PRIME INVESTMENTS HOLDINGS LIMITED

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

Annual Report 2009

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.*
Professor Zhang Yong
Mr. Zeng Xianggao

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

AUTHORISED REPRESENTATIVES

Ms. Wang Wen Xia
Mr. Pong Po Lam, Paul

COMPANY SECRETARY

Mr. Li Chi Chung

AUDITORS

CCIF CPA Limited

INVESTMENT MANAGERS

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

CUSTODIAN

Bank of Communications Trustee Limited

LEGAL ADVISER

As to Bermuda law
Conyers Dill & Pearman

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton
HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

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

TRADING CODE ON THE STOCK EXCHANGE OF HONG KONG LIMITED

0721

COMPANY WEBSITE

www.finance.thestandard.com.hk/en/comp_detail_link.asp?code=0721

On behalf of the board (the "Board") of directors (the "Directors") of Prime Investments Holdings Limited (the "Company"), I am pleased to present the audited results of the Company and its subsidiaries (the "Group") for the year ended 30 June 2009 (the "Year").

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 during the Year.

BUSINESS REVIEW

The Group achieved satisfactory results this year under the global financial tsunami. For the year ended 30 June 2009, the Group's profit attributable to the shareholders amounted to HK$17,696,342 as compared to loss of HK$14,498,031 last year, representing a 222% increase. The total basic earnings per share were 0.712 cents as compared to loss per share of 1.310 cents last year, representing a 154% increase.

Turnover recognized by the Group during the Year was the sale proceeds and dividend income from listed investments of HK$106,092,682 as compared to HK$86,236,688 last year, representing 23% increase. After taking into account of dividend income, net realized loss on disposal of listed securities and gain on disposal of available-for sale financial assets, the Group recorded a loss on revenue of HK$6,746,365 as compared to a gain of HK$11,628,802 last year, representing a 158% decrease. The other revenue and income which comprised of interest income and other income was HK$1,505,255 (2008: HK$2,930,877). The Group recorded a gain of HK$2,604,574 on disposal and dissolution of subsidiaries (2008: nil). General and administrative expenses increased from HK$9,778,531 reported last year to HK$11,183,245 this Year being in line with the increase in operating activities of the Group.

Listed Investments

The Group recorded a substantial fair value gain on financial assets at fair value through profit or loss of HK$33,479,129 (2008: loss HK$11,219,782). The main grounds were analyzed as follows:

With the rebound of Hong Kong stock market in the second quarter of 2009, the market value of listed investments has appreciated, the Group recorded a substantial unrealised gain of HK$13,505,362 on fair value on listed trading securities (2008: unrealised loss HK$11,219,782).

During the Year, the Company acquired two Convertible Bonds issued by China Botanic Development Holdings Limited ("China Botanic") which shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (Stock Code: 2349). The Board considers that the acquisition of the Convertible Bonds enables the Company to receive a steady interest income every year until maturity of the Convertible Bonds. The Company recorded a substantial unrealised gain of HK$13,307,101 on change in fair value of convertible bonds (2008: nil). The Company also converted part of Convertible Bonds during the Year which recorded a gain of HK$6,666,666 on conversion of convertible bonds (2008: nil).

Unlisted Investments

During the Year, the Group disposed of its entire 20% equity interest in CWIG Diaobingshan Windpower Company Limited for a consideration of HK$38,203,571, and the gain on disposal of HK$6,681,666 was credited to the income statement for the year ended 30 June 2009. The sales proceeds of the disposal enhanced the cash flow of the Group, which enables the Group to look for more valuable investment opportunities on the sustained growing industry in the Peoples Republic of China (the "PRC") and generates stable and high return in medium and long-term for the shareholders. Impairment loss on available-for-sale financial assets was HK$2,050,000 (2008: HK$7,950,000).

FUTURE PROSPECT

As the global financial tsunami develops, many governments in the world carry out their stimulus packages, the PRC government rolled out massive investments, the US government provided US$700 billion bailouts and a number of countries cut their interest rate, there have been signs of global economic downturn bottoming out and it is on the path of recovery. The Board is cautiously optimistic in the business of the Group in the long run. Given the present continuous economic improvement in the PRC, the Group will keep seeking investment opportunities with potential of asset appreciation as well as with sustainable income stream across various sectors to diversify its business, especially in environmental friendly and high growth development industries, such as the real estate, property development, hydroelectric station etc. in the PRC. Also the management will continue to take a cautious and prudent approach in monitoring the Group's current investment portfolio and carefully and actively assess all potential investments which ensure that the investment risk is under manageable level and maximize the returns to the Group and the shareholders.

MAJOR ACQUISITIONS AND DISPOSALS

Details of the Group's acquisitions and disposals during the Year are set out in notes 18 and 33 to the financial statements.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2009, the Group had cash and bank balance of HK$63,037,330 (30 June 2008: HK$180,817,111). All 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 2009 was approximately 47,901% (30 June 2008: 33,541%), gearing ratio (calculated as the long term loan to the total shareholders' equity) of the Group as at 30 June 2009 was zero (30 June 2008: zero). The Group maintained a strong working capital position during the Year.

The Group had shareholders' funds of HK$285,969,772 at 30 June 2009 compared to HK$270,936,611 at 30 June 2008, representing a 6% increase.

The Group did not have any bank borrowing or capital commitment as at 30 June 2009 (30 June 2008: Nil).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group has no significant exposures to fluctuations in foreign exchange rates and, therefore, did not employ any financial instruments to hedge such exposures.

INVESTMENT PORTFOLIO

The Group's investment portfolio comprised of listed investments and unlisted investments. As at 30 June 2009, the Group held listed investments, at market value, of HK$169,808,268 (2008: HK$56,199,890).

As at 30 June 2009, the Group's unlisted investments, valued at cost less impairment, totaling HK$Nil (2008: HK$33,571,905).

CHARGES ON THE GROUP'S ASSET AND CONTINGENT LIABILITIES

As at 30 June 2009, there were no charges on the Group's asset and the Group did not have any significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2009, the Group had 11 employees. The total staff cost of the Group for the Year was HK$5,360,231 (2008: HK$5,424,202). 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.

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, 28 October 2009

EXECUTIVE DIRECTORS

Wang Wen Xia, aged 49, 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 PRC. Ms. Wang is a vice chairman and executive director of China Botanic which shares are listed on the main board of the Stock Exchange. Ms. Wang has active experience at the management level in structured finance nearly 20 years, including 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 53, has been the Managing Director of Pegasus Fund Managers Limited since 1990. He has worked in the fund management industry over 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, Member of Business Studies Advisory Board of HKU SPACE, a regular guest speaker for senior management training courses in several financial/insurance companies and universities and Economic Advisor of The People's Government of Neijiang City, Sichuan Province.

NON-EXECUTIVE DIRECTORS

Dr. Chan Po Fun, Peter, BBS, JP. M.B.E.,DS. Ph.D., aged 87, a is a Chartered Accountant and certified public accountant in Hong Kong. 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 15 years. Dr. Chan is an independent non-executive director of Chuang's Consortium International Limited, Chuang's China Investments Limited, China Resources Enterprise, Limited and VST Holdings Limited, all are listed on the main board of the Stock Exchange. He is an honorary fellow of the Society for Underwater Technology and is the 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 40, 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 33, 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 from July 2005 to October 2007.

Mr. Ma Jie, aged 46, 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 73, holds an honorary doctor's degree, a master's degree and a bachelor of science degree in business administration. He is the Chairman of Joy Harvest International Limited. Dr. Cheung has over 31 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, both are listed on the main board of the 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 the 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.

Professor Zhang Yong, aged 53, a Ph.D, is a 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 titled 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 hitech poultry corporations.

Mr. Zeng Xianggao, aged 51, 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 Board of Directors recognises the importance of corporate governance to the Group's healthy growth and is dedicated to maintaining good standards of corporate governance so as to enhance corporate transparency and protect the interests of shareholders. The Company believes that good corporate governance will bring long-term benefits to its shareholders.

The Group has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the Year, save for the deviations discussed below.

The key corporate governance principles and practices of the Group are summarized as follows:

THE BOARD

Responsibilities

The overall management of the Group's business is vested in the Board, which assumes the responsibility for leadership and control of the Group and is collectively responsible for promotion for the success of the Group by directing and supervising its affairs. All directors should take decisions objectively in the interests of the Group.

The Board takes the responsibility for all major matters of the Group including: the approval and monitoring of all policy matters, overall strategies, internal control and risk management systems, appointment and retirement of directors and other significant financial and operational matters.

The executive directors are responsible for overseeing the day-to-day management of the Group's operations and implementation of the strategies set by the Board.

Composition

The composition of the Board ensures a balance of skills and experience appropriate to the requirements of the business of the Group and to the exercising of independent judgment.

The Board of the Company comprised the following directors:

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

Non-executive directors:
Dr. Chan Po Fun, Peter
Mr. Ding Xiaobin
Mr. Fung Cheuk Nang, Clement
Mr. Ma Jie

Independent non-executive directors:
Dr. Cheung Wai Bun, Charles
Professor Zhang Yong
Mr. Zeng Xianggao

During the Year, the Board at all times met the requirements of the Listing Rules in relation to the appointment of at least 3 independent non-executive directors with at least 1 independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise.

THE BOARD *(Continued)*

Board Meetings

Board meetings are held for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

During the Year, 10 Board meetings were held and the attendance of individual directors was as follows:

Name of directors	**Number of meetings** *Attended/Total*
Ms. Wang Wen Xia	9/10
Mr. Pong Po Lam, Paul	6/10
Dr. Chan Po Fun, Peter	5/10
Mr. Ding Xiaobin	4/10
Mr. Fung Cheuk Nang, Clement	5/10
Mr. Ma Jie	8/10
Dr. Cheung Wai Bun, Charles	7/10
Professor Zhang Yong	4/10
Mr. Zeng Xianggao	4/10

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under the code provision A.2.1 of the Code, the roles of chairman and chief executive officer (the "CEO") should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and CEO should be clearly established and set out in writing. The positions of both chairman and CEO have been held by Ms. Wang Wen Xia since 28 February 2008 upon her appointment as chairman. Given the Group's current stage of development, 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.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Under the Code Provision A.4.1, non-executive Directors should be appointed for a specific term and subject to re-election. However, the non-executive Directors have not been appointed for specific terms but are subject to retirement by rotation and re-election at the general meetings of the Company in accordance with the Company's bye-laws (the "Bye-laws").

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 to one-third, shall retire from office by rotation provided that every director shall be subject to retirement at least once every three years.

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*
Dr. Cheung Wai Bun, Charles *(Chairman)*	3/3
Professor Zhang Yong	3/3
Mr. Zeng Xianggao	3/3

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") was established in January 2008 and adopted a terms of reference of the Remuneration Committee in compliance with B.1.3 of the Code. As at the balance sheet date 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 3 meetings. Details of attendance are set out below:

Members	**Number of meetings** *Attended/Total*
Ms. Wang Wen Xia *(Chairman)*	3/3
Dr. Cheung Wai Bun, Charles	3/3
Professor Zhang Yong	3/3

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.

Furthermore, as the 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 of Listing Rules as its 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.

AUDITORS' REMUNERATION

The Audit Committee reviews each year with the external auditors of the Company with regards to their independence, approves their appointment, discusses the scope of their audit, approves their fees, and the scope and appropriate fees for any non-audit services requested to be provided by them.

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	195,000

The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report" on pages 19 to 20.

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. The Audit Committee was established for conducting a review of the internal control of the Company which covers 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.

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 voting by 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 Committee and Remuneration Committee 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.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirement.

The directors acknowledge their responsibilities for preparing the financial statements of the Group for each financial year which give a true and fair view of the state of the Group.

The Directors present the audited financial statements of the Company and the Group for the Year ended 30 June 2009.

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 PRC. Details of the principal activities of the subsidiaries are set out in note 18 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the Year.

RESULTS AND DIVIDEND

The results of the Group for the Year are set out in the consolidated income statement on page 21.

The Directors do not recommend the payment of a final dividend for the year ended 30 June 2009 (2008: HK$Nil).

FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the last five financial years is set out on page 60 of this annual report.

RESERVES

Details of the movements in the reserves of the Group and of the Company during the Year are set out in the consolidated statement of changes in equity on page 24 and note 29 to the financial statements, respectively.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's entire turnover is derived from the Group's investments in listed securities and thus the disclosure of customers and suppliers information would not be meaningful.

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 17 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the Year 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.

DIRECTORS

The directors of the Company during the Year were:

Executive directors:

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

Non-executive directors:

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

Independent non-executive directors:

Dr. Cheung Wai Bun, Charles
Professor Zhang Yong
Mr. Zeng Xianggao

In accordance with Bye-laws 88(1) and 88(2), Dr. Chan Po Fun Peter, Mr. Ding Xiaobin and Dr. Cheung Wai Bun, Charles shall retire from office by rotation at the annual general meeting. Being eligible, each of Dr. Chan Po Fun Peter, Mr. Ding Xiaobin and Dr. Cheung Wai Bun, Charles will offer himself for re-election as non-executive director/independent non-executive director at the forthcoming annual general meeting (as the case may be).

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 Company are set out on pages 6 to 7 of the Annual Report.

DIRECTORS' SERVICE CONTRACTS

Ms. Wang Wen Xia entered into a service agreement with the Company on 15 January 2008, pursuant to which Ms. Wang was appointed to act as executive Director and chief executive officer for a period of three years from the date of the agreement at an annual remuneration of HK$1,300,000. Under the service agreement, either party needs to give not less than 12 months' written notice to the other party in case of early termination of the appointment.

As at 30 June 2009, save as disclosed above, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer 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.

SHARE OPTIONS

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 or category of participant	At 1 July 2008	Granted during the Year	Exercised during the Year	Lapsed during the Year	At 30 June 2009	Exercise Period	Exercise Price	Date of grant
	Number of share options							
Directors								
Wang Wen Xia	18,400,000	–	–	–	18,400,000	3 years	HK$0.16	23 January 2008
	–	6,430,000	–	–	6,430,000	5 years	HK$0.05	17 November 2008
	18,400,000	6,430,000	–	–	24,830,000			
Pong Po Lam, Paul	1,200,000	–	–	–	1,200,000	3 years	HK$0.16	23 January 2008
	–	500,000	–	–	500,000	5 years	HK$0.05	17 November 2008
	1,200,000	500,000	–	–	1,700,000			
Ding Xiaobin	500,000	–	–	–	500,000	3 years	HK$0.16	23 January 2008
	–	300,000	–	–	300,000	5 years	HK$0.05	17 November 2008
	500,000	300,000	–	–	800,000			
Cheung Wai Bun, Charles	1,300,000	–	–	–	1,300,000	3 years	HK$0.16	23 January 2008
	–	800,000	–	–	800,000	5 years	HK$0.05	17 November 2008
	1,300,000	800,000	–	–	2,100,000			
Zhang Yong	300,000	–	–	–	300,000	3 years	HK$0.16	23 January 2008
	–	300,000	–	–	300,000	5 years	HK$0.05	17 November 2008
	300,000	300,000	–	–	600,000			
Ma Jie	8,000,000	–	–	–	8,000,000	3 years	HK$0.16	23 January 2008
	–	2,000,000	–	–	2,000,000	5 years	HK$0.05	17 November 2008
	8,000,000	2,000,000	–	–	10,000,000			
Chan Po Fun, Peter	–	300,000	–	–	300,000	5 years	HK$0.05	17 November 2008
Fung Cheuk Nang, Clement	–	500,000	–	–	500,000	5 years	HK$0.05	17 November 2008
Zeng Xianggao	–	500,000	–	–	500,000	5 years	HK$0.05	17 November 2008
Qualified allotees in aggregate	3,300,000	–	–	(300,000)	3,000,000	3 years	HK$0.16	23 January 2008
	–	800,000	(300,000)	–	500,000	5 years	HK$0.05	17 November 2008
	3,300,000	800,000	(300,000)	(300,000)	3,500,000			
	33,000,000	12,430,000	(300,000)	(300,000)	44,830,000			

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

As at 30 June 2009, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong (the "SFO")) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, were as follows:

(i) Long positions in the ordinary shares of the Company:

Name of Directors	Capacity and nature of interest	Number of ordinary shares	Approximately percentage of shareholdings in the Company
Fung Cheuk Nang, Clement	Beneficial Owner	190,909,092	7.69%
Chan Po Fun, Peter	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.

(ii) Long positions in the underlying shares of the Company:

Name of Directors	Capacity and nature of interest	Number of underlying shares	Approximately percentage of shareholdings in the Company
Wang Wen Xia	Beneficial Owner	24,830,000	1.000%
Pong Po Lam, Paul	Beneficial Owner	1,700,000	0.068%
Ding Xiaobin	Beneficial Owner	800,000	0.032%
Cheung Wai Bun, Charles	Beneficial Owner	2,100,000	0.085%
Zhang Yong	Beneficial Owner	600,000	0.024%
Ma Jie	Beneficial Owner	10,000,000	0.403%
Chan Po Fun, Peter	Beneficial Owner	300,000	0.012%
Fung Cheuk Nang, Clement	Beneficial Owner	500,000	0.020%
Zeng Xianggao	Beneficial Owner	500,000	0.020%

Save as disclosed above, as at 30 June 2009, none of the Directors nor the chief executive of the Company had or was deemed to have any interests and short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the heading "Directors' and chief executive's interests and short positions 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.

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

As at 30 June 2009, so far as is known to the Directors and the chief executive of the Company, the following persons (not being Directors or chief executive of the Company) had, or was deemed to have, interests or short positions in the shares or underlying shares of the Company (including any interests in options in respect of such capital) which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

(i) Long positions of substantial shareholders in the ordinary shares of the Company

Name of Shareholders	*Notes*	**Capacity and nature of interest**	**Number of ordinary shares**	**Approximately percentage of shareholdings in the Company**
Duan Chuan Liang	1	Corporation and Beneficial Owner	474,640,908	19.11%
Asset Full Resources Limited	1	Beneficial Owner	427,890,908	17.23%
Poly Good Group Limited	2	Beneficial Owner	190,177,142	7.66%
Chan Yan Ting	2	Corporation	190,177,142	7.66%
Chung Kit Lai	2	Family Interest	190,177,142	7.66%
Upkeep Properties Limited	3	Beneficial Owner	150,000,000	6.04%
Tam Wo Quan	3	Corporation	150,000,000	6.04%

Notes:

1. The entire issued share capital of Asset Full Resources Limited, is beneficially owned by Mr. Duan Chuan Liang. Mr. Duan is deemed to be interested in 427,890,908 Shares under the SFO.

2. The entire issued share capital of Poly Good Group Limited is beneficially owned by Mr. Chan Yan Ting. Mr. Chan and his spouse Madam Chung Kit Lai are deemed to be interested in 190,177,142 Shares under the SFO.

3. The entire issued share capital of Upkeep Properties Limited is beneficially owned by Mr. Tam Wo Quan. Mr. Tam is deemed to be interested in 150,000,000 Shares under the SFO.

Save as disclosed above, as at 30 June 2009, the Directors and the chief executive of the Company were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the shares or underlying shares of the Company (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

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"), and subsequently amended on 6 August 2007, 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; and

(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.

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 14A 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; and

(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, minimum charge is HK$4,000 per valuation per month, will be billed monthly (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 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$287,126 (2008: HK$210,917).

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.

RELATED PARTY AND CONNECTED TRANSACTIONS *(Continued)*

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 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 notes 5 and 32 to the financial statements.

RETIREMENT BENEFIT SCHEME

Details of the retirement benefit scheme of the Company are set out in note 10 to the financial statements.

CORPORATE GOVERNANCE

The Company's principle corporate governance practices are set out in the Corporate Governance Report on pages 8 to 11 of the annual report.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its 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 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 34 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 ensuing year will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Wang Wen Xia
Chairman

Hong Kong
28 October 2009

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 21 to 59, which comprise the consolidated and Company balance sheets as at 30 June 2009, 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 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 this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 auditor considers 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 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

CCIF CPA Limited
Certified Public Accountants
Hong Kong, 28 October 2009

Leung Chun Wa
Practising Certificate Number P04963

For the year ended 30 June 2009

	Notes	2009 HK$	2008 HK$
Turnover	7	**106,092,682**	86,236,688
Revenue	8	**(6,746,365)**	11,628,802
Other revenue and income	8	**1,505,255**	2,930,877
Fair value gain/(loss) on financial assets at fair value through profit or loss	20	**33,479,129**	(11,219,782)
Gain on disposal and dissolution of subsidiaries	33(d)	**2,604,574**	–
Impairment loss on available-for-sale financial assets	19	**(2,050,000)**	(7,950,000)
Administrative expenses		**(11,183,245)**	(9,778,531)
Operating profit/(loss)		**17,609,348**	(14,388,634)
Finance costs	9	**–**	(22,403)
Profit/(loss) before income tax	10	**17,609,348**	(14,411,037)
Income tax	13	**86,994**	(86,994)
Profit/(loss) attributable to the equity holders of the Company	14	**17,696,342**	(14,498,031)
Earnings/(loss) per share			
Basic	16(a)	**0.712 cents**	(1.310) cents
Diluted	16(b)	**0.711 cents**	(1.310) cents

The notes on pages 26 to 59 form an integral part of these financial statements.

Consolidated Balance Sheet

As at 30 June 2009

	Notes	2009 HK$	2008 HK$
Non-current assets			
Property, plant and equipment	17	**142,464**	211,910
Available-for-sale financial assets	19	**–**	33,571,905
		142,464	33,783,815
Current assets			
Financial assets at fair value through profit or loss	20	**169,808,268**	56,199,890
Amount due from a shareholder	22	**19,110**	19,110
Prepayments, deposits and other receivables	23	**53,560,555**	825,848
Cash and cash equivalents	24	**63,037,330**	180,817,111
		286,425,263	237,861,959
Current liabilities			
Other payables and accruals	25	**353,047**	578,820
Amount due to a related company	26	**244,908**	43,349
Tax payable	13	**–**	86,994
		597,955	709,163
Net current assets		**285,827,308**	237,152,796
Net assets		**285,969,772**	270,936,611
Capital and reserves			
Share capital	27	**24,838,340**	24,835,340
Reserves	29	**261,131,432**	246,101,271
Total equity		**285,969,772**	270,936,611
Net asset value per share	30	**11.51 cents**	10.9 cents

Wang Wen Xia
Director

Ma Jie
Director

The notes on pages 26 to 59 form an integral part of these financial statements.

As at 30 June 2009

	Notes	2009 HK$	2008 HK$
Non-current assets			
Property, plant and equipment	17	**142,464**	211,910
Interests in subsidiaries	18	**45,001,913**	33,927,194
		45,144,377	34,139,104
Current assets			
Financial assets at fair value through profit or loss	20	**169,808,268**	56,199,890
Amount due from a subsidiary	18	**100,809**	39,059,409
Amount due from a shareholder	22	**19,110**	19,110
Prepayments, deposits and other receivables	23	**1,927,952**	527,752
Cash and cash equivalents	24	**63,025,352**	138,512,340
		234,881,491	234,318,501
Current liabilities			
Other payables and accruals	25	**353,047**	393,399
Amount due to a related company	26	**244,908**	43,349
		597,955	436,748
Net current assets		**234,283,536**	233,881,753
Net assets		**279,427,913**	268,020,857
Capital and reserves			
Share capital	27	**24,838,340**	24,835,340
Reserves	29	**254,589,573**	243,185,517
Total equity		**279,427,913**	268,020,857

Wang Wen Xia	**Ma Jie**
Director	*Director*

The notes on pages 26 to 59 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2009

	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 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 and 1 July 2008	24,835,340	291,388,175	2,765,838	1,580,471	2,879,637	–	(52,512,850)	270,936,611
Equity settled share-based transactions	–	–	–	201,456	–	–	–	201,456
Lapse of share options	–	–	–	(14,368)	–	–	14,368	–
Issue of new shares *(note 27(b))*								
– Exercise of share options	3,000	16,862	–	(4,862)	–	–	–	15,000
Release upon dissolution of a subsidiary *(note 33(d))*	–	–	–	–	(2,879,637)	–	–	(2,879,637)
Profit for the year	–	–	–	–	–	–	17,696,342	17,696,342
At 30 June 2009	24,838,340	291,405,037	2,765,838	1,762,697	–	–	(34,802,140)	285,969,772

The notes on pages 26 to 59 form an integral part of these financial statements.

For the year ended 30 June 2009

	Notes	2009 HK$	2008 HK$
Operating activities			
Profit/(loss) before taxation		**17,609,348**	(14,411,037)
Adjustments for:			
Interest expenses		**–**	22,403
Interest income		**(1,505,243)**	(2,929,623)
Dividend income		**(1,363,831)**	(171,506)
Depreciation		**72,856**	75,515
Loss on disposal of property, plant and equipment		**–**	30,248
Realised losses/(gains) on disposal of financial assets at fair value through profit or loss		**14,791,862**	(11,457,296)
Unrealised (gains)/losses on financial assets at fair value through profit or loss		**(33,479,129)**	11,219,782
Gain on disposal of available-for-sale financial assets		**(6,681,666)**	–
Gain on disposal and dissolution of subsidiaries	33(d)	**(2,604,574)**	–
Impairment of available-for-sale financial assets		**2,050,000**	7,950,000
Equity settled share-option expenses		**201,456**	1,685,836
Operating cash flows before movements in working capital		**(10,908,921)**	(7,985,678)
Increase in prepayments, deposits and other receivables		**(499,839)**	(601,572)
Decrease in other payables and accruals		**(225,773)**	(1,471,927)
Decrease in amounts due to directors		**–**	(3,587,996)
Increase/(decrease) in amount due to a related company		**201,559**	(286,651)
Change in financial assets at fair value through profit or loss		**(94,921,111)**	(55,962,376)
Cash used in operations		**(106,354,085)**	(69,896,200)
Interest income		**902,978**	2,929,623
Dividend income		**1,363,831**	171,506
Net cash used in operating activities		**(104,087,276)**	(66,795,071)
Investing activities			
Purchase of available-for-sale financial assets		**–**	(31,521,905)
Proceeds from disposal of available-for-sale financial assets		**11,570,968**	–
Purchase of property, plant and equipment		**(3,410)**	(272,208)
Deposit paid for acquisition of investment		**(25,000,000)**	–
Net cash inflow from disposal of subsidiaries	33(d)	**16**	–
Net cash used in investing activities		**(13,432,426)**	(31,794,113)
Cash flows from financing activities			
Proceeds from issue of new shares, net		**15,000**	218,778,058
Repayment of other loans		**–**	(1,920,000)
Interest paid		**–**	(22,403)
Net cash generated from financing activities		**15,000**	216,835,655
(Decrease)/increase in cash and cash equivalents		**(117,504,702)**	118,246,471
Cash and cash equivalents at beginning of the year		**180,817,111**	59,691,003
Effect of foreign exchange rate changes		**(275,079)**	2,879,637
Cash and cash equivalents at end of the year		**63,037,330**	180,817,111
Analysis of the balances of cash and cash equivalents			
Cash and bank balances	24	**63,037,330**	180,817,111

The notes on pages 26 to 59 form an integral part of these financial statements.

1. GENERAL INFORMATION

Prime Investments Holdings Limited (the "Company") was previously incorporated in the Cayman Islands under the Cayman Islands Companies Law as an exempted company with its shares listed on The Stock Exchange of Hong Kong Limited. With effect from 9 May 2006, the Company de-registered from the Cayman Islands under the Cayman Islands Companies Law and re-domiciled in Bermuda under the Company Act 1981 of Bermuda as an exempt company. The Company's registered office is Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda and Company's principal place of business is Suite 6305, 63 floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

The Company and its subsidiaries are 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$"), which is the same as the functional currency of the Company. These financial statements have been approved for issue by the board of directors on 28 October 2009.

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.

In the current year, a number of amendments and interpretations to the standards ("new HKFRSs") were issued by the HKICPA as follows:

HKFRS 39 and HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK (IFRIC)-Int 9 and HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 13	Customers Loyalty Programmes
HK(IFRIC)-Int 14	HKAS 19-The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction

The new HKFRSs had no material effect on how the Group's and Company's results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(a) Statement of compliance *(Continued)*

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.

HKFRSs (Amendments)	Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 1 (Revised)	Presentation of Financial Statements[3]
HKAS 23 (Revised)	Borrowing Costs[3]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[4]
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[3]
HKAS 39 (Amendment)	Eligible Hedged Items[4]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[5]
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[3]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[3]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[5]
HKFRS 3 (Revised)	Business Combinations[4]
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[3]
HKFRS 8	Operating Segments[3]
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate[3]
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation[6]
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners[4]
HK(IFRIC)-Int 18	Transfers of Assets from Customers[7]

1 Effective for annual periods beginning on or after 1 January 2009 except for the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate
3 Effective for annual periods beginning on or after 1 January 2009
4 Effective for annual periods beginning on or after 1 July 2009
5 Effective for annual periods beginning on or after 1 January 2010
6 Effective for annual periods beginning on or after 1 October 2008
7 Effective for transfers on or after 1 July 2009

The adoption of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in parent's ownership interest in a subsidiary. The directors of the Company anticipate that the applications of the new and revised standards, amendments and interpretations will have no material impact on the results and financial position of the Group.

(b) Basis of consolidation

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

(c) Basis of preparation of the financial statements

The financial statements have been prepared under the historical cost convention except for available-for-sale financial assets and financial assets at fair value through profit or loss are stated at fair value.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) Basis of preparation of the financial statements *(Continued)*

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material judgement in the next year are discussed in note 4.

(d) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

In the Company's balance sheet, an investment in a subsidiary is sated at cost less impairment losses (see note 2 (f)(ii)).

(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 to write off the cost or valuation of items of property, plant and equipment less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

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

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(f) Impairment of assets

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

Investments in debt and equity securities (other than interests 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. If any such evidence exists, any impairment loss is determined and recognised as follows:

– 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 investment below its cost.

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 asset 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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(f) Impairment of assets *(Continued)*

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

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

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) 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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(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 recognised in profit or loss as incurred. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not included any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in note 2p (ii) and (iii).

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 recognised 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 recognised 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 recognised directly in profit or loss. Dividend income from these investments is recognised in profit or loss in accordance with policy set out in note 2p (ii) and, where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss in accordance with policy set out in note 2p (iii). When these investments are derecognised or impaired (see note 2f (i)), the cumulated gain or loss previously recognised directly in equity is recognised in profit or loss.

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

(h) Derivative financial instruments

Derivate financial instruments are initially recognised at fair value on the date on which a derivate contract is entered into or the derivative is separated from the host contracts. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement for fair value is charged immediately to profit or loss.

(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 has been recognised directly in equity is recognised in income statement.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(i) Derecognition *(Continued)*

Financial liabilities are derecognised when the obligations specified in the relevant contract is discharged, cancelled or expired. 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.

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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(j) Income tax *(Continued)*

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.

(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) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leaves, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Defined contribution pension plan obligations

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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(l) Employee benefits *(Continued)*

(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, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the 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 either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(iv) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(m) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to income statement in equal instalments over the accounting period covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in consolidated income statement as in integral part of the aggregate net lease payments made. Contingent rentals are charged to the consolidated income statement in the accounting period in which they are incurred.

(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 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

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised directly in equity.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(o) Foreign currency translation *(Continued)*

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of operations outside Hong Kong are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity.

On disposal of an operation outside Hong Kong, the cumulative amount of the exchange differences recognised in equity which relate to that operation is included in the calculation of the profit or loss on disposal.

(p) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the consolidated income statement as follows:

(i) Sale of investments in securities including available-for-sale financial assets and financial assets at fair value through profit or loss are recognised on a trade date basis when the risks and rewards of ownership are transferred and title has passed.

(ii) 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.

(iii) Interest income is recognised as it accrues 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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(q) Related parties *(Continued)*

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(r) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format, and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, results, assets and liabilities are determined before intra-group balances and intra-group transactions are between group entities within a single segment, inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balance, corporate and financing expenses.

3. FINANCIAL RISK MANAGEMENT

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.

(a) Financial risk factors

(i) Foreign exchange risk

During the year ended 30 June 2009, the Group mainly operated in Hong Kong and the majority of the Group's transactions and balances as at 30 June 2009 were denominated in Hong Kong dollars. The directors of the Company consider the currency risk is not significant and the Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

(ii) Interest rate risk

Interest income from bank deposits contributed approximately 5.2% of the Group's profit for the year ended 30 June 2009. The Group obtains market returns from its bank balances by placing bank deposits in bank accounts which yield market interest rates.

The Group has no significant interest bearing assets, other than bank deposits. The Group's income and operating cash flows are substantially independent of changes in market interest rates.

As management considers the Group's exposure to the interest rate risk is not significant, no interest-rate swaps or other hedging activities are taken by management during the year.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factors *(Continued)*

(iii) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as trading securities, debt element of convertible bonds and conversion options embedded in convertible bonds which are stated at fair value. Other than the unquoted securities held in convertible bonds as detailed in note 21, all of these investments are listed. The Group's listed investments are mainly listed on The Stock Exchange of Hong Kong Limited. Decisions to buy or sell trading securities are rested with assigned investment managers and governed by specific investment guidelines.

Sensitivity analysis

Assuming a 10% upward/downward movement in the Hang Seng Index with all other variables held constant at the balance sheet date, the Group's profit before tax would have increased/decreased by an estimated HK$16,981,000 (2008: HK$5,619,000).

(iv) Credit risk

The Group's and the Company's financial assets include debt and equity investments, other receivables and cash and bank balances. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Cash and bank deposits are placed with financial institutions sound credit ratings. Trading debt and equity securities are normally only in listed or liquid securities and with counterparties that have a credit rating equal to or better than the Group. Given their high credit ratings, management does not expect any counterparty failing to meet its obligations.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. The Group and the Company do not provide any financial guarantees which would expose the Group and the Company to credit risk.

The deposit paid of HK$25,000,000 for a proposed investment (see note 23(a)) and the balance of sale proceeds of HK$26,632,603 from the disposal of the available-for-sale investment (see note 23(b)) were fully recovered by the Company subsequent to 30 June 2009. The directors of the Company considered that there were no significant credit risk.

(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.

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.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Fair value of financial instruments

The fair value of financial instruments traded in active markets (such as trading 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, deposits and other receivables, 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. In the absence of such information, the fair value is determined by an independent professional valuer. Such valuation is subject to limitations of the valuation models adopted and the uncertainties in estimates used by management in the assumptions. Should the estimates including share prices, risk free rates, volatility and the relevant parameters of the valuation model be changed, there would be material changes in the fair value of certain financial instruments without quoted prices. 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.

(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.

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

(d) Impairment of amounts due from subsidiaries

The Company's management determines the need to make allowance for impairment of amounts due from subsidiaries. This estimate is based on the subsidiaries' net asset values and operating results. Management reassesses the allowance at the balance sheet date.

(e) 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 FEE

(a) Pursuant to an investment management agreement dated 21 February 2006 and subsequently amended on 6 August 2007, 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; and

(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 2009 amounted to HK$500,000 (2008: HK$618,925).

(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) 1% per annum of the market value of the portfolio; and

(ii) a performance-related fee of 10% of the appreciation in the market value of the portfolio above 10% hurdle rate per annum.

Management fee paid to Altantis for the year ended 30 June 2009 amounted to HK$631,293 (2008: HK$43,349).

6. SEGMENT INFORMATION

No analysis of the Group's turnover and contribution to operating profit/(loss) for the current and prior years set out by principal activities and geographical markets is provided as the Group has only one single business segment, investment holding and all the consolidated turnover and the consolidated results of the Group are attributable to the markets in Hong Kong.

7. TURNOVER

	Group	
	2009	2008
	HK$	*HK$*
Sale proceeds from sale of financial assets at fair value through profit or loss – listed securities	**104,728,851**	86,065,182
Dividend income from listed securities	**1,363,831**	171,506
	106,092,682	86,236,688

8. REVENUE, OTHER REVENUE AND INCOME

	Group	
	2009	2008
	HK$	*HK$*
Revenue		
Dividend income from listed securities	**1,363,831**	171,506
(Loss)/gain on disposal of listed securities	**(14,791,862)**	11,457,296
Gain on disposal of available-for-sale financial assets	**6,681,666**	–
	(6,746,365)	11,628,802
Other revenue		
Bank interest income	**920,993**	2,929,623
Interest income from convertible bonds	**584,250**	–
	1,505,243	2,929,623
Other income	**12**	1,254
Other revenue and income	**1,505,255**	2,930,877

9. FINANCE COSTS

	Group	
	2009	2008
	HK$	*HK$*
Interest expense on borrowings wholly repayable within five years:		
Bank overdraft interest	**–**	10,365
Other loans	**–**	10,000
Advances from directors	**–**	2,038
	–	22,403

10. PROFIT/(LOSS) BEFORE INCOME TAX

Profit /(loss) before income tax is arrived at after charging:

	Group	
	2009	2008
	HK$	*HK$*
Auditor's remuneration		
– audit services	**200,000**	200,000
– non-audit services	**195,000**	115,000
Custodian fee	**287,126**	210,917
Depreciation *(note 17)*	**72,856**	75,515
Investment management fees *(note 5)*	**1,131,293**	662,274
Operating leases charges for premises	**873,880**	738,477
Equity settled share-based expenses to consultants *(note 28)*	**9,725**	143,679
Staff costs		
Salaries and allowances	**5,120,500**	3,840,895
Contributions to retirement benefits schemes	**48,000**	41,150
Equity settled share-based expenses *(note 28)*	**191,731**	1,542,157
	5,360,231	5,424,202

11. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

The remuneration of each director for the year ended 30 June 2009 and 2008 is set out below:

	Fees	Salaries and benefits in kind	Retirement scheme contributions	Sub-total	Share-based payments	2009
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Executive directors						
Wang Wen Xia	1,560,000	1,554,500	12,000	3,126,500	104,212	3,230,712
Pong Po Lam, Paul	80,000	–	–	80,000	8,104	88,104
Non-executive directors						
Fung Cheuk Nang, Clement	80,000	–	–	80,000	8,104	88,104
Chan Po Fun, Peter	80,000	–	–	80,000	4,862	84,862
Ding Xiaobin	80,000	–	–	80,000	4,862	84,862
Ma Jie	210,000	480,000	12,000	702,000	32,414	734,414
Independent non-executive directors						
Cheung Wai Bun, Charles	150,000	–	–	150,000	12,966	162,966
Zhang Yong	80,000	–	–	80,000	4,862	84,862
Zeng Xianggao	80,000	–	–	80,000	8,104	88,104
	2,400,000	2,034,500	24,000	4,458,500	188,490	4,646,990

11. DIRECTORS' REMUNERATION *(Continued)*

	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						
Lan Ning (resigned on 28/2/2008)	–	–	–	–	57,472	57,472
Chan Po Fun, Peter	37,500	–	–	37,500	23,946	61,446
Ding Xiaobin	30,000	–	–	30,000	23,946	53,946
Feng 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
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
Gu Qiu Rong (resigned on 28/2/2008)	–	–	–	–	14,368	14,368
Zeng Xianggao (appointed on 28/2/2008)	20,000	–	–	20,000	–	20,000
	326,210	2,932,000	18,000	3,276,210	1,542,157	4,818,367

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

Details of the share options granted to the directors of the Company are set out in note 28 to the financial statements.

12. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2008: three) are directors whose emoluments are disclosed in note 11. The aggregate of the emoluments in respect of the other two (2008: two) individuals are as follows:

	2009 ***HK$***	2008 *HK$*
Salaries and benefits in kind	**656,000**	582,685
Bonuses	**30,000**	–
Retirement scheme contributions	**24,000**	23,150
Share-based payments	**3,241**	–
	713,241	605,835

The emoluments of the two individuals in 2009 and 2008 fell within the band of HK$Nil to HK$1,000,000.

12. INDIVIDUALS WITH HIGHEST EMOLUMENTS *(Continued)*

During the years ended 30 June 2009 and 2008, no emoluments were paid by the Group to any of the five highest paid employees of the Group as an inducement to join the Group, or upon joining of the Group, or as compensation for loss of office.

13. INCOME TAX

(a) Income tax credit (charge) in the consolidated income statement represents:

	2009	2008
	HK$	*HK$*
Current tax – Hong Kong Profits Tax		
– provision for the year	**–**	–
Current tax – Overseas		
– provision for the year	**–**	86,994
– over provision in respect of prior year	**(86,994)**	–
	(86,994)	86,994

No provision for Hong Kong Profits Tax has been provided for the current year since the assessable profit is wholly absorbed by tax loss brought forward. No provision for Hong Kong Profits Tax was made for the last year as the Group sustained a loss in Hong Kong for tax purposes in previous years. Income tax expense for other jurisdiction is charged at the rates prevailing in the relevant jurisdictions.

The provision for the PRC Enterprise Income Tax in prior year for the Group's subsidiary in the PRC, Jiangxi Jianghe Water Affairs Co., Ltd was 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.

(b) The income tax charge for the year can be reconciled to the profit/(loss) before taxation in the consolidated income statement as follows:

	2009	2008
	HK$	*HK$*
Profit /(loss) before taxation	**17,609,348**	(14,411,037)
Tax at Hong Kong Profits Tax rate of 16.5% (2008: 17.5%)	**2,905,542**	(2,496,561)
Tax effect of non-deductible expenses	**3,113,429**	1,745,498
Tax effect of non-taxable income	**(4,562,445)**	(289,468)
Tax effect of temporary differences not recognised	**9,510**	10,227
Tax effect of utilization of unused tax losses	**(2,076,810)**	–
Tax effect of tax losses not recognised	**697,768**	1,117,298
Over provision in respect of prior year	**(86,994)**	–
Actual tax (credit)/expense	**(86,994)**	86,994

(c) At the balance sheet date, the Group has estimated unused tax losses for offsetting against future taxable profits of HK$4,388,584 (2008: HK$16,115,318). Deferred tax assets have not been recognised in respect of these losses due to the unpredictability of future profit streams. The tax losses do not expire under the current tax legislation.

14. PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated profit/(loss) attributable to equity holders of the Company includes a profit of HK$11,190,600 (2008: loss of HK$11,074,980) which has been dealt with in the financial statements of the Company.

15. DIVIDENDS

No dividend was paid or declared by the Company during the years presented in these financial statements.

16. EARNINGS/(LOSS) PER SHARE

(a) Basis earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit/(loss) attributable to equity holders of the Company of HK$17,696,342 (2008: loss of HK$14,498,031) and the weighted average number of 2,483,552,934 (2008: 1,104,397,512) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2009 *Number of shares*	2008 *Number of shares*
Issued ordinary shares	**2,483,534,030**	395,151,037
Effect of placing of shares	**–**	70,189,730
Effect of open offer	**–**	638,737,293
Effect of exercise of share options	**18,904**	319,452
Weighted average number of ordinary shares	**2,483,552,934**	1,104,397,512

(b) Diluted earnings/(loss) per share

The calculation of diluted earnings per share for the year ended 30 June 2009 is based on the profit attributable to the equity shareholders of the Company of HK$17,696,342 and the weighted average number of 2,489,723,125 ordinary shares calculated as follows:

Weighted average number of ordinary shares (diluted)

	2009 *Number of shares*	2008 *Number of shares*
Weighted average number of ordinary shares	**2,483,552,934**	1,104,397,512
Effect of exercise of share options	**6,170,191**	28,956,990
Weighted average number of ordinary shares (diluted)	**2,489,723,125**	1,133,354,502

Those share options granted in the previous year have anti-dilutive effect on earnings per share because the exercise price was higher than the average market price during the year ended 30 June 2009.

The diluted loss per share for the year ended 30 June 2008 was same as the basic loss per share because the existence of outstanding share options had an anti-dilutive effect on the calculation of diluted loss per share.

17. PROPERTY, PLANT AND EQUIPMENT

Group and Company

	Furniture and fixtures HK$	Office equipment HK$	Total HK$
Cost			
At 1 July 2007	90,745	23,056	113,801
Disposal	(90,745)	–	(90,745)
Additions	226,185	46,023	272,208
At 30 June 2008 and 1 July 2008	226,185	69,079	295,264
Additions	2,000	1,410	3,410
At 30 June 2009	228,185	70,489	298,674
Accumulated depreciation			
At 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 and 1 July 2008	51,580	31,774	83,354
Charge for the year	57,046	15,810	72,856
At 30 June 2009	108,626	47,584	156,210
Net book value			
At 30 June 2009	119,559	22,905	142,464
At 30 June 2008	174,605	37,305	211,910

18. SUBSIDIARIES

	Company	
	2009 HK$	2008 HK$
As non-current assets:		
Unlisted investments, at cost	**7,817**	41
Amounts due from subsidiaries – non-current *(note a)*	**44,994,096**	50,377,153
Less: impairment losses recognised	**–**	(16,450,000)
Interests in subsidiaries	**45,001,913**	33,927,194
As current asset:		
Amount due from a subsidiary *(note b)*	**100,809**	39,059,409

Notes:

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

(b) The amount due is unsecured, interest free and repayable on demand.

The following is a list of the subsidiaries as at 30 June 2009:

Name	Place of incorporation and operations	Issued share capital	Percentage of equity interest held by the Company Directly	Indirectly	Principal activities
Joy State Holdings Limited	Hong Kong	1 ordinary share at HK$1.00 each	100%	–	Investment holding
Globe Capital Resources Investment Limited	BVI/Hong Kong	1 ordinary share at US$1.00 each	100%	–	Investment holding
Global Business Investment Enterprised Limited *(note)*	BVI/Hong Kong	1 ordinary share at US$1.00 each	100%	–	Investment holding
Best Joy Asia Investment Limited *(note)*	BVI/Hong Kong	1,000 ordinary shares at US$1.00 each	100%	–	Investment holding

Note: incorporated during the year ended 30 June 2009

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2009	2008
	HK$	*HK$*
Unlisted investments, at cost	**–**	46,521,905
Impairment loss recognised in income statement	**–**	(12,950,000)
	–	33,571,905
Unlisted equity investments, at fair value	**–**	2,050,000
Unlisted equity investments, at cost less impairment	**–**	31,521,905
	–	33,571,905

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).

During the year, impairment losses of HK$2,050,000 (2008: HK$7,950,000) were recognised on these investments.

All of the available-for-sale financial assets of the Group were disposed of during the year.

On 12 May 2009, the Group disposed of its entire 20% equity interest in CWIG Diaobingshan Windpower Company Limited to 中怡投資發展有限公司, an Independent party, for a consideration of HK$38,203,571, and the gain on disposal of HK$6,681,666 was credited to the income statement for the year ended 30 June 2009.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

		Group and Company	
		2009	2008
	Note	***HK$***	*HK$*
Equity securities held for trading:			
– Listed in Hong Kong		**130,563,167**	56,199,890
Market value of listed securities		**130,563,167**	56,199,890
Convertible bonds, unlisted	21	**39,245,101**	–
		169,808,268	56,199,890

The above financial assets are classified as held for trading.

The fair values for the above listed securities are determined by reference to their quoted market bid prices available on the relevant exchange at the balance sheet date.

Fair value gain of HK$33,479,129 (2008: loss of HK$11,219,782) has been recognised in the consolidated income statement.

Particulars of the major components of the investment portfolio as at 30 June 2009 in terms of carrying value of the respective investments, are as follows:

China Water Affairs Group Limited ("China Water")

China Water was incorporated in Bermuda and its shares are listed on the main board of the Stock exchange (stock code: 855). China Water is principally engaged in water supply and water supply infrastructure in the PRC.

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

China Water Affairs Group Limited ("China Water") *(Continued)*

As at 30 June 2009, the Group held 25,094,000 shares (2008: 10,440,000 shares) in China Water, representing 2% (2008: less than 0.01%) 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 2009, the audited consolidated profit attributable to equity holders of China Water was HK$115 million (2008: HK$427 million). As at 31 March 2009, the audited consolidated net assets of China Water were approximately HK$2,688 million (2008: HK$2,226 million). As at 30 June 2009, the market value of the Group's investment in China Water was approximately HK$49 million (2008: HK$24 million).

China Botanic Development Holdings Ltd ("China Botanic")

China Botanic was incorporated in Cayman Islands and its shares are listed on the main board of the Stock Exchange (stock code: 2349). China Botanic is principally engaged in the production and distribution of snack food and convenience frozen food products.

As at 30 June 2009, the Group held 75,556,666 shares (2008: 564,000 shares) in China Botanic, representing 6.84% (2008: less than 0.01%) in the issued share capital in China Botanic. No dividend was received during the year. Based on the interim report of China Botanic at 30 June 2009, the unaudited loss attributable to equity holders of China Botanic was HK$64 million (2008: profit HK$16 million). As at 30 June 2009, the unaudited consolidated net assets of China Botanic were approximately HK$59 million (31 December 2008: HK$102 million). As at 30 June 2009, the market value of the Group's investment in China Botanic was approximately HK$21 million (2008: HK$242,000).

On 15 October 2009, China Botanic raised funds of approximately HK$279 million upon completion of the issue of 5,777,031,245 new shares in its open offer. At the date of approval of the financial statements on 28 October 2009, the Group and the Company holds 790,339,076 shares in China Botanic, which represent 11.4% in the issued share capital of China Botanic. As further detailed in note 21 below, at 30 June 2009, the Group also held two series of 3% unsecured coupon convertible bonds issued by China Botanic with an aggregate principal amount of HK$25.5 million with maturity on 28 November 2010 and 13 November 2017 of which, convertible bonds due on 13 November 2017 with aggregate principal amount of HK$5,000,000 were converted into 33,333,333 shares of China Botanic at applicable conversion price of HK$0.15 each on 19 August 2009. If all these outstanding convertible bonds were converted into shares of China Botanic at their respective effective conversion prices at the date of approval for the financial statements on 28 October 2009, the Group and the Company would increase its shareholdings in China Botanic by 308,999,082 shares.

China Cosco Holdings Company Limited ("China Cosco")

China Cosco was incorporated in the PRC and its shares are listed on the main board of the Stock Exchange (stock code: 1919). China Cosco's business includes the provision a range of container shipping, dry bulk shipping, container terminal, container leasing and logistic services all over the world.

As at 30 June 2009, the Group held 1,903,000 shares (2008: 518,000 shares) in China Cosco, representing less than 0.1% (2008: less than 0.01 %) in the issued share capital in China Cosco. Dividends of HK$555,083 were received during the year. Based on the interim report of China Cosco at 30 June 2009, the unaudited loss attributable to equity holders in China Cosco was RMB4,594 million (2008: profit of RMB15,123 million). As at 30 June 2009, the unaudited consolidated net assets of China Cosco were approximately RMB54,909 million (31 December 2008: RMB62,248 million). As at 30 June 2009, the market value of the Group's investment in the shares of China Cosco was approximately HK$18 million (2008: HK$10 million).

HSBC Holdings plc ("HSBC")

HSBC was incorporated in England and its shares are listed on the main board of the Stock Exchange (stock code: 005). The principal activities of the HSBC comprise the provision of banking services and foreign currency deposits, loans, payment and settlement services, and the provision of related services by its overseas establishments as approved by the respective local regulators.

As at 30 June 2009, the Group held 250,000 shares, representing less than 0.001% in the issued share capital of HSBC. Dividends of HK$125,834 were received during the year. Based on the interim report of HSBC at 30 June 2009, the unaudited consolidated profit attributable to equity holders in HSBC was US$3,347 million. As at 30 June 2009, the unaudited consolidated net assets of HSBC were US$125,298 million. As at 30 June 2009, the market value of the Group's investment in the shares of HSBC was approximately HK$16 million (2008: Nil).

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

PetroChina Company Limited ("PetroChina")

PetrolChina was incorporated in the PRC and its shares are listed on the main board of the Stock Exchange (stock code: 857). PetroChina is a producer of crude oil and natural gas in China. It is engaged in a range of petroleum and nature gas related activities, including the exploration, development, production and sale of crude oil and natural gas.

As at 30 June 2009, the Group held 1,000,000 shares (2008: 900,000 shares), representing less than 0.01% (2008: 0.01%) in the issued share capital of PetroChina. Dividends of HK$254,925 were received during the year. Based on the interim report of PetroChina at 30 June 2009, the unaudited consolidated profit attributable to equity holders in PetrolChina was RMB50,877 million (2008: profit of RMB60,881 million. As at 30 June 2009, the unaudited consolidated net assets of PetrolChina were RMB869,018 million (31 December 2008: RMB848,439 million). As at 30 June 2009, the market value of the Group's investment in the shares of PetrolChina was approximately HK$9 million (2008: HK$10 million).

21. INVESTMENT IN CONVERTIBLE BONDS

Group and Company

Convertible Bonds of China Botanic Development Holdings Ltd

On 22 September 2008, the Company acquired from Good Outlook Investments Limited, a wholly-owned subsidiary of China Water (stock code: 855) the 3% unsecured convertible bonds issued by China Botanic Development Holdings Ltd. ("China Botanic"), a company listed on the main board of the Stock Exchange of Hong Kong Limited with a face value of HK$25,000,000, which bear coupon interest rate of 3% per annum, at a cash consideration of HK$30,000,000. The China Botanic Convertible bonds due on 13 November 2017 ("2017 Convertible Bonds") are convertible into fully paid ordinary shares of China Botanic with a par value of HK$0.01 each at an initial conversion price of HK$0.15. The conversion price was subsequently adjusted from HK$0.15 to HK$0.045 effective from 15 October 2009 upon completion of the open offer of China Botanic. The Company can exercise the conversion at anytime until the maturity date.

On 22 June 2009, the Company converted aggregate principal amount of HK$10,000,000 with cost of HK$12,000,000 into 66,666,666 shares in China Botanic at the conversion price of HK$0.15 each on 22 June 2009 when the closing market price of shares of China Botanic was HK$0.28 per share on this conversion and a gain on this conversion of approximately HK$6,666,666, which has been included in the fair value gain on financial assets at fair value through profit or loss for the year ended 30 June 2009. As at 30 June 2009, the fair value of the debt element of these remaining 2017 Convertible Bonds and the conversion options element of these remaining 2017 Convertible Bonds were approximately HK$2,526,000 and HK$25,283,000, respectively. On 19 August 2009, the Company further converted principal amount of HK$5,000,000 with cost of HK$6,000,000 into 33,333,333 shares in China Botanic at the conversion price of HK$0.15 per share.

On 18 June 2009, the Company acquired from Evolution Master Fund Ltd. SPC, Segregated Portfolio M, an independent third party, for the 3% unsecured convertible bonds issued by China Botanic with a face value of HK$10,500,000, which bear coupon interest rate of 3% per annum, at cost of HK$7,938,000. The Convertible bonds due on 28 November 2010 ("2010 Convertible Bonds") are convertible into fully paid ordinary shares of China Botanic with a par value of HK$0.01 each at an initial conversion price of HK$1.43. The conversion price of 2010 Convertible Bonds was adjusted from HK$1.43 to HK$1.144 effective from 28 November 2008, from HK$1.144 to HK$0.40 effective from 11 August 2009 and further reduced from HK$0.40 to HK$0.121 effective from 15 October 2009 upon completion of the open offer of China Botanic. The Company can exercise the conversion at anytime until the maturity date. As at 30 June 2009, the fair value of the debt element of the 2010 Convertible Bonds and the conversion options element of the 2010 Convertible Bonds were approximately HK$7,219,000 and HK$4,217,000, respectively.

Both 2017 Convertible Bonds and 2010 Convertible Bonds are separated into two components: the debt element and the conversion options element. The Group has classified the debt elements and the conversion options elements of the 2017 Convertible Bonds and 2010 Convertible Bonds as financial assets at fair value through profit or loss under current assets.

The fair values of the debt element and the conversion options element of the 2017 Convertible Bonds and 2010 Convertible Bonds have been determined by a firm of independent professional valuers, BMI Appraisals Limited. At 30 June 2009, the aggregate fair values of the 2017 Convertible Bonds and 2010 Convertible Bonds were approximately HK$39,245,000.

21. INVESTMENT IN CONVERTIBLE BONDS *(Continued)*

Group and Company *(Continued)*

Convertible Bonds of China Botanic Development Holdings Ltd (Continued)

As at 30 June 2009, the fair value of the aggregate debt element of the two convertible bonds was approximately HK$9,743,618, which was calculated based on the present value of contractually stream of future cash flows discounted at the required yield, which was determined with reference to bond issuers of similar credit rating and remaining time to maturity.

At 30 June 2009, the fair value of the aggregate conversion options element of the two convertible bonds was approximately HK$29,501,483.

The fair values of the conversion options element of 2017 Convertible Bonds and 2010 Convertible Bonds of China Botanic were calculated using the Binomial model with the major inputs used in the model as follows:

	At 30 June 2009	
	2017 Convertible Bonds	**2010 Convertible Bonds**
Stock price	HK$0.295	HK$0.295
Expected volatility	82.55%	98.37%
Risk free rate	2.52%	0.36%
Time to maturity (years)	8.38	1.41
Expected dividend yield	0%	0%

The movements of the debt element and conversion element of 2017 Convertible Bonds and 2010 Convertible Bonds for the year are as follows:

2017 Convertible Bonds

	Debt element	**Conversion options element**	**Total**
	HK$	*HK$*	*HK$*
Costs at date of acquisition	14,937,546	15,062,454	30,000,000
Conversion during the year	(5,975,018)	(6,024,982)	(12,000,000)
Change in fair value:			
– Credited to income statement	(6,437,204)	16,246,050	9,808,846
Net carrying amounts at 30 June 2009	2,525,324	25,283,522	27,808,846

2010 Convertible Bonds

	Debt element	**Conversion options element**	**Total**
	HK$	*HK$*	*HK$*
Costs at date of acquisition	7,009,565	928,435	7,938,000
Change in fair value:			
– Credited to income statement	208,729	3,289,526	3,498,255
Net carrying amounts at 30 June 2009	7,218,294	4,217,961	11,436,255

22. AMOUNT DUE FROM A SHAREHOLDER

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

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2009	2008	**2009**	2008
	HK$	*HK$*	***HK$***	*HK$*
Prepayments	**145,000**	147,800	**145,000**	147,800
Deposits	**334,974**	297,273	**334,974**	297,273
Dividend receivables	**770,722**	78,644	**770,722**	78,644
Convertible bonds interest receivables	**602,625**	–	**602,625**	–
Deposit paid on a proposed investment *(note a)*	**25,000,000**	–	**–**	–
Other receivables *(note b)*	**26,707,234**	302,131	**74,631**	4,035
	53,560,555	825,848	**1,927,952**	527,752

Notes:

(a) Deposit of HK$25,000,000 was paid by the Group in relation to the proposed acquisition of 25% equity interest in 新余水務置業有限公司, which is a company established in the PRC and principally engaged in property development in the PRC. The completion of the proposed acquisition was subject to the fulfilment of certain conditions including due diligence reviews. The proposed acquisition was subsequently cancelled as certain conditions including the due diligence reviews were not completed. The deposit was fully refunded to the Group subsequent to 30 June 2009.

(b) Included in other receivables was HK$26,632,603 (2008: Nil) which represented the unsettled balance from the disposal of available-for-sale financial assets as detailed in note 19. The balance was subsequently received on 7 July 2009.

24. CASH AND CASH EQUIVALENTS

	Group		Company	
	2009	2008	**2009**	2008
	HK$	*HK$*	***HK$***	*HK$*
Cash and bank balances	**63,037,330**	36,603,636	**63,025,352**	11,434,868
Short-term bank deposits (within original maturities less than 3 months)	**–**	144,213,475	**–**	127,077,472
	63,037,330	180,817,111	**63,025,352**	138,512,340

25. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2009	2008	**2009**	2008
	HK$	*HK$*	***HK$***	*HK$*
Accruals	**268,000**	268,000	**268,000**	268,000
Other payables	**85,047**	310,820	**85,047**	125,399
	353,047	578,820	**353,047**	393,399

26. AMOUNT DUE TO A RELATED COMPANY

The amount due to a related company, Altantis Investment Management (Hong Kong) Limited, is unsecured, interest free and repayable on demand.

27. SHARE CAPITAL

	Notes	2009 Number of shares	2009 HK$	2008 Number of shares	2008 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**	28,000,000,000	280,000,000
At 30 June					
Ordinary shares					
of HK$0.01 each		**30,000,000,000**	**300,000,000**	30,000,000,000	300,000,000
Issued and fully paid:					
As at 1 July					
Ordinary shares					
of HK$0.01 each		**2,483,534,030**	**24,835,340**	395,151,037	3,951,510
Issue of new shares					
– Placing of shares	(b)(i)	**–**	**–**	110,427,808	1,104,278
– Open Offer	(b)(ii)	**–**	**–**	1,975,755,185	19,757,552
– Exercise of share options	(b)(iii)	**300,000**	**3,000**	2,200,000	22,000
As at 30 June					
Ordinary shares					
of HK$0.01 each		**2,483,834,030**	**24,838,340**	2,483,534,030	24,835,340

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 under placing of shares

On 27 March 2008, the Company issued 110,427,808 new ordinary shares with a par value of HK$0.01 each at a price of HK$0.187 per share to 9 individual independent investors, respectively. Net proceeds from such issues amounted to HK$20,650,000, out of which HK$1,104,278 was recorded in share capital with the balance of HK$19,545,722 was credited to the share premium account.

(ii) 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.

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

During the years ended 30 June 2009 and 2008, share options to subscribe for 300,000 shares and 2,200,000 shares were exercised, of which HK$3,000 and HK$22,000 were credited to share capital and the balance of HK$16,862 and HK$435,365 were credited to the share premium account.

All the new ordinary shares issued during the years ended 30 June 2008 and 2009 rank pari passu in all respects with the then existing ordinary shares of the Company.

27. SHARE CAPITAL *(Continued)*

Notes: (Continued)

(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 2009 and 2008, the Group consistently followed the objectives and applied the policies and process on managing capital. The Company is not subject to externally imposed capital requirements.

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

	Group		**Company**	
	2009	2008	**2009**	2008
	HK$	*HK$*	***HK$***	*HK$*
Debts				
– Other payables and accruals	**(353,047)**	(578,820)	**(353,047)**	(393,399)
– Amount due to a related company	**(244,908)**	(43,349)	**(244,908)**	(43,349)
Total debts	**(597,955)**	(622,169)	**(597,955)**	(436,748)
Cash and cash equivalents	**63,037,330**	180,817,111	**63,025,352**	138,512,340
Net cash position	**62,439,375**	180,194,942	**62,427,397**	138,075,592
Shareholders' equity	**285,969,772**	270,936,611	**279,427,913**	268,020,857

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, employees 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 advisers 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 quotation sheets) 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 quotation sheets) for the five business days immediately preceding the Offer Date; and

(c) The nominal value of a share.

28. SHARE OPTIONS *(Continued)*

Details of options granted and a summary of the movements of the outstanding options under the New Option Scheme during the years ended 30 June 2009 and 2008 are as follows:

	Exercise price per option HK$	Date of grant	Exercise period	Number of share options: As at 1/7/2007	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 1/7/2008	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 30/6/2009
Directors												
Wang Wen Xia	0.16	23.1.2008	23.1.2008-22.1.2011	–	18,400,000	–	–	18,400,000	–	–	–	18,400,000
	0.05	17.11.2008	17.2.2009-16.11.2013	–	–	–	–	–	6,430,000	–	–	6,430,000
Pong Po Lam	0.16	23.1.2008	23.1.2008-22.1.2011	–	1,200,000	–	–	1,200,000	–	–	–	1,200,000
	0.05	17.11.2008	17.2.2009-16.11.2013	–	–	–	–	–	500,000	–	–	500,000
Wong Kwong Chi	0.16	23.1.2008	23.1.2008-22.1.2011	–	500,000	(500,000)	–	–	–	–	–	–
Ding Xiaobin	0.16	23.1.2008	23.1.2008-22.1.2011	–	500,000	–	–	500,000	–	–	–	500,000
	0.05	17.11.2008	17.2.2009-16.11.2013	–	–	–	–	–	300,000	–	–	300,000
Ma Jie	0.16	23.1.2008	23.1.2008-22.1.2011	–	8,000,000	–	–	8,000,000	–	–	–	8,000,000
	0.05	17.11.2008	17.2.2009-16.11.2013	–	–	–	–	–	2,000,000	–	–	2,000,000
Cheung Wai Bun	0.16	23.1.2008	23.1.2008-22.1.2011	–	1,300,000	–	–	1,300,000	–	–	–	1,300,000
	0.05	17.11.2008	17.2.2009-16.11.2013	–	–	–	–	–	800,000	–	–	800,000
Zhang Yong	0.16	23.1.2008	23.1.2008-22.1.2011	–	300,000	–	–	300,000	–	–	–	300,000
	0.05	17.11.2008	17.2.2009-16.11.2013	–	–	–	–	–	300,000	–	–	300,000
Gu Qiu Rong	0.16	23.1.2008	23.1.2008-22.1.2011	–	300,000	–	–	300,000	–	–	(300,000)	–
Lan Ning	0.16	23.1.2008	23.1.2008-22.1.2011	–	1,200,000	(1,200,000)	–	–	–	–	–	–
Chan Po Fun	0.16	23.1.2008	23.1.2008-22.1.2011	–	500,000	(500,000)	–	–	–	–	–	–
	0.05	17.11.2008	17.2.2009-16.11.2013	–	–	–	–	–	300,000	–	–	300,000
Fung Cheuk Nang	0.05	17.11.2008	17.2.2009-16.11.2013	–	–	–	–	–	500,000	–	–	500,000
Zeng Xianggao	0.05	17.11.2008	17.2.2009-16.11.2013	–	–	–	–	–	500,000	–	–	500,000
Other	0.16	23.1.2008	23.1.2008-22.1.2011	–	3,000,000	–	–	3,000,000	–	–	–	3,000,000
	0.05	17.11.2008	17.2.2009-16.11.2013	–	–	–	–	–	800,000	(300,000)	–	500,000
				–	35,200,000	(2,200,000)	–	33,000,000	12,430,000	(300,000)	(300,000)	44,830,000

28. SHARE OPTIONS *(Continued)*

(d) On 17 November 2008, a total of 12,430,000 share options were granted. The closing price of the shares of the Company immediately before the date of grant was HK$0.05.

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.

(e) The estimated fair value of the 12,430,000 share options granted during the year ended 30 June 2009 is HK$201,456 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:

	2009	2008
Share price:	**HK$0.049**	HK$0.14
Exercise price:	**HK$0.050**	HK$0.16
Expected volatility:	**73.83%**	77.22%
Expected dividend yield:	**0%**	0%
Risk free rate:	**1.465%**	1.809%
Expected life of the share options:	**4.3 years**	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$201,456 for the year ended 30 June 2009 (2008: HK$1,685,836) 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

	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 2007	93,388,582	2,765,838	–	–	(3,500,000)	(38,014,819)	54,639,601
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	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)
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 and 1 July 2008	291,388,175	2,765,838	1,580,471	2,879,637	–	(52,512,850)	246,101,271
Equity settled share-based transactions	–	–	201,456	–	–	–	201,456
Lapse of share options	–	–	(14,368)	–	–	14,368	–
Issue of new shares *(note 27(b))*							
– Exercise of share options	16,862	–	(4,862)	–	–	–	12,000
Release upon dissolution of a subsidiary *(note 33(d))*	–	–	–	(2,879,637)	–	–	(2,879,637)
Profit for the year	–	–	–	–	–	17,696,342	17,696,342
At 30 June 2009	291,405,037	2,765,838	1,762,697	–	–	(34,802,140)	261,131,432

29. RESERVES *(Continued)*

Company

	Share premium account HK$	Capital reserve HK$	Share option reserve HK$	Accumulated losses HK$	Total HK$
At 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 *(note 27(b))*					
– 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)
At 30 June 2008 and 1 July 2008	291,388,175	2,765,838	1,580,471	(52,548,967)	243,185,517
Equity settled share-based transactions	–	–	201,456	–	201,456
Lapse of share options	–	–	(14,368)	14,368	–
Issue of new shares *(note 27(b))*					
– Exercise of share options	16,862	–	(4,862)	–	12,000
Profit for the year	–	–	–	11,190,600	11,190,600
At 30 June 2009	291,405,037	2,765,838	1,762,697	(41,343,999)	254,589,573

(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 directors, employees and consultants 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) Investment revaluation reserve

Investment revaluation reserve represents changes in fair value of available-for-sale financial assets.

(f) Distributable of reserves

In the opinion of the directors, at 30 June 2009, the Company did not have any reserve available for distribution to equity shareholders (2008: 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$285,969,772 (2008: HK$270,936,611) and 2,483,834,030 (2008: 2,483,534,030) ordinary shares in issue as at 30 June 2009.

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	
	2009	2008
	HK$	*HK$*
Within one year	**1,363,080**	1,141,080
In the second to fifth years, inclusive	**496,635**	1,144,170
	1,859,715	2,285,250

32. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed in notes 22 and 26 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 11 is as follows:

	2009	2008
	HK$	*HK$*
Salaries and allowances	**4,434,500**	3,358,210
Retirement scheme contributions	**24,000**	18,000
Share-based payments	**188,490**	1,542,157
	4,646,990	4,818,367

Total remuneration is included in staff cost in note 10.

		2009	2008
	Notes	***HK$***	*HK$*
Investment management fee paid/ payable to Pegasus	(a)	**500,000**	618,925
Investment management fee paid/ payable to Altantis	(b)	**631,293**	43,349
Legal advisory fees paid	(c)	**208,972**	748,823

Pursuant to an investment management agreement dated 21 February 2006 and subsequently amended on 6 August 2007, 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:

32. RELATED PARTY TRANSACTIONS *(Continued)*

(a) Key management personnel remuneration *(Continued)*

(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; and

(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.

Mr. Pong Po Lam, an executive director of the Company, has 91.57% equity interest in Pegasus.

(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) 1% per annum of the market value of the portfolio; and

(ii) a performance-related fee of 10% of the appreciation in the market value of the portfolio above 10% hurdle rate per annum.

(c) During the current year, Michael Li & Co, a company controlled by the Company secretary, Mr. Li Chi Chung provided various legal advisory services to the Company.

33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Disposal and dissolution of subsidiaries

(a) During the year, the Group disposed entire interest in Sun Talent Investment Co., Ltd and Market Place Investment Co., Ltd to an independent third party, both with zero net assets at date of disposal, for a cash consideration of HK$16.

(b) During the year, Double Lucky Investment Company and Glorision Limited were de-registered.

(c) Jiangxi Jianghe Water Affairs Co., Ltd, a subsidiary established in last year in the PRC for proposed investments, was dissolved upon the abolition of the proposed investments during the year. At the date of dissolution, this subsidiary only held cash at bank of RMB34,379,000, which represented the capital contributed in the prior year, less the operating losses up to dissolution date and the related dissolution expenses. All the balance of the cash at bank this subsidiary was fully recovered, after deduction of the expenses of dissolution.

(d) Analysis of the gain on disposal and dissolution of subsidiaries was as follows:

	2009 *HK$*
Exchange reserve released upon dissolution	**2,879,637**
Dissolution expenses	**(275,079)**
Gain on dissolution of a subsidiary	**2,604,558**
Gain on disposal of subsidiaries	**16**
Gain on disposal and dissolution of subsidiaries	**2,604,574**
Net cash inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**16**

34. POST BALANCE SHEET EVENTS

On 14 October 2009, the directors of the Company propose to implement the Share Premium Reduction which will involve a reduction of the entire amount standing to the credit of share premium account of the Company to nil and the credit arising from the Share Premium Reduction will be credited to the contributed surplus of the Company. The Share Premium Reduction is conditional upon (i) the passing of a special resolution by the shareholders to approve the Share Premium Reduction at the AGM and (ii) in compliance with section 46(2) of the Companies Act 1981 of Bermuda, including publication of a notice of the Share Premium Reduction in an appointed newspaper in Bermuda on a date not more than thirty days and not less than fifteen days before the effective date.

35. COMPARATIVE FIGURES

Certain comparative figures in the consolidated cash flow statement have been adjusted to conform with the presentation in the current year.

RESULTS

	Year ended 30 June				
	2009	2008	2007	2006	2005
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Turnover	**106,092,682**	86,236,688	–	–	–
Profit/(loss) before taxation	**17,609,348**	(14,411,037)	(3,528,391)	(6,557,134)	(2,552,955)
Taxation	**86,994**	(86,994)	–	–	–
Net profit/(loss) for the year attributable to equity holders	**17,696,342**	(14,498,031)	(3,528,391)	(6,557,134)	(2,552,955)

	As at 30 June				
	2009	2008	2007	2006	2005
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Total Assets	**286,567,727**	271,645,774	66,479,854	6,979,139	9,244,245
Total Liabilities	**(597,955)**	(709,163)	(7,888,743)	(9,621,437)	(8,095,247)
Total equity	**285,969,772**	270,936,611	58,591,111	(2,642,298)	1,148,998