Accordingly, an impairment loss of HK$3,050,000 (2007: Nil) was recognised in the income statement of which a loss of HK$2,500,000 was removed from equity and recognised in the income statement.

(c) The Company through a subsidiary, Double Lucky Investment Co., Ltd, holds 20% interest in Sunkock at cost of HK$5,000,000, the directors considered that the Group cannot exercise significant influence on the financial and operating policies of Sunkock and accordingly, it is classified as an available-for-sale investment. The directors of the Company considered that there would be no prospect of a material recoverability of this investment as the research and development of certain potential new medical products had been discontinued by Sunkock. Therefore, full provision for impairment loss on this investment was made in the prior years.

(d) The Company through a subsidiary, Globe Capital Resources Investment Limited, holds 20 % interest in CWIG at cost of HK$31,521,905 the directors considered that the Group cannot exercise significant influence on the financial and operating policies of CWIG and accordingly, it is classified as an available-for-sale investment. CWIG is currently at the stage of final test after completion of the construction. As CWIG has not yet commenced operations, investment is stated at cost less impairment loss at the balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair value cannot be measured reliably. No impairment on this investment was considered necessary by the directors at 30 June 2008.

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group and Company	
	2008	2007
	HK$	*HK$*
Equity securities held for trading:		
– listed in Hong Kong	**56,199,890**	–

The fair values of the above listed securities held for trading are determined based on the quoted market bid prices available on the relevant exchange at the balance sheet date.

The key components of the portfolio of the listed securities at 30 June 2008 included the following:

China Water Affairs Group Limited ("China Water")

China Water is principally engaged in water supply and water supply infrastructure in the PRC.

As at 30 June 2008, the Group held 10,440,000 shares (2007: Nil) in China Water, representing less than 0.01% (2007: Nil) in the issued share capital in China Water. No dividend was received during the year. Based on the annual report of China Water at 31 March 2008, the net assets of China Water were approximately HK$2,226 million. As at 30 June 2008, the market value of the Group's investment was approximately HK$24 million.

Petrochina Company Limited ("Petrochina")

Petrochina is principally engaged in the exploration, development, production and sale of crude oil and natural gas in the PRC.

As at 30 June 2008, the Group held 900,000 shares (2007: Nil) in Petrochina, representing less than 0.01% in the issued share capital of Petrochina. No dividend was received during the year. Based on the interim report of Petrochina at 30 June 2008, the net assets of Petrochina were approximately HK$848,803 million. As at 30 June 2008, the market value of the Group's investment in Petrochina was approximately HK$9 million.

China Cosco Holdings ("China Cosco")

China Cosco's business include the provision of a range of container shipping, dry bulk shipping, container terminal, container leasing and logistics services all over the world.

As at 30 June 2008, the Group held 518,000 shares (2007: Nil) in China Cosco, representing less than 0.01% in the issued share capital in Cosco. No dividend was received during the year. Based on the interim report of China Cosco at 30 June 2008, the net assets of China Cosco were approximately HK$78,284 million. As at 30 June 2008, the market value of the Group's investment in China Cosco was approximately HK$10 million.

19. AMOUNT DUE FROM A SHAREHOLDER

The amount due from a shareholder, Oceanwide Investments Limited, is unsecured, interest free and payable on demand.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2008	2007	**2008**	2007
	HK$	*HK$*	***HK$***	*HK$*
Prepayments	**147,800**	167,295	**147,800**	167,295
Deposits	**297,273**	54,314	**297,273**	54,314
Dividend receivables	**78,644**	–	**78,644**	–
Other receivables	**302,131**	2,667	**4,035**	2,667
	825,848	224,276	**527,752**	224,276

21. CASH AND CASH EQUIVALENTS

	Group		Company	
	2008	2007	**2008**	2007
	HK$	*HK$*	***HK$***	*HK$*
Cash and bank balances	**36,603,636**	1,691,003	**11,434,868**	1,691,003
Short-term bank deposits	**144,213,475**	58,000,000	**127,077,472**	58,000,000
	180,817,111	59,691,003	**138,512,340**	59,691,003

The effective interest rates and average maturity of short-term bank deposits are as follows:

	Group		Company	
	2008	2007	**2008**	2007
Effective interest rate (% per annum)	**0.9% to 1.54%**	2.6%	**0.9% to 1.54%**	2.6%

22. OTHER LOANS

Other loans were unsecured, interest free and repayable on demand, except for a loan of HK$1,500,000 due to a former director bore interest at the rate of 3%-8% per annum. All other loans were fully settled in August 2007.

23. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2008	2007	**2008**	2007
	HK$	*HK$*	***HK$***	*HK$*
Accrued interest payable to directors	**–**	73,269	**–**	73,269
Accruals	**268,000**	213,583	**268,000**	213,583
Other payables	**310,820**	1,763,895	**125,399**	1,763,895
	578,820	2,050,747	**393,399**	2,050,747

24. AMOUNTS DUE TO DIRECTORS

The amounts due were unsecured, interest-free and repayment on demand, except for amounts of HK$1,150,000 and HK$1,000,000 (2007: HK$1,000,000) due to two directors bore interest at the rate of 4.5% and 2.4% per annum, respectively, which were fully settled in August 2007.

25. AMOUNT DUE TO A RELATED COMPANY

The amount due to a related company is unsecured, interest free and repayable on demand.

26. DEFERRED TAXATION

At the balance sheet date, the Group and the Company had estimated unused tax losses for offsetting against future taxable profits of HK$16,115,318 (2007: HK$9,458,519) and HK$16,115,318 (2007: HK$9,458,519), respectively. The tax losses do not expire under the current tax regulation.

No deferred tax asset has been recognised in relation to such tax losses due to the unpredictability of future relevant taxable profit against which the deductible temporary differences and tax losses can be utilised.

27. SHARE CAPITAL

		2008		2007	
	Notes	Number of shares	HK$	Number of shares	HK$
Authorised:					
As at 1 July					
Ordinary shares of HK$0.01 each		**2,000,000,000**	**20,000,000**	2,000,000,000	20,000,000
Increase in authorised share capital	(a)	**28,000,000,000**	**280,000,000**	–	–
At 30 June					
Ordinary shares of HK$0.01 each		**30,000,000,000**	**300,000,000**	2,000,000,000	20,000,000
Issued and fully paid:					
As at 1 July					
Ordinary shares of HK$0.01 each		**395,151,037**	**3,951,510**	48,000,000	480,000
Issue of new shares					
– Placing of shares	(b)(i)(ii)	**110,427,808**	**1,104,278**	347,151,037	3,471,510
– Open Offer	(b)(iii)	**1,975,755,185**	**19,757,552**	–	–
– Exercise of share options	(b)(iv)	**2,200,000**	**22,000**	–	–
As at 30 June					
Ordinary shares of HK$0.01 each		**2,483,534,030**	**24,835,340**	395,151,037	3,951,510

27. SHARE CAPITAL *(Continued)*

Notes:

(a) Increase in authorised share capital

By a special resolution passed on 15 August 2007, the Company's authorised share capital was increased from HK$20,000,000 to HK$300,000,000 by the creation of an additional 28,000,000,000 ordinary shares of HK$0.01 each, ranking pari passu with the then existing shares of the Company.

(b) Issue of share capital

(i) Issue of new shares to the shareholder

On 20 June 2007, the Company issued 89,142,857 ordinary shares of HK$0.01 each at a price of HK$0.0897 per share to the shareholder, Poly Good Group Limited. Net proceeds from such issue amounted to HK$7,996,114 out of which HK$891,428 and HK$7,104,686 were recorded in share capital and share premium, respectively.

(ii) Issue of new shares under placing of shares

On 21 June 2007 and 27 March 2008, the Company issued 258,008,180 and 110,427,808 new ordinary shares with a par value of HK$0.01 each at a price of HK$0.22 and HK$0.187 per share to 18 and 9 independent investors, respectively. Net proceeds from such issues amount to HK$56,761,800 and HK$20,651,000, out of which HK$2,580,082 and HK$1,104,278 were recorded in share capital with the balance of HK$54,185,604 and HK$19,545,722 were credited to the share premium account, respectively.

(iii) Issue of new shares under open offer

On 11 November 2007, the Company issued 1,975,755,185 new ordinary shares with a par value of HK$0.01 each at a price of HK$0.101 per share by way of open offer on the basis of five offer shares to every one share to the shareholders of the Company. Net proceeds from such issues amounted to HK$199,551,274 out of which HK$19,757,552 and HK$179,793,722 were recorded in share capital and share premium account, respectively.

(iv) Issue of new shares upon exercise of share options

During the year, share options to subscribe for 2,200,000 shares were exercised, of which HK$22,000 was credited to share capital and the balance of HK$435,365 was credited to the share premium account.

All the new ordinary shares issued during the years ended 30 June 2007 and 2008 rank pari passu in all respects with the then existing ordinary shares of the Company.

(c) Capital management

The Group's objective for capital management is to safeguard the Group's ability to continue as a going concern, to enhance shareholder value and to match the business funding needs. The Group manages its capital structure and makes adjustments to it in line with the changes in economic conditions and business strategies by adjusting the dividend payout ratio, returning capital to shareholders or issuing new shares. During the years ended 30 June 2008 and 2007, the Group consistently followed the objectives and applied the policies and process on managing capital. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

The Group sets the amount of shareholders' equity in proportion to its overall financing structure. Debts comprises other loans, other payables and accruals, amounts due to directors and amount due to a related company. Shareholders' equity comprise all components of equity attributable to the equity shareholders of the Company.

	Group		Company	
	2008	2007	**2008**	2007
	HK$	*HK$*	***HK$***	*HK$*
Debts				
– Other loans	**–**	1,920,000	**–**	1,920,000
– Other payables and accruals	**578,820**	2,050,747	**393,399**	2,050,747
– Amounts due to directors	**–**	3,587,996	**–**	3,587,996
– Amount due to a related company	**43,349**	330,000	**43,349**	330,000
Total Debts	**622,169**	7,888,743	**436,748**	7,888,743
Cash and cash equivalents	**180,817,111**	59,691,003	**138,512,340**	59,691,003
Net cash position	**(180,194,942)**	(51,802,260)	**(138,075,592)**	(51,802,260)
Shareholders' equity	**270,936,611**	58,591,111	**268,020,857**	58,631,943

28. SHARE OPTIONS

Under the share option schemes adopted by the Company on 24 May 2001 (the "Terminated Option Scheme") and 15 January 2008 (the "New Option Scheme"), options were granted to certain directors and consultants during the year entitling them to subscribe for shares of the Company under the New Option Scheme. The Terminated Option Scheme was terminated on 15 January 2008 upon the adoption of the New Option Scheme. There were no outstanding share options under the Terminated Option Scheme.

The New Option Scheme was approved and adopted by shareholders of the Company on 15 January 2008, whereby the directors of the Company are authorised, at their discretion, to invite full time employees of the Group (including executive and non-executive directors of the Company or any of its subsidiaries) and any suppliers, consultants, agents or advisors of the Group, to take up options to subscribe for shares of the Company. The maximum number of shares in respect of which options may be granted under the New Option Scheme, when aggregated with any shares subject to any other schemes, shall not exceed 10% of the issued share capital of the Company on the date of approval and adoption of the New Option Scheme. The New Option Scheme shall be valid and effective for a period of 10 years ending on 14 January 2018 after which no further options will be granted. The exercise price of the options will be at least the higher of:

(a) the closing price of the shares on the Stock Exchange (as stated in the Stock Exchange's daily quotations sheet) on the Offer Date, which must be a business date;

(b) the average closing price of the Shares on the Stock Exchange (as stated in the Stock Exchange's daily quotations sheets) for the five business days immediately preceding the Offer Date; and

(c) the nominal value of a share.

Details of options granted and a summary of the movements of the outstanding options under the New Option Scheme during the current year are as follows:

	Outstanding as at 1 July 2007	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 30 June 2008	Exercise price per share *HK$*	Date of grant
Directors							
Wang Wen Xia	–	18,400,000	–	–	18,400,000	0.16	23.1.2008
Pong Po Lam, Paul	–	1,200,000	–	–	1,200,000	0.16	23.1.2008
Wong Kwong Chi, Simon (resigned on 23/5/2008)	–	500,000	(500,000)	–	–	0.16	23.1.2008
Ding Xiaobin	–	500,000	–	–	500,000	0.16	23.1.2008
Ma Jie (appointed on 28/2/2008)	–	8,000,000	–	–	8,000,000	0.16	23.1.2008
Cheung Wai Bun, Charles	–	1,300,000	–	–	1,300,000	0.16	23.1.2008
Zhang Yong	–	300,000	–	–	300,000	0.16	23.1.2008
Gu Qiu Rong (resigned on 28/2/2008)	–	300,000	–	–	300,000	0.16	23.1.2008
Lan Ning (resigned on 28/2/2008)	–	1,200,000	(1,200,000)	–	–	0.16	23.1.2008
Chan Po Fun, Peter	–	500,000	(500,000)	–	–	0.16	23.1.2008
Other	–	3,000,000	–	–	3,000,000	0.16	23.1.2008
	–	35,200,000	(2,200,000)	–	33,000,000		

(a) On 23 January 2008, a total of 35,200,000 share options were granted. The closing price of the shares of the Company immediately before the date of grant was HK$0.14.

28. SHARE OPTIONS *(Continued)*

(b) The estimated fair value of the 35,200,000 share options granted during the year ended 30 June 2008 is HK$1,685,836 which was calculated using the Black-Scholes Option Pricing Model (the "Model") as at the date of the grant of the share options. The followings are the inputs to the Model:

Share price:	HK$0.14
Exercise price:	HK$0.16
Expected volatility:	77.22%
Expected dividend yield:	0%
Risk free rate:	1.809%
Expected life of the share options:	3 years

Expected volatility was determined by using the historical volatility of the share prices of the Company.

The Group recognised a total expense of approximately HK$1,685,836 for the year ended 30 June 2008 (2007: Nil) in relation to the share options granted by the Company.

The Model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

29. RESERVES

Group

The movements in the Group's reserve for the current and prior years are presented in the consolidated statement of changes in equity on page 22 of the financial statements.

Company

	Share premium account *HK$*	Capital reserve *HK$*	Share option reserve *HK$*	Accumulated losses *HK$*	Total *HK$*
As at 1 July 2006	32,098,292	2,765,838	–	(37,986,428)	(3,122,298)
Issue of new shares					
– Placing of shares	61,290,290	–	–	–	61,290,290
Loss for the year	–	–	–	(3,487,559)	(3,487,559)
As at 30 June 2007 and 1 July 2007	93,388,582	2,765,838	–	(41,473,987)	54,680,433
Equity settled share-based transactions	–	–	1,685,836	–	1,685,836
Issue of new shares					
– Placing of shares	19,545,722	–	–	–	19,545,722
– Open offer	179,793,722	–	–	–	179,793,722
– Exercise of share options	435,365	–	(105,365)	–	330,000
Share issue expenses	(1,775,216)	–	–	–	(1,775,216)
Loss for the year	–	–	–	(11,074,980)	(11,074,980)
As at 30 June 2008	291,388,175	2,765,838	1,580,471	(52,548,967)	243,185,517

29. RESERVES *(Continued)*

(a) Share premium

The application of share premium account is governed by Section 40 of the Companies Act 1981 of Bermuda.

(b) Capital reserve

The capital reserve represents the wavier of amount due to a shareholder in 2005.

(c) Share option reserve

The share option reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Company recognized in accordance with the accounting policy adopted for share-based payments.

(d) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies in note 2(o).

(e) Distributable of reserves

In the opinion of the directors, at 30 June 2008, the Company did not have any reserve available for distribution to equity shareholders (2007: Nil).

30. NET ASSET VALUE PER SHARE

The calculation of net asset value per share is based on the net assets attributable to the equity holders of the company of HK$270,936,611 (2007: HK$58,591,111) and 2,483,534,030 (2007: 395,151,037) ordinary shares in issue as at 30 June 2008.

31. OPERATING LEASES COMMITMENTS

At the balance sheet date, the Group and the Company had total future outstanding minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Group and Company	
	2008	2007
	HK$	*HK$*
Within one year	**1,141,080**	50,322
In the second to fifth years, inclusive	**1,144,170**	–
	2,285,250	50,322

32. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed in notes 24 and 25 to the financial statements, the Group entered into the following material related party transactions:

(a) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 10(a) is as follows:

	Group	
	2008	2007
	HK$	*HK$*
Salaries and allowances	**3,002,000**	1,200,000
Retirement scheme contributions	**18,000**	12,000
Share-based payments	**1,264,378**	–
	4,284,378	1,212,000

Total remuneration is included in staff cost in note (9).

(b) Transactions with related parties

		Group	
		2008	2007
	Notes	***HK$***	*HK$*
Investment management fee paid/payable to Pegasus	(i)	**618,925**	330,000
Investment management fee paid/payable to Altantis	(ii)	**43,349**	–
Interest expenses paid/payable to directors	(iii)		
– Wang Wen Xia		**2,038**	23,999
– Chan Yan Ting, Gordon		**–**	49,270
		2,038	73,269

Notes:

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

– 2.5% per annum of the net asset value of the Group as at the immediately preceding valuation date on the basis of the actual number of days in the relevant calendar month over a year of 365 days, subject to a monthly minimum fee of HK$41,667; and

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

Mr. Pong Po Lam, an executive director of the Company, has 92% equity interest in Pegasus.

32. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Transactions with related parties *(Continued)*

Notes: (Continued)

(ii) On 18 April 2008, the new investment management agreement was entered into by the Company and Altantis Investment Management (Hong Kong) Limited ("Altantis"), whereby Altantis has agreed to provide investment management services to the Company for a period of three years effective from 13 May 2008. Altantis is entitled to receive a management fee calculated at the following rates:

– A management fee is payable quarterly in arrears at the rate of 1% per annum of the market value of the portfolio on the last business day of each calendar quarter.

– Atlantis is also entitled to receive a performance-related fee of 10% of the appreciation in the market value of the portfolio above 10% hurdle rate per annum.

(iii) The interest expenses paid to two directors of the Company related to advances granted, further details of which are set out in note 24 to the financial statements.

33. POST BALANCE SHEET EVENTS

On 22 September 2008, a subsidiary of the Company entered into a sale and purchase agreement with Good Outlook Investments Limited ("Good Outlook") to acquire from Good Outlook the sale convertible bonds issued by China Botanic Development Holdings Limited ("China Botanic") which shares are listed on the main board of the Hong Kong of Stock Exchange Limited (stock code: 2349), with a face value of HK$25,000,000 at a cash consideration of HK$30,000,000. The Company will consider converting the sale convertible bonds into shares of China Botanic at the conversion price of HK$0.15 each in the future. Upon the conversion of the entire convertible bonds in the amount of HK$25,000,000, the Company owns 19.41% of the share capital of China Botanic.

Details of the transactions are set out in the Company's announcement dated 22 September 2008.