眾彩科技股份有限公司*
CHINA VANGUARD GROUP LTD.
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8156)

Annual Report 2009

*For identification purposes only

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

This report, for which the board of directors of China Vanguard Group Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Exchange for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Madam CHEUNG Kwai Lan *(Chairman)*
Mr. CHAN Tung Mei
Mr. CHAN Ting
Ms. CHAN Siu Sarah
Mr. LAU Hin Kun

Independent Non-executive Directors

Mr. TIAN He Nian
Mr. ZHANG Xiu Fu
Mr. TO Yan Ming Edmond
Mr. ZHAO Zhi Ming *(resigned on 30 June 2009)*

AUDIT COMMITTEE

Mr. TO Yan Ming Edmond *(Chairman)*
Mr. TIAN He Nian
Mr. ZHANG Xiu Fu
Mr. ZHAO Zhi Ming *(resigned on 30 June 2009)*

REMUNERATION COMMITTEE

Mr. CHAN Ting *(Chairman)*
Mr. ZHANG Xiu Fu
Mr. TO Yan Ming Edmond
Mr. ZHAO Zhi Ming *(resigned on 30 June 2009)*

AUTHORISED REPRESENTATIVES

Madam CHEUNG Kwai Lan
Mr. CHAN Ting

COMPLIANCE OFFICER

Mr. CHAN Ting

COMPANY SECRETARY

Mr. KWAN Yiu Ming Patrick *FCCA FCPA ACA*

COMPANY WEBSITE

www.cvg.com.hk

STOCK CODE

08156

PRINCIPAL BANKER

Nanyang Commercial Bank, Limited

151 Des Voeux Road Central
Hong Kong

AUDITORS

W.H. Tang & Partners CPA Limited

Level 7, Parkview Centre
7 Lau Li Street
Causeway Bay
Hong Kong

SOLICITORS

Minter Ellison

15th Floor
Hutchison House
10 Harcourt Road
Central
Hong Kong

REGISTERED OFFICE

Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 2201, 22nd Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Standard Limited

26/F Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

CORPORATE STRUCTURE

Best Frontier Investments Limited & its associates

65.32%#

Public and Others

34.68%

CHINA VANGUARD GROUP LIMITED (08156 HK)

Karaoke CMS (via non-listed jointly controlled entity)

CCDDT - 49%
– exclusive right to establish and operate the Karaoke CMS in the PRC

PRC lottery related business (via non-listed subsidiaries)

Shenzhen Bozone IT - 51%
– provides hardware, software and/or maintenance services to welfare lottery centres in Shenzhen, Heilongjiang and Zhejiang

54.60%#

Aptus Holdings Limited (08212 HK)

Continuing Operation
– Edible oil trading business - 70.31%

Discontinued Operation*
– Xin Jiang Oilfield profit sharing rights - 70%^

Shareholding as at 28 September 2009

* Discontinued operation as at 28 September 2009

^ 70% equity interest in CNPC Huayou Cu Energy Investment Co. Ltd; 56% effective profit sharing interest

HIGHLIGHTS OF THE YEAR

25 September 2008

CCDDT's Excellent Union began formal collection of copyright fees from karaoke venues on behalf of CAVCA and IP Owners in mid 2008. By September 2008, Excellent Union had arranged to collect such fees in Yunnan, Henan and Sichuan. Meanwhile, CCDDT expanded its Karaoke CMS installation to 28 provinces in the PRC.

23 October 2008

Aptus and China Vanguard announced that Aptus had reached and signed an agreement with the Aptus convertible bond holders to extend the put option date giving both parties time to revise terms of the Aptus convertible bond.

31 October 2008

Expiry of the 2008 China Vanguard warrants.

13 November 2008

Dispatched First Quarterly Report of 2008/09 for the period ended 30 September 2008, which recorded a 27.3% year on year increase in unaudited consolidated revenue to approximately HK$52,282,000.

31 December 2008

Excellent Union accelerated its copyright fee collection from 3 provinces in September 2008 to 16 provinces in the PRC. Meanwhile, CCDDT expanded its Karaoke CMS installation to 29 provinces in the PRC.

7 January 2009

Aptus and China Vanguard announced that Aptus and the bondholders of its convertible bond(s) had reached and signed revised terms for the Aptus convertible bond(s). As a result of this revision, China Vanguard's stake in Aptus could be diluted from approximately 55.16% to approximately 44.81% if the amended convertible bond(s) were fully converted at the amended conversion price. If the amended convertible bond(s) were converted at the minimum reset reference price, China Vanguard's stake in Aptus would be diluted down to approximately 41.48%. An Aptus EGM was held on 16 February 2009 and approval was obtained from Aptus shareholders to approve these revisions.

12 February 2009

Dispatched Interim Report of 2008/09 for the period ended 31 December 2008, which recorded a 25.9% year on year increase in unaudited consolidated revenue to approximately HK$94,563,000.

31 March 2009

Excellent Union collected copyright fees in 19 provinces in the PRC, up from 16 provinces in December 2008. Meanwhile, CCDDT expanded its Karaoke CMS installation to all provinces in the PRC.

12 May 2009

Dispatched Third Quarterly Report of 2008/09 for the period ended 31 March 2009, which recorded a 21.0% year on year increase in unaudited consolidated revenue to approximately HK$139,003,000.

14 May 2009

Aptus and China Vanguard announced Aptus' disposal of its interests in the Changde Joint Venture and the Hunan Joint Venture for a total consideration of approximately RMB355,144,000 (approximately HK$402,984,000) and the termination of the Aptus' profit sharing rights with respect to the Xin Jiang Oilfield for an amount of approximately RMB39,856,000 (approximately HK$45,226,000). An Aptus EGM was held on 10 July 2009 and approval was obtained from Aptus shareholders to approve the respective disposals and termination.

18 June 2009

China Vanguard announced that it had reached and signed an agreement with the Grand Promise convertible bonds holders to extend the put option date giving parties involved time to revise terms of the Grand Promise convertible bonds. The bondholders subsequently requested and was paid a total sum of US$11,790,000 of the notes (approximately HK$91,962,000) together with interest thereon and currency conversion in early July 2009 as partial redemption.

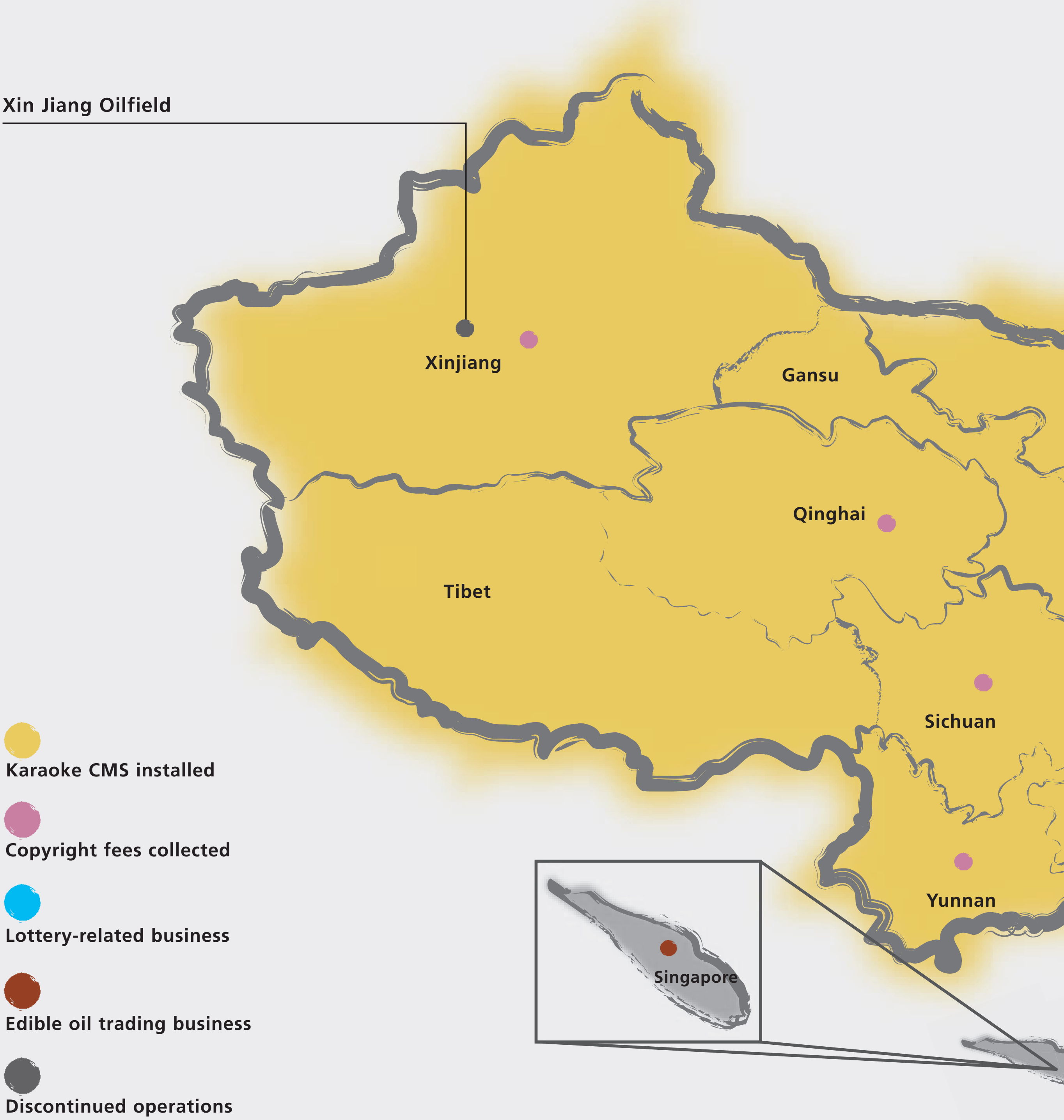
30 June 2009

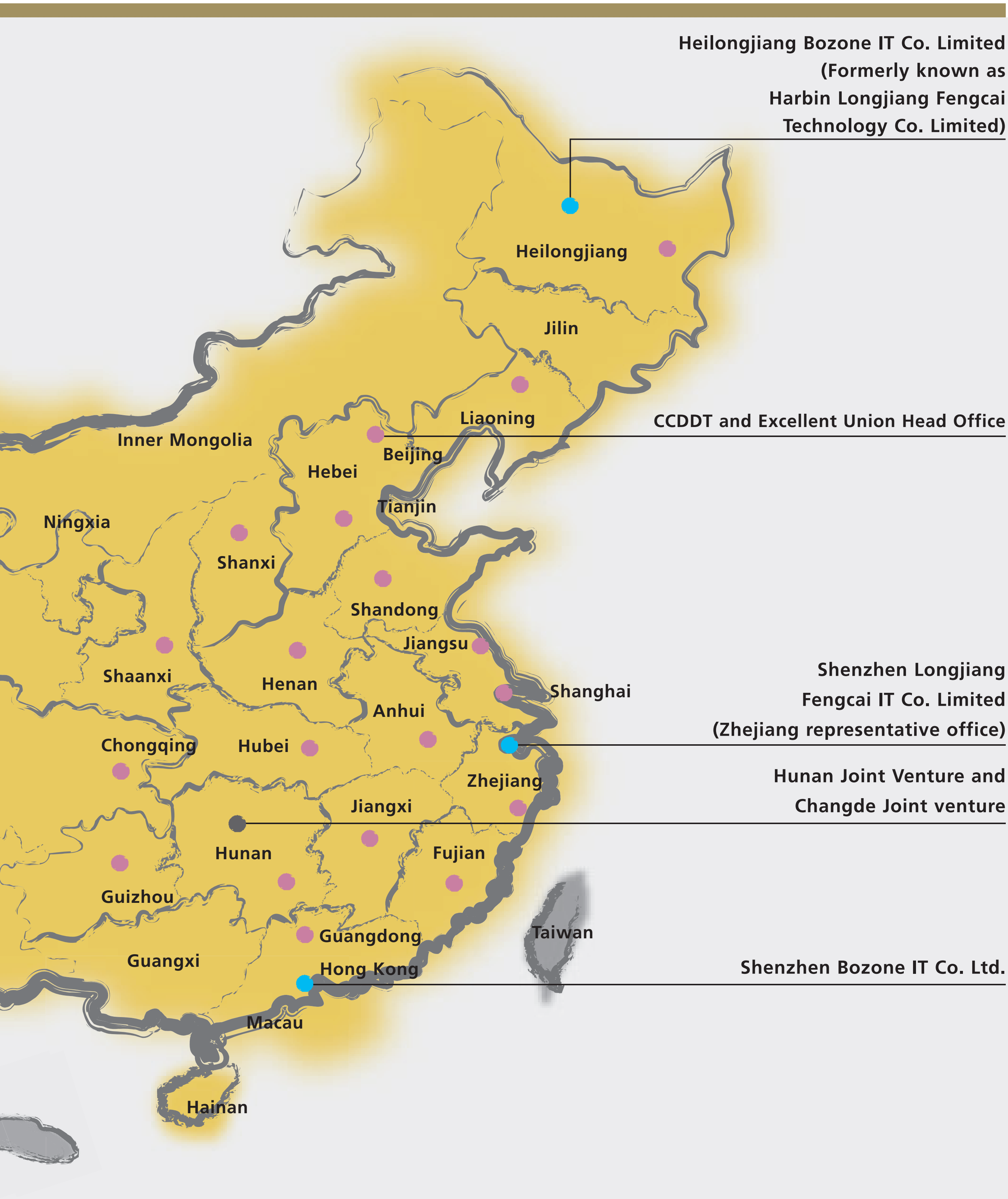
Mr. Zhao Zhi Ming resigned as the Independent Non-Executive Director, and members of the Audit Committee and Remuneration Committee.

30 June 2009

Excellent Union collected copyright fees in 22 provinces in the PRC, up from 19 provinces in March 2009. Meanwhile, CCDDT continued its Karaoke CMS installation to all the provinces in the PRC.

GEOGRAPHIC COVERAGE




Heilongjiang Bozone IT Co. Limited (Formerly known as Harbin Longjiang Fengcai Technology Co. Limited)
CCDDT and Excellent Union Head Office
Shenzhen Longjiang Fengcai IT Co. Limited (Zhejiang representative office)
Hunan Joint Venture and Changde Joint venture
Shenzhen Bozone IT Co. Ltd.
Heilongjiang
Jilin
Liaoning
Inner Mongolia
Beijing
Hebei
Tianjin
Ningxia
Shanxi
Shandong
Jiangsu
Shaanxi
Henan
Shanghai
Anhui
Chongqing
Hubei
Zhejiang
Jiangxi
Hunan
Fujian
Guizhou
Taiwan
Guangdong
Guangxi
Hong Kong
Macau
Hainan

CHAIRMAN'S STATEMENT

"PRC's Cultural Industry is likely to be one of the fastest growing and most dynamic sectors of the Chinese economy and we believe that China Vanguard has established a unique and beneficial position in PRC's Cultural Industry..."

Dear Shareholders,

On behalf of the board of directors of China Vanguard Group Limited (the "Company" or "China Vanguard"), I herein present the results of the Company and its subsidiaries (collectively the "Group") for the financial year ended 30 June 2009 ("Year 2009").

OVERVIEW OF THE YEAR

Year 2009 was a busy year for the Group. During the previous financial year, we completed the transaction of acquiring an effective 49% interests in China Culture Development Digital Technology Co., Ltd. ("CCDDT") (北京中文發數字科技有限公司) in April 2008. CCDDT has been granted the exclusive rights to establish and operate the nationwide karaoke content management service system ("Karaoke CMS") (卡拉OK內容管理服務系統) for a term of 30 years. CCDDT carries out copyright transactions of karaoke programmes between the intellectual property owners ("IP Owners") and karaoke venues through the Karaoke CMS, and provides technical and other support for the value-added services ("Value-added services") of karaoke venues. During this financial year, the Karaoke CMS operations have seen rapid development with the Karaoke CMS already installed in over 2,200 karaoke venues. Meanwhile, Excellent Union

Communication Group Co., Ltd. (天合文化集團有限公司) ("Excellent Union", a jointly controlled entity of CCDDT, together "CCDDT Group") has established provincial level subsidiaries in almost every province in the PRC, and has been successfully collecting copyright fees (sometimes referred to as license fees) since mid 2008. As at the end of June 2009, Excellent Union is collecting copyright fees in 23 provinces in the PRC.

In late December 2008, the Group concluded the restructuring of the convertible bond(s) of Aptus Holdings Limited, a non-wholly owned subsidiary of the Company which its shares are listed on GEM ("Aptus" and "Aptus Convertible Bond(s)" respectively). Whilst the restructuring saw a reduction of the conversion price to reflect the current market conditions, new terms also gave Aptus the ability to call for redemption at anytime resulting in additional flexibility under the revised security arrangements in terms of raising fundings to reduce outstanding debts of Aptus.

In April 2009, Aptus entered into agreements relating to the disposals of the equity interests in the Changde Huayou Natural Gas Co., Ltd. ("Changde Joint Venture") and the Hunan Huayou Natural Gas Transportation and Distribution Company Limited ("Hunan Joint Venture") (together "Natural Gas Joint Ventures") for a total consideration of approximately RMB355,144,000 (approximately HK$402,984,000) The sales proceeds from the disposals of the Natural Gas Joint Ventures represent a return of approximately 92.3% in less than 3 years. Meanwhile, delays in development of the Xin Jiang Oilfield have heightened the risk of not being able to earn a reasonable return. Consequently, CNPC Huayou Cu Energy Investment Co., Ltd., an indirect non-wholly owned subsidiary of Aptus, entered into an agreement terminating the profit sharing rights with respect to the Xin Jiang Oilfield for an amount of approximately RMB39,856,000 (approximately HK$45,226,000) allowing it to recover funds provided plus compensatory interest. The funds to be received from the disposals of the Natural Gas Joint Ventures and termination of the profit sharing rights in Xin Jiang Oilfield will improve the financial position of Aptus by providing funds to retire a large portion of the Aptus' debt as well as improving the working capital condition and provide funding for other investment opportunities. In the extraordinary general meeting held on 10 July 2009, the shareholders of Aptus granted the approval for such disposals and termination. As at the date of this report, Aptus and the purchaser have completed the legal title transfer of the Natural Gas Joint Ventures with the governmental authorities of the Hunan province.

In June 2009 the Company began negotiations with the holders of the Grand Promise International Limited convertible bonds ("Grand Promise" and "Grand Promise Convertible Bonds" respectively) Liberty Harbor Master Fund I, L.P., ("Liberty Harbor") and Evolution Master Fund Ltd. SPC, Segregated Portfolio M ("Evolution") with regards to the restructuring of the outstanding amount on the Grand Promise Convertible Bonds, the responsibility of which was taken up by the Company upon the acquisition of Grand Promise. During the course of the restructuring, both Liberty Harbor and Evolution requested and was paid a total sum of US$11,790,000 (approximately HK$91,962,000) together with the interest thereon and currency conversion as partial redemption to the Grand Promise Convertible Bonds. As at the date of this report, negotiations are still ongoing.

OPERATIONS REVIEW

The principal activities of the Group are (i) provision of the Karaoke CMS and license fee collection business, a technology platform for intellectual property protection and value-added services for the karaoke industry (in the entertainment sector) in the PRC via Grand Promise; (ii) provision of lottery-related businesses in the PRC via our subsidiary Shenzhen Bozone IT Co., Ltd. and its subsidiaries ("Bozone" and "Bozone Group" respectively); (iii) trading of edible oil via Aptus, an indirect non-wholly owned subsidiary listed on GEM; and (iv) distribution of natural supplementary products via our non-listed wholly-owned subsidiaries.

CHAIRMAN'S STATEMENT

Karaoke CMS Operations

"The PRC government is placing increasing importance in the management and protection of intellectual property to promote the strong healthy growth and development of the cultural industry...."

CCDDT has obtained the authorization from the Ministry of Cultural Market Development Center (文化部文化市場發展中心) to establish the Karaoke CMS, a scientific and modernized way to manage and protect cultural intellectual properties. The Group is also in cooperation with the China Audio and Video Copyright Association (中國音像著作權集體管理協會) ("CAVCA") (the body which collectively manages copyright of audio and video programmes for IP Owners), by using a technological method, which is via the Karaoke CMS, to realize the commercialization of copyright of karaoke programmes and provide a transaction platform for IP Owners and the copyright users.

During Year 2009, Excellent Union and its subsidiaries have collected approximately HK$86,476,000 in copyright fees from 23 provinces in the PRC. Copyright fees are not only being collected on a current basis, but also retrospectively back to 1 January 2007. Meanwhile, CCDDT (a PRC sino-foreign joint venture of the Company) has expanded the Karaoke CMS installation to all provinces in the PRC. By 30 June 2009, over 2,200 karaoke venues have installed and connected to the Karaoke CMS. All karaoke venues that are utilizing audio and video programs with intellectual properties in their operations are required to pay copyright fees to CAVCA and the IP Owners. Copyright fees will be charged using two models during the rollout of the Karaoke CMS, namely on a "Pay-Per-Play" basis and "Standard Rate" basis. Fee schedules are determined by the installation status between the karaoke venues and the Karaoke CMS. For those karaoke venues connected to the Karaoke CMS, they should pay copyright fees on a "Pay-Per-Play" basis utilizing statistics recorded by the set-top box, which has been installed as part of the Karaoke CMS installation, as the billing basis. Meanwhile those karaoke venues which are not connected to the Karaoke CMS should pay copyright fees on "Standard Rate" basis i.e. they shall pay a standard per room per day fee based on the fee schedule which is published annually by CAVCA. Consequently, Excellent Union can collect copyright fees from such karaoke venues on behalf of CAVCA and the IP Owners even if such venues have not installed the Karaoke CMS. The management of CCDDT and Excellent Union are working hard on rolling out of the Karaoke CMS and on copyright fee collection. As of the date of this report, the Group has met all the 2008 targets and is within reach to achieving the 2009 targets as set out in the business plan in the acquisition circular of Grand Promise dated 14 March 2008.

Further to this, significant progress is being achieved on the Karaoke CMS value-added services front which is expected to enhance karaoke venue revenues while providing additional services to their patrons. During this financial year, CCDDT Group has, in conjunction with video-on-demand suppliers, jointly developed a value-added service system which can cater for welfare lottery sales and spot commercials in karaoke venues. CCDDT Group has installed the Karaoke CMS with the welfare lottery sales and spot commercials functions in a number of karaoke venues in Chongqing, the PRC as pilot programs. The expandability and flexibility of the Karaoke CMS can support the provision of additional value-added services in the future. Feedback for this value-added service from both venues and patrons has been very positive. CCDDT Group will continue the installation of the Karaoke CMS with the functions of welfare lottery sales and spot commercials in karaoke venues in the rest of Chongqing and will further expand to other provinces in the PRC.

For Year 2009, the revenue contribution to the Group from Karaoke CMS operations was approximately HK$22,889,000, an increase by about 100 times from approximately HK$226,000 recorded for only approximately 3 months for the previous financial year.

PRC Lottery-Related Operations

"As PRC's welfare lottery industry continues to develop, revenues will rise as well as the need for more advanced technology software and equipment and support services ..."

Bozone Group, currently ranked as the third largest lottery solution and transaction system related service provider to the welfare lottery industry in the PRC, is currently servicing over 13,000 point of sales terminals for the Welfare Lottery Centers of Shenzhen, Heilongjiang and Zhejiang. The combined lottery sales of these three regions for the calendar year 2008 totaled approximately RMB 6.3 billion, an increase of about 8.6%, as compared to approximately RMB 5.8 billion for the calendar year 2007.

In addition to providing maintenance services, Bozone Group also provides other services to the three Welfare Lottery Centers. The range of services which the Bozone Group can provide includes software developments, integration of network systems, network security solutions, lottery operation solutions and services, and research and development into and supply of point of sales terminals.

For Year 2009, the revenue contribution to the Group from Bozone Group was approximately HK$42,843,000, an increase of about 20.0% as compared to approximately HK$35,715,000 for the previous twelve months ended 30 June 2008 ("Year 2008").

Aptus Holdings Limited

"Aptus is restructuring its operations to substantially improve its financial position. The Group is committed to increasing value for its shareholders..."

Aptus entered into agreements relating to the disposals of the equity interests in the Changde Joint Venture and the Hunan Joint Venture. The sales proceeds from the disposals of the Natural Gas Joint Ventures represent a return of approximately 92.3% in less than 3 years and will improve the overall working capital condition of Aptus and provide funding for other investment opportunities. In the extraordinary general meeting held on 10 July 2009, the shareholders of Aptus granted the approval for such disposals. As of the date of this report, the disposals were completed.

Aptus is also involved in the trading of edible oil via its non-listed Singapore subsidiary. The crude palm oil traded by Aptus is recognized as healthier than animal fat, which is higher in cholesterol, and appreciated by today's health conscious society. This financial year, weak economic conditions have hampered the growth of this sector. As a result, for Year 2009, the revenue contribution to the Group from the trading of edible oil was approximately HK$18,292,000, a decrease of about 53.8% as compared to approximately HK$39,562,000 for Year 2008.

CHAIRMAN'S STATEMENT

FUTURE OUTLOOK AND PROSPECTS

Upon completion of the disposals of the Natural Gas Joint Ventures, the Group's principal activities would consist: (i) provision of the Karaoke CMS and license fee collection business; (ii) engaging in lottery-related businesses in the PRC; (iii) trading of edible oil via Aptus and (iv) distribution of natural supplementary products.

PRC's cultural industry is likely to become one of the fastest growing and most dynamic sectors of the PRC economy and we believe that China Vanguard has established a unique and beneficial position in PRC's cultural industry. For Year 2009, Excellent Union collected approximately HK$86,476,000 in copyright fees on behalf of CAVCA and IP Owners and we believe that this is just the beginning and the future revenue potential to the Group from these operations is very bright. In addition, having access to over 2.4 million karaoke rooms in the PRC provides a very large and focused audience base for CCDDT Group to develop and tailor-make value-added services such as the welfare lottery sales and spot commercials functions, as mentioned above, and advertising services, which potentially will become an important and large income source for the Group in the future.

It is also management's intention to explore other intellectual properties and cultural related areas in the PRC by using the synergies and opportunities provided by the Karaoke CMS operations to help diversify the overall business risks of the Group and enhance the returns to the shareholders.

With regards to the provision of lottery-related businesses, Bozone Group will focus its efforts in advancing its technologies to achieve even higher standards in keeping with the objective to keep astride and ahead of the growing requirements in the PRC's welfare lottery sector. Acceleration in game development and system customization are also on the agenda. By satisfying local requirements, the Bozone Group will become even more competitive in the market place. Bozone Group will continue to actively seek out tenders in the PRC welfare lottery sector as well as search for international expansion opportunities.

Following the restructuring at Aptus, which will substantially improve its financial position, its operations for the meantime would consist of its edible oil trading operations. These operations are expected to improve on the back of increasing health consciousness and as the global economic conditions recover. Management envisions Aptus' edible oil trading business to not only be able to regain the temporary loss in revenue experienced in Year 2009, but to extend beyond. Meanwhile, the management of the Aptus has identified a number of attractive business opportunities and are in varying stages of due diligence. Aptus is currently working hard to bring new opportunities to fruition.

Through the non-listed wholly-owned subsidiaries of China Vanguard, the Group distributes various food products sourced from various Asian countries to bring into the Hong Kong market under the brand name B&B. Currently, the products of the Group can be found on the shelves of various major supermarket chain stores and department stores in Hong Kong while other snack items can be located in various promotion counters and food expos.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank all our valued shareholders, customers, business associates, advisors, management and staff for their invaluable assistance and support during this year.

Madam Cheung Kwai Lan
Chairman

Hong Kong, 28 September 2009

MANAGEMENT DISCUSSION AND ANALYSIS

Madam Cheung Kwai Lan

Mr. Chan Tung Mei

Mr. Chan Ting

FINANCIAL REVIEW

On 24 April 2009, Aptus entered into agreements relating to the disposal of the 48.33% equity interest in the Changde Joint Venture and 33% equity interest in the Hunan Joint Venture and the termination of profit sharing rights for the Xin Jiang Oilfield. Financial information regarding the Natural Gas Joint Ventures and the profit sharing rights for Year 2009 has been classified as discontinued operations and the comparative figures for Year 2008 has been restated accordingly.

Turnover

The Group recorded a turnover from continuing operations of approximately HK$85,079,000 for Year 2009, an increase of approximately 8.7% as compared to approximately HK$78,292,000 for Year 2008.

Turnover from our continuing operations such as the Karaoke CMS operation and lottery-related operations has exhibited commendable growth while the turnover of our edible oil trading business contracted due to much tougher market conditions.

The attributable turnover from the Karaoke CMS operations increased by approximately 100 times from approximately HK$226,000 recorded for only approximately 3 months ended 30 June 2008 to approximately HK$22,889,000 recorded for the 12 months ended 30 June 2009, this was attributable to a full year's result for Year 2009 as compared to only approximately 3 months for the previous financial year as well as the Karaoke CMS operations gaining momentum in terms of set-top box installation and copyright fee collections.


Ms. Chan Siu Sarah


Mr. Lau Hin Kun


Mr. Kwan Yiu Ming Patrick

The turnover from our lottery-related operations increased by approximately 20.0% from approximately HK$35,715,000 in Year 2008 to approximately HK$42,843,000 in Year 2009, this was mainly attributed to higher contributions from our lottery-related operations in Zhejiang province, the PRC.

The turnover from our edible oil trading business decreased by approximately 53.8% from approximately HK$39,562,000 in Year 2008 to approximately HK$18,292,000 in Year 2009, due to the continuous increase in the price of consumer goods thus reducing margins and demand.

Gross Profit

The details of gross profit and gross profit ratio of the Group for continuing operations are as follows:

	2009		2008	
	Gross Profit HK$'000	**Gross Profit Ratio %**	Gross Profit HK$'000	Gross Profit Ratio %
Karaoke CMS and license fee collection business	**7,296**	**31.9**	197	87.2
Lottery-related	**37,224**	**86.9**	30,314	84.9
Trading of edible oil	**46**	**0.3**	253	0.6
Others	**40**	**3.8**	821	29.4
Overall	**44,606**	**52.4**	31,585	40.3

Loss From Discontinued Operations

Loss from discontinued operations of approximately HK$28,557,000 represented net result of the Group's share of net profit of the Natural Gas Joint Ventures for Year 2009 of approximately HK$3,616,000, net loss of termination of the profit sharing rights of approximately HK$412,000 and impairment loss on goodwill of approximately HK$31,761,000. Loss from discontinued operations for Year 2008 of approximately HK$4,036,000 only represented the Group's share of net loss of the Natural Gas Joint Ventures of approximately HK$3,196,000 and net loss of termination of the profit sharing rights of approximately HK$840,000.

MANAGEMENT DISCUSSION AND ANALYSIS

Mr. Russell Young

Ms. Ho Ping Ping

Mr. Fung King Him Daniel

The result of the Natural Gas Joint Ventures improved over Year 2009. The Group's share of the Natural Gas Joint Ventures' net profit for Year 2009 was approximately HK$3,616,000 while that of net loss of approximately HK$3,196,000 was recorded in Year 2008. The improvement in the performance was principally attributable to the increases in the Changde Joint Venture's end users and the number of distribution stations of Hunan Joint Venture.

On 24 April 2009, Aptus entered into agreements to dispose of its equity in the Natural Gas Joint Ventures (for more details please refer to Chairman's Statement of this report). The disposal transactions have been completed in September 2009. Gain on disposal of the Natural Gas Joint Ventures is to be recorded in the Group's quarterly report for the three months ending 30 September 2009.

The Group's overall gross profit ratio from continuing operations increased from 40.3% in Year 2008 to 52.4% in Year 2009. With regards to the Karaoke CMS and license fee collection operations, the gross profit ratio was 31.9% for the 12 months ended 30 June 2009 as compared to 87.2% recorded for only approximately 3 months ended 30 June 2008. On the lottery-related side, the gross profit ratio remained rather stable.

With regards to the edible oil trading business, as mentioned previously, weak economic conditions have hampered the growth of this sector. As a result, the gross profit ratio for Year 2009 was 0.3% as compared to 0.6% for Year 2008.

Operating Costs (Continuing Operations)

The Group's operating costs, comprising selling and distribution costs and administrative expenses, decreased by approximately HK$8,265,000 from approximately HK$91,967,000 in Year 2008 to approximately HK$83,702,000 this year. The decrease was mainly attributable to the net effect of (i) decrease in legal and professional fees from approximately HK$31,075,000 (mainly for the acquisition of Grand Promise) in Year 2008 to approximately HK$5,893,000 in Year 2009 (mainly for the restructuring of the convertible bonds); (ii) increase in depreciation expenses from approximately HK$10,723,000 in Year 2008 to approximately HK$13,085,000 in Year 2009, the increase in depreciation was mainly attributable to the incorporation of a full year depreciation charge for the assets concerning the Karaoke CMS operations whereas only partial year was charged in Year 2008; (iii) increase in salaries and allowance from approximately HK$20,426,000 in Year 2008 to approximately HK$31,355,000 in Year 2009 due to the


Mr. Chan Kin Kee


Mr. Wu Ziqiang


Ms. Kwok Shuk Yi Angel

expansion of the Karaoke CMS operation and increase in overall pay scale; (iv) decrease in loss on arising from settlement of financial liabilities by issuing shares from approximately HK$2,810,000 in Year 2008 to approximately HK$Nil in Year 2009; (v) increase in traveling expenses from approximately HK$1,980,000 in Year 2008 to and approximately HK$4,476,000 in Year 2009 due to more business traveling to and from the PRC and within the PRC; (vi) an increase in rent and rate from approximately HK$3,389,000 in Year 2008 to approximately HK$5,704,000 in Year 2009 due to the expansion of the Karaoke CMS operation; and (vii) overall increase in operation costs.

Finance Costs

The increase in finance costs from continuing operations in Year 2009 of about HK$23,182,000, from approximately HK$37,476,000 in Year 2008 to approximately HK$60,658,000 in Year 2009, was mainly attributable to the increase in imputed finance costs of the convertible bonds of the Company (convertible bonds were assumed in April 2008 through the acquisition of Grand Promise) and of the convertible bonds of Aptus, which were issued by Aptus in November 2006. The imputed finance costs of the convertible bonds increased due principally to the fact that only approximately 3 months interest were charged to China Vanguard's financial statements in Year 2008 against a full year charge this year and the currency conversion with regards to the Grand Promise convertible bonds.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2009, shareholders' funds excluding assets and liabilities classified as held for sale amounted to approximately HK$1,944,506,000 (2008: HK$2,268,311,000). Current assets excluding assets classified as held for sale amounted to approximately HK$294,768,000 (2008: HK$420,164,000), mainly comprising of bank balances and cash and trade and other receivables and prepayments. The Group had current liabilities excluding liabilities classified as held for sale amounting to approximately HK$150,976,000 (2008: HK$234,238,000), mainly comprising of its trade and other payables, derivative financial instruments and other borrowings. The Group has no bank borrowings excluding bank borrowings classified as held for sale as at 30 June 2009 (2008: HK$80,276,000). The Group financed its operations primarily with internally generated cash flows, and banking facilities granted by a bank. The net asset value per share of the Company excluding assets and liabilities classified as held for sale was approximately HK$0.61

MANAGEMENT DISCUSSION AND ANALYSIS

(2008: HK$0.70). The gearing ratio was 7.76% (2008: 10.33%) on the basis of current liabilities excluding liabilities classified as held for sale divided by shareholders' funds excluding assets and liabilities classified as held for sale.

CONTINGENT LIABILITIES

As at 30 June 2009, the Group had no contingent liabilities.

CHARGES ON GROUP ASSETS

As at 30 June 2009, the Group has pledged all the issued and outstanding shares of Birdview Group Limited (a wholly-owned subsidiary of Grand Promise) together with all proceeds in favor of the holders of the convertible bonds previously issued by Grand Promise. By the Deeds of Adherence, on completion of the acquisition of Grand Promise in April 2008, the convertible bonds were taken up by the Company.

As at 30 June 2009, the Group has pledged its bank deposits of approximately HK$5,110,000 (30 June 2008: HK$5,033,000) to a bank to secure the general banking facilities granted to the Group.

In addition, borrowings of approximately HK$59,907,000 which is classified as liabilities held for sale (30 June 2008: HK$60,020,000) have been secured by the gas network of the Hunan Joint Venture.

As at 30 June 2009, the 100% of the issued share capital of Good United Management Limited ("GUM"), a wholly-owned subsidiary of Aptus, was pledged in favor of the holder(s) of the convertible bonds issued by Aptus on 22 November 2006. GUM held 70% equity interests in CNPC Huayou Cu Energy Investment Co., Limited, which owned the profit sharing rights on Xin Jiang Oilfield.

CAPITAL STRUCTURE

During the year ended 30 June 2009, 16,600 shares were issued due to the exercise of warrants and the cancellation of 23,405,000 shares due to repurchase of shares by the Company.

CONVERTIBLE BONDS

On 11 April 2008, upon completion of acquisition of Grand Promise, the Company took up the convertible bonds with a principal amount of US$35,000,000 (equivalent to approximately HK$273,000,000) previously issued by Grand Promise by the Deeds of Adherence. The principal amount of the convertible bonds shall accrete at a yield of 7% per annum, compounded semi-annually. Unless previously redeemed, converted or purchased and cancelled, the convertible bonds will be redeemed at 141.06% of their principal amount on 30 November 2012.

Subsequent to the balance sheet date, on 3 July 2009, the Company has redeemed part of the relevant note, being approximately US$3,370,000 (equivalent to approximately HK$26,286,000) in the case of the Evolution Bond and approximately US$8,420,000 (equivalent to approximately HK$65,676,000) in the case of Liberty Harbor Bond. The redemption price is the price of principal amount to be redeemed plus a yield of 7% per annum, compounded semi-annually, on the amount redeemed, commencing on the date of the issuance of the bond and including the relevant redemption date subject to currency conversion in accordance with the terms of the relevant bond.

China Vanguard and Grand Promise have been in negotiations with Liberty Harbor and Evolution with regards to the restructuring of the Grand Promise Convertible Bonds which resulted in a series of amendments and undertaking being entered into in order to give all parties adequate time to reach restructuring terms which are acceptable to all parties.

The amended Grand Promise Convertible Bonds "Amended Grand Promise Convertible Bonds" have been amended as follows:

(a) The Grand Promise Convertible Bonds as amended by the First, Second and Third Amendment Deeds

The net impact of the First, Second and Third Amendment Deeds, was to push back the period during which Liberty Harbor and Evolution may require redemption of the outstanding principal amounts of the Grand Promise Convertible Bonds from "the period from 30 May 2009 to the date falling 15 business days thereafter (inclusive)" to "the period from 30 September 2009 to the date falling 15 business days thereafter (inclusive)".

For details of each of the amendment deed, please refer to the announcements of the Company dated 18 June 2009, 4 August 2009 and 22 September 2009 respectively.

(b) The Undertakings by the Company and Grand Promise

In consideration of Liberty Harbor and Evolution entering into the various amendment deeds, the Company and Grand Promise have executed in total 5 undertakings in favor of Liberty Harbor and Evolution pursuant to which, amongst other things:

(i) Grand Promise agreed that it would, on or prior to 30 September 2009, enter into definitive legally binding and enforceable documentation ("Bond Restructuring Documents") required to implement the restructuring of all amounts outstanding under the Amended Grand Promise Convertible Bonds; and

(ii) the Company and Grand Promise undertook certain restrictions with regards to the withdraw or transfer from the bank accounts maintained or controlled by any member of the Group (other than Aptus or its subsidiaries, CCDDT or Excellent Union) during the undertaking period (being the period commencing from 18 June 2009 and ending on the first to occur of (i) 30 September 2009 and (ii) the date on which the Bond Restructuring Documents are executed.

For details of each of the undertaking, please refer to the announcements of the Company dated 18 June 2009, 15 July 2009, 4 August 2009, 28 August 2009 and 22 September 2009 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

> The negotiations between the Company, Grand Promise, Liberty Harbor and Evolution in relation to the Grand Promise Convertible Bonds restructuring are continuing. If the Liberty Harbor and Evolution were to request redemption of the Amended Grand Promise Convertible Bonds in full, the Group would not have sufficient working capital available to redeem the full amount from existing internal resources and available banking facilities. The auditors of the Company have given an emphasis of matters in respect of the Company's ability to continue as a going concern in their report on page 43.

The fair value of the liability component, as stated in the consolidated balance sheet and note 30 to the consolidated financial statements, of the convertible bonds is estimated by computing the present value of all future cash flow discounted using prevailing market rate of interest for similar instrument with a similar credit rating and with consideration of the convertible bonds. Any differences between the face amount and the fair value of the convertible bonds will be charged to the profit and loss account. The residual amount, representing the value of the equity component, is credited to non-current liability of the Company.

On 22 November 2006, Aptus issued convertible bonds due on 21 November 2011 with a principal amount of HK$234,000,000, which is with a gross yield at 11% per annum, calculated on a semi-annual basis. The convertible bonds were issued for the purpose of the acquisition of a 48.33% equity interest in the Changde Joint Venture, 33% equity interest in the Hunan Joint Venture and general working capital purposes.

On 14 May 2009, Aptus and China Vanguard announced in the joint announcement that, in relation to the sales agreements of disposal of interest in Changde Joint Venture and Hunan Joint Venture (the "Sales Agreements"), part of the proceeds from the Sales Agreements would likely be applied to redeem the convertible bonds of Aptus. On 28 August 2009, Aptus entered into a deed with Evolution, the sole beneficial owner of the convertible bonds of Aptus, undertook to Aptus that Evolution will not exercise its conversion right under the convertible bonds and Aptus undertook to Evolution that Aptus will redeem the convertible bonds of Aptus when enough cash amount is available for the redemption.

On each of 21 November 2009 and 21 November 2010 (each a "Put Option Date"), each bondholder will have the right to require the Aptus to redeem in whole or in part of the convertible bonds of such bondholder(s) on the Put Option Date together with interest accrued to the Put Option Date.

Unless previously redeemed, converted or purchased and cancelled, the convertible bonds of Aptus will be redeemed at 150.15% of their principal amount on 21 November 2011.

The fair value of the liability component, as stated in the consolidated balance sheet and note 30, of the Aptus convertible bonds is estimated by computing the present value of all future cash flow discounted using prevailing market rate of interest for similar instrument with a similar credit rating and with consideration of the Aptus convertible bonds. The residual amount, representing the value of the equity component, is credited to Aptus' reserve account.

For details of Aptus convertible bonds, please refer to the joint announcements of Aptus and the Company dated 9 November 2006, 23 October 2008, 7 January 2009 and 28 August 2009.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

No significant exchange risk is expected as the Group's cash, borrowings, income and expenses are settled in Hong Kong dollars, RMB or US dollars. The Group's major investment and financing strategies are to invest in domestic projects in the PRC by Hong Kong dollars and US dollars borrowings. As the exchange rate of RMB against Hong Kong dollars is relatively stable and the Group's operating income is substantially denominated in RMB, the Group did not perform any foreign currency hedging activities during the year. Nevertheless, the Group will from time to time review and adjust the Group's investment and financing strategies based on the RMB, US dollars and Hong Kong dollars exchange rate movement.

EMPLOYMENT AND REMUNERATION POLICIES

As at 30 June 2009, the Company and its subsidiaries employed 32 staff in Hong Kong, and 109 staff in the PRC; and the Group's jointly controlled entities employed 653 staff in the PRC. Staff costs from continuing operations excluding directors' remuneration amounted to approximately HK$20,592,000 (2008: HK$12,728,000). Employee remuneration is determined by reference to market terms and the performance, qualification and experience of individual employees. In addition to basic salaries and provident fund contributions, the Group also offers medical benefits and training programs. Share options may be granted to employees based on performance evaluation in order to provide incentives and rewards.

SIGNIFICANT INVESTMENT

For the year ended 30 June 2009, the Group did not have any significant investments.

MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES

On 24 April 2009, Aptus entered into agreements relating to the disposal of the 48.33% equity interest in the Changde Joint Venture and 33% equity interest in the Hunan Joint Venture owned by Aptus. These transactions, together with the termination agreement regarding the Profit Sharing Rights were approved by the shareholders of Aptus in the extraordinary general meeting held on 10 July 2009. For the details of the transactions, please refer to the joint circular of Aptus and the Company and dated 24 June 2009.

In addition, there were disposals of a subsidiary of a jointly controlled entity and associated companies. Except for the above, the Group did not make any material acquisition or disposal of subsidiaries and affiliated companies during the year ended 30 June 2009.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Madam CHEUNG Kwai Lan, aged 71, is the Chairman, one of the founders of the Group, the Executive Director and Authorized Representative of the Company. She has served the Group for more than 9 years and is the director of various subsidiaries of the Group. Madam Cheung Kwai Lan is responsible for business development, strategic planning and marketing for the Group. She is the Vice President of the Zhang Xueliang Foundation (張學良基金會). She graduated from Shanxi Tai Yuan Medical School in 1960 and was a researcher at Shanxi Province Tai Yuan (Atomic Energy) Research Institute (山西省太原 (原子能) 研究所), which was one of the institutions of the Chinese Academy of Science. She also participated in the research and development of the radioactive material Cobalt 60 for imaging and cancer treatment. She is an executive director and chairman of Aptus Holdings Limited ("Aptus"), an indirect non-wholly owned subsidiary listed on the GEM. She is the mother of Ms. Chan Siu Sarah and Mr. Chan Ting and the spouse of Mr. Chan Tung Mei, all being Executive Directors of the Company.

Mr. CHAN Tung Mei, aged 73, is one of the founders of the Group and an Executive Director. He has served the Group for more than 9 years and is the director of various subsidiaries of the Group. He is responsible for the overall management and operation of the Group. He graduated from Shanxi Industrial University in the PRC and received a bachelor degree in Civil Engineering in August 1960. Mr. Chan Tung Mei has over 13 years of experience in establishing and managing companies. He is the father of Ms. Chan Siu Sarah and Mr. Chan Ting and the spouse of Madam Cheung Kwai Lan, all being Executive Directors of the Company.

Mr. CHAN Ting, aged 39, is an Executive Director, Authorized Representative, Chairman of the remuneration committe, Compliance Officer and the Chief Executive Officer of the Company. He has served the Group for more than 8 years and is the director of various subsidiaries of the Group. He is responsible for the marketing and business development of the Group. He was awarded a degree in Economics from Macquarie University in Australia in 1993. Mr. Chan has over 16 years of solid working experience in establishing and managing companies in the PRC. He is also an executive director, chairman of the remuneration committee, authorized representative and chief executive officer of Aptus. He is the son of Madam Cheung Kwai Lan and Mr. Chan Tung Mei, and the brother of Ms. Chan Siu Sarah, all being Executive Directors of the Company. He joined the Group in July 2001.

Ms. CHAN Siu Sarah, aged 44, is an Executive Director and the General Counsel of the Company and its subsidiaries. She obtained her law degree from the London School of Economics and Political Science in 1989 and was qualified to practice law as solicitor in Hong Kong in 1992 and England and Wales in 1993. She did her solicitor's training with the international firm of Baker & McKenzie in Hong Kong and, after qualification, worked for 4 years at the international firm of Linklaters in Hong Kong specializing in projects and project finance with a particular focus on China. She then spent the next 7 years as corporate counsel with the Asia Pacific regional headquarter of Lucent Technologies in Hong Kong attending legal matters in the region. From 2004 to 2007, she was appointed the regional general counsel for the Asia Pacific region of Avon Products Inc., leading its legal, government and regulatory affair teams in the region. Ms. Chan has been an executive director of Avon Products Co., Ltd. which is listed on the JASDAQ Securities Exchange, Inc. for the period from March 2006 to December 2007. Ms. Chan is the daughter of Madam Cheung Kwai Lan and Mr. Chan Tung Mei, and the sister of Mr. Chan Ting, all being Executive Directors of the Company. She joined the Group in May 2008.

Mr. LAU Hin Kun, aged 50, is an Executive Director. He has served the Group for more than 8 years and is the director of certain subsidiaries of the Company. He has over 20 years of experience in the banking sector and accounting experience of both Hong Kong and the PRC and he previously worked in Nanyang Commercial Bank Limited, Charlio International Holdings Limited and Chiyu Banking Corporation Limited. He joined the Group in July 2001.

Independent Non-executive Directors

Mr. TIAN He Nian, aged 69, is an Independent Non-executive Director and a member of the audit committee. He was the Deputy Head of the Department of United Front Work of the Central Government of the PRC from 1998 to 2003. He is the Vice- Chairman of China Overseas Association. He is also an independent non-executive director and audit committee member of Aptus. He joined the Group in November 2004.

Mr. ZHANG Xiu Fu, aged 75, is an Independent Non-executive Director and member of each of the audit committee and remuneration committee. He devoted himself to the Chinese Revolution in August 1948 and joined in the Communist Party in March 1950. He had served as the Head of the Municipal Police of Hangzhou city, Zhejiang province, the Chief Officer of the Provincial Police of Zhejiang province, a member of the Communist Party's Provincial Standing Committee in Zhejiang province and the Secretary of the Political and Legislative Affairs Committee. He had also served as the Commissar of the Chinese People's Armed Police, the Vice Minister and the Vice Head of the party organization of the Chinese Ministry of Legislation, a representative of the Nine National People's Congress, a member of the Legislation Committee of the National People's Congress and the Vice President of China Law Science Association. He currently served as the President of the China Legal Aid Foundation. He is also an independent non-executive director, a member of the audit committee and remuneration committee of Aptus. He joined the Group in January 2008.

Mr. TO Yan Ming Edmond, aged 37, is the Independent Non-executive Director, Chairman of the audit committee and a member of the remuneration committee. Mr. To holds a bachelor degree in Commerce in Accounting from Curtin University of Technology in Western Australia. He is a practicing accountant and presently the director of Fortitude C.P.A. Limited, Edmond To CPA Limited and Zhonglei (HK) CPA Company Limited. He is a member of both the CPA Australia and Hong Kong Institute of Certified Public Accountants. He worked for one of the international accounting firms, Deloitte Touche Tohmatsu and has over 10 years of experience in auditing, accounting, floatation and taxation matters. Mr. To was appointed as an independent non-executive director and members of the audit and remuneration committee of BEP International Holdings Limited (a company that is listed on the Main Board of the Stock Exchange) on 5 June 2009. Mr. To is also an independent non-executive director, a chairman of the audit committee and a member of the remuneration committee of Aptus. Mr. To joined the Group in January 2006.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. KWAN Yiu Ming Patrick, aged 44, is the Chief Financial Officer of the Group and the company secretary of the Company. He has served the Group for more than 8 years and is the director of certain subsidiaries of the Group. He holds a bachelor degree of Commerce in Accounting from the Curtin University of Technology in Australia. Mr. Kwan is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants and an associate member of the Institute of Chartered Accountants in England and Wales. He has over four years of experience in auditing and over 18 years of experience in accounting and financial management. He joined the Group in August 2001.

Mr. FUNG King Him Daniel, aged 39, is a Director of Corporate Strategy of the Group and the director of various subsidiaries of the Group. Mr. Fung is responsible for business development of the Group. He holds a bachelor degree from the University of Wisconsin in the United States of America with double majors in Mathematics and Computer Science. He previously worked in Lehman Brothers Asia Limited, HSBC Asset Management Limited and Platinum Securities Company Limited. Mr. Fung is also an executive director, compliance officer and authorized representative of Aptus. He joined the Group in February 2002.

Mr. YOUNG Russell, aged 46, is a Director of Corporate Strategy of the Group. Mr. Young is involved in the corporate strategy and business development of the Group. He holds a Bachelor of Commerce and Administration from Victoria University, New Zealand and a Masters in Business Studies from Massey University, New Zealand. He has over 16 years experience in the finance industry and has held senior positions in a number of reputable investment banks. Prior to joining the Group, he was Regional Head of Mid-Cap Research for Nomura International (Hong Kong) Ltd. after having been Head of Energy and Basic Material Research and Regional Head of Utilities Research. Mr. Young was also formerly an independent non-executive director of one of Asia's largest downstream aluminium products producers. He joined the Group in April 2006.

Mr. CHAN Kin Kee, aged 39, is the Chief Technical Officer of the Group. He holds a degree form Macquarie University in Australia. He previously worked in IBM Australia as Technical Consultant, in Aeon Credit Services Co., Ltd. as Manager and in EVI Services Ltd. as IT Development Manager. He joined the Group in April 2008.

Mr. WU Ziqiang, aged 47, is the chief executive officer of Greater China of the Group and the director of certain subsidiaries of the Group. He is responsible for the lottery related business planning and operation of the Group. Mr. Wu has over 8 years experience in senior management position in the Hong Kong listed companies and over 21 years of experience in information technology related industry based in Hong Kong and the PRC. Prior to joining the Group, he served as: Co-Chief Executive Officer and Executive Director of China LotSynergy Holdings Limited; as Vice President of TradeLink Electronic Commerce Limited; and as General Manager of UNI-Tech Software Engineering Co., Limited. He also held senior positions in China Shenzhen Mercantile Exchange. He has a Master Degree in Computer Communication Engineering from the National University of Defence Technology, China. He joined the Group in November 2006.

Ms. HO Ping Ping, aged 60, is the sales and marketing joint director of the Group and also the personal assistant to the chairman of the Group. Ms. Ho holds a degree in Foreign Trade from Shanghai Institute of Foreign Trade (now refers to Shanghai Foreign Trade University), and has the title of Economist and International Economist. Prior to joining the Group, she was the manager of a third party company, after having been the department manager of Anhui Import and Export Group. She joined the Group in July 2001.

Ms. KWOK Shuk Yi, aged 33, is the Human Resources Manager of the Group. She holds a bachelor degree of Human Resources Management from The Royal Melbourne Institute of Technology University in Australia. She has 10 years of experience in human resources and administration management. Prior to joining the Group in July 2008, she worked as human resources managerial positions with a listed company and a sizeable investment company in the PRC.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICE

The Company has committed itself to a high standard of corporate governance. The Directors strongly believe that reasonable and sound corporate governance practices are vital to the Group's rapid growth and to safeguarding and enhancing shareholders' interests.

Except for the deviation from the provision A.4.1 of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 of the Rules Governing the Listing of Securities (the "GEM Listing Rules") on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited, details of which are stated under the heading of "NON-EXECUTIVE DIRECTORS" below, the Company has complied all remaining provisions of the Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the rules set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code for dealing in securities of the Company by the Directors. Having made specific enquiry of all Directors, the Company was not aware of any non-compliance with the required standard as set out in the code of conduct regarding securities transactions by the directors throughout the year.

BOARD OF DIRECTORS

The Board of Directors (the "Board") comprises eight Directors, of whom five are Executive Directors and three are Independent Non-executive Directors. The participation of Independent Non-executive Directors in the Board brings independent judgment on issues relating to the Group's strategies, performance, conflicts of interests and management process to ensure that the interests of all shareholders of the Company have been duly considered.

The Board considers that all the Independent Non-executive Directors are independent and has received from each of them the annual confirmation of independence required by the GEM Listing Rules.

The Board held at least a board meeting for each quarter. Details of the attendance of the Directors during the year are as follows:

	Attendance
Executive Directors	
Madam Cheung Kwai Lan	17/17
Mr. Chan Tung Mei	17/17
Mr. Chan Ting	17/17
Ms. Chan Siu Sarah	17/17
Mr. Lau Hin Kun	17/17
Independent Non-executive Directors	
Mr. Tian He Nian	9/17
Mr. Zhang Xiu Fu	9/17
Mr. To Yan Ming Edmond	9/17
Mr. Zhao Zhi Ming *(resigned on 30 June 2009)*	9/17

The Board is entrusted with the overall responsibility for promoting the success of the Company by the direction and supervision of the Company's business and affairs and the ultimate responsibility for the day to day management of the Company which is delegated to the management. For significant matters that are specifically delegated by the Board, the management must report back to and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

The Executive Director, Madam Cheung Kwai Lan is the mother of Mr. Chan Ting and Ms. Chan Siu Sarah and the spouse of Mr. Chan Tung Mei, all of them being Executive Directors of the Company.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Madam Cheung Kwai Lan, Chairman of the Board, is the mother of Mr. Chan Ting, the Chief Executive Officer of the Company.

The posts of Chairman and Chief Executive Officer are separated to ensure a clear division between the Chairman's responsibility to manage the Board and the Chief Executive Officer's responsibility to manage the Company's business. The separation ensures a balance of power and authority so that power is not concentrated in any individual.

NON-EXECUTIVE DIRECTORS

The Code provision A.4.1 provides that Non-executive Directors should be appointed for specific terms, subject to re-election. The Company has deviated from this provision in that all Independent Non-executive Directors are not appointed for specific terms. They are, however, subject to retirement and re-election every three years. The reason for the deviation is that the Company does not believe that arbitrary limits on term of non-executive directorship are appropriate given that Directors ought to be committed to representing the long term interests of the Company's shareholders and the retirement and re-election requirements of Independent Non-executive Directors have given the Company's shareholders the right to approve continuation of Independent Non-executive Directors' offices.

REMUNERATION COMMITTEE

The remuneration committee is tasked with the responsibility of overseeing Board remuneration matters.

The remuneration committee has three members comprising Mr. Chan Ting, Mr. Zhang Xiu Fu and Mr. To Yan Ming Edmond and is chaired by Mr. Chan Ting. Mr. Zhao Zhi Ming, a former member of the remuneration committee, resigned on 30 June 2009.

The role of the remuneration committee is to recommend to the Board a framework for remunerating the Board and key executives and to determine specific remuneration packages for each Executive Director of the Company. In carrying out of the above, the remuneration committee may obtain independent external legal and other professional advice as deemed necessary. The expenses of such advice shall be borne by the Company.

The remuneration package for the Executive Directors of the Company comprises a basic salary and a performance-related bonus for their contributions. The Independent Non-executive Directors receive a basic fee for their services. All revisions to the remuneration packages of the Directors are subject to the review and approval of the Board. The directors' fees are subject to shareholders' approval at the annual general meeting. Details of directors' remuneration for each Director are set out in note 11 to the financial statements. During the year ended 30 June 2009, one meeting was held with the attendance of all committee members.

NOMINATION OF DIRECTORS

The Board does not establish the nomination committee at present to make recommendations to the Board on appointment of Directors. The Company understands the needs to maintain its cost competitiveness in the current difficult market conditions and will review the need for a nomination committee at an appropriate time.

Candidates are appointed to the Board on the basis of the competencies and experience that they would be bringing to the Company. The Company believes that members of the Board, individually and collectively, have satisfactorily discharged their duties to the Company.

There was no appointment of any new director during the year ended 30 June 2009.

AUDITORS' REMUNERATION

During the year, remuneration paid/payable to auditors for audit services and non-audit services are approximately HK$1,601,000 (2008: HK$1,468,000) and HK$Nil (2008: HK$680,000) respectively. Non-audit services related to the issue of Accountancy Report included in a circular issued by the Company for the year ended 30 June 2008.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference based on the guidelines recommended by the Hong Kong Institute of Certified Public Accountants and the mandatory provisions set out in the Code.

The primary duties of the audit committee are to review the Company's annual report and accounts, semi-annual report and quarterly reports and to provide advices and comments thereon to the Board. The audit committee meets at least four times each year with management to review the accounting principles and practices adopted by the Group and to discuss auditing, internal control and financial reporting matters. The audit committee currently comprises three Independent Non-executive Directors of the Company, namely, Mr. Tian He Nian, Mr. Zhang Xiu Fu and Mr. To Yan Ming Edmond. Mr. Zhao Zhi Ming, a former member of the audit committee, resigned on 30 June 2009.

The audit committee met four times during the year. Individual attendance of each committee member at these meetings is as follows:

	Attendance
Mr. Tian He Nian	4/4
Mr. Zhang Xiu Fu	4/4
Mr. To Yan Ming Edmond *(Chairman)*	4/4
Mr. Zhao Zhi Ming *(resigned on 30 June 2009)*	4/4

The audit committee reviewed the Group's audit results for the year ended 30 June 2009 with management and the Company's external auditors and recommended its adoption by the Board.

RESPONSIBILITY FOR PREPARATION OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group. A statement by the Company's independent auditors about their reporting responsibilities in the Independent Auditors' Report on the Group's consolidated financial statement is set out on pages 42 to 43.

INTERNAL CONTROL

The Board with the Audit Committee are responsible for maintaining sound and effective internal control systems for the Company to safeguard its assets and shareholders' interests, as well as for reviewing the effectiveness of such systems. The Board will from time to time conduct a review of the Group's internal control systems. The Board has reviewed the effectiveness of the Group's internal control system, covering financial, operational and compliance controls and risk management functions during the year under review.

In such review, the Board has considered factors such as changes since the last review, scope and quality of management's monitoring of risks; incidence of significant control failings and weaknesses identified; and effectiveness relating to financial reporting and compliance with the applicable laws and regulations including the Listing Rules.

The Board has delegated to executive management the design, implementation and ongoing monitoring of such system of internal controls covering financial, operational and compliance controls and risk management procedures. Qualified personnel throughout the Group maintain and monitor this system of controls on an ongoing basis.

CORPORATE GOVERNANCE REPORT

GOING CONCERN ISSUE

Under the Grand Promise Convertible Notes, the responsibility of which was taken up by the Company in April 2008, Liberty Harbor and Evolution have the options within 15 business days after 30 May 2009 to require Grand Promise to redeem all or part of the Grand Promise Convertible Notes if the right to convert or exchange the Grand Promise Convertible Notes into the shares of the Company has not been exercised.

China Vanguard and Grand Promise have been in negotiations with Liberty Harbor and Evolution with regards to the restructuring of the Grand Promise Convertible Notes which resulted in a series of amendments and undertaking being entered into in order to give all parties adequate time to reach restructuring terms which are acceptable to all parties.

The amended Grand Promise Convertible Notes "Amended Grand Promise Convertible Notes" have been amended as follows:

(a) The Grand Promise Convertible Notes as amended by the First, Second and Third Amendment Deeds

The net impact of the First, Second and Third Amendment Deeds, was to push back the period during which Liberty Harbor and Evolution may require redemption of the outstanding principal amounts of the Grand Promise Convertible Notes from "the period from 30 May 2009 to the date falling 15 business days thereafter (inclusive)" to "the period from 30 September 2009 to the date falling 15 business days thereafter (inclusive)".

For details of each of the amendment deed, please refer to the announcements of the Company dated 18 June 2009, 4 August 2009 and 22 September 2009 respectively.

(b) The Undertakings by the Company and Grand Promise

In consideration of Liberty Harbor and Evolution entering into the various amendment deeds, the Company and Grand Promise have executed in total 5 undertakings in favor of Liberty Harbor and Evolution pursuant to which, amongst other things:

(i) Grand Promise agreed that it would, on or prior to 30 September 2009, enter into definitive legally binding and enforceable documentation ("Note Restructuring Documents") required to implement the restructuring of all amounts outstanding under the Amended Grand Promise Convertible Notes; and

(ii) the Company and Grand Promise undertook certain restrictions with regards to the withdraw or transfer from the bank accounts maintained or controlled by any member of the Group (other than Aptus or its subsidiaries, CCDDT or Excellent Union) during the undertaking period (being the period commencing from 18 June 2009 and ending on the first to occur of (i) 30 September 2009 and (ii) the date on which the Note Restructuring Documents are executed.

For details of each of the undertaking, please refer to the announcements of the Company dated 18 June 2009, 15 July 2009, 4 August 2009, 28 August 2009 and 22 September 2009 respectively.

The negotiations between the Company, Grand Promise, Liberty Harbor and Evolution in relation to the Grand Promise Convertible Notes restructuring are continuing. If the Liberty Harbor and Evolution were to request redemption of the Amended Grand Promise Convertible Notes in full, the Group would not have sufficient working capital available to redeem the full amount from existing internal resources and available banking facilities. The auditors of the Company have given an emphasis of matters in respect of the Company's ability to continue as a going concern in their report on page 43.

INVESTOR RELATIONS

The Board puts great emphasis on investor relationship in particular fair disclosure and comprehensive report of the Company's performance and activities.

Shareholders are encouraged to attend the annual general meeting ("AGM") of the Company and the Directors always make efforts to fully address any questions raised by the Shareholders at the AGM.

The Company provides comprehensive information about the Group in its website (www.cvg.com.hk) to investors and potential investors. Hard copies of the annual reports, half-yearly report and quarterly reports and circulars are all sent to Shareholders, as well, they are available at the Company's website.

DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statements for the year ended 30 June 2009.

PRINCIPAL ACTIVITIES AND ANALYSIS OF OPERATIONS

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 43 to the consolidated financial statements.

An analysis of the Group's performance for the year by business is set out in note 7 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 44.

The Directors do not recommend the payment of any dividend for the year ended 30 June 2009.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 18 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the share capital and share options of the Company during the year are set out in notes 31 and 32 to the consolidated financial statements respectively.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated financial statements on page 47.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the five financial years is set out on page 138 of the annual report.

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors
Madam Cheung Kwai Lan
Mr. Chan Tung Mei
Mr. Chan Ting
Ms. Chan Siu Sarah
Mr. Lau Hin Kun

Independent Non-executive Directors
Mr. Tian He Nian
Mr. Zhang Xiu Fu
Mr. To Yan Ming Edmond

In accordance with Article 116 of the Articles of Association of the Company (the "Articles"), Madam Cheung Kwai Lan, Mr. Lau Hin Kun and Mr. Tian He Nian retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting ("AGM").

Mr. Zhao Zhi Ming resigned as an Independent Non-executive Director on 30 June 2009.

DIRECTORS' SERVICE CONTRACTS

All of the Executive Directors of the Company except Ms. Chan Siu Sarah and Mr. Lau Hin Kun have entered into service contracts with the Company for a term of three years from 18 October 2002, renewable automatically for successive terms of one year unless terminated by not less than six months' notice in writing served by either party on the other.

Ms. Chan Siu Sarah and Mr. Lau Hin Kun have not entered into any service contracts with the Company and they are not appointed for a specific term since they are subject to retirement by rotation and re-election in accordance with the Articles of the Company.

All the Independent Non-executive Directors have not entered into any service contracts with the Company but are subject to retirement by rotation and re-election in accordance with the Articles of the Company.

Each of the Independent Non-executive Directors has confirmed his independence to the Company pursuant to Rule 5.09 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") for the year ended 30 June 2009 and the Company considers the Independent Non-executive Directors to be independent.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' REPORT

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2009, the interests of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(1) Long positions in the ordinary shares of the Company or any of its associated corporations

	Company/ Name of associated corporation	Number of ordinary shares held				Approximate percentage of shareholding
		Interest in controlled corporation	Beneficial owner	Family interest	Total interest	
Cheung Kwai Lan	Company	2,095,857,322 *(Note 1)*	2,070,000 *(Note 2)*	–	2,097,927,322	65.32%
Chan Tung Mei	Company	–	–	2,097,927,322 *(Notes 1 & 2)*	2,097,927,322	65.32%
Lau Hin Kun	Company	–	1,410,000	–	1,410,000	0.04%
Cheung Kwai Lan	Best Frontier Investments Limited	–	909	1 *(Note 3)*	910	–
Chan Tung Mei	Best Frontier Investments Limited	–	1	909 *(Note 3)*	910	–
Cheung Kwai Lan	Aptus Holdings Limited	971,746,428 *(Note 4)*	–	–	971,746,428	55.12%
Chan Tung Mei	Aptus Holdings Limited	–	–	971,746,428 *(Note 4)*	971,746,428	55.12%

Notes:

1. The 2,095,857,322 shares are owned by Best Frontier Investments Limited ("Best Frontier") which is owned as to 99.89% and 0.11% by Madam Cheung Kwai Lan and Mr. Chan Tung Mei who are spouse to each other. Accordingly, Madam Cheung Kwai Lan is deemed to be interested in the shares held by Best Frontier and Mr. Chan Tung Mei is deemed to be interested in all 2,097,927,322 shares by virtue of being the spouse of Madam Cheung Kwai Lan under the SFO.

2. The 2,070,000 shares are owned by Madam Cheung Kwai Lan who is the spouse of Mr. Chan Tung Mei. Accordingly, Mr. Chan Tung Mei is deemed to be interested in the shares under the SFO.

3. The 1 share and 909 shares of US$1 each in Best Frontier is owned respectively by Mr. Chan Tung Mei and Madam Cheung Kwai Lan who are spouse to each other. Accordingly, Madam Cheung Kwai Lan and Mr. Chan Tung Mei are deemed to be interested in the shares held by each other under the SFO.

4. Madam Cheung Kwai Lan and Mr Chan Tung Mei have equity interests of 99.89% and 0.11% respectively of the issued share capital of Best Frontier. Madam Cheung Kwai Lan and Mr. Chan Tung Mei are spouse to each other. Accordingly, Madam Cheung Kwai Lan is deemed to be 100% interested in the shares of Best Frontier, and Mr. Chan Tung Mei is also deemed to be interested in the shares of Best Frontier by virtue of being the spouse of Madam Cheung Kwai Lan under the SFO. As at 30 June 2009, Best Frontier is interested in approximately 65.25% of the issued share capital of the Company which in turn holds directly 100% shareholding of China Success Enterprises Limited and holds indirectly 100% shareholding of Precise Result Profits Limited, the company directly holding 971,746,428 Aptus shares of which, 48,750,000 Aptus shares has been lent to Evolution Master Fund Ltd. Spc, Segregated Portfolio M pursuant to a stock lending agreement dated 22 November 2006.

(2) Share option of the Company

Details of the share option schemes adopted by the Company are set out in note 32 to the consolidated financial statements.

The Company has adopted a share option scheme (the "Share Option Scheme"), under which the Board may, at its discretion, invite any persons belonging to any of the following class of participants to take up options to subscribe for the shares in the Company:

(a) any employees (whether full-time or part-time) of the Company, any of its subsidiaries or any entity (the "Invested Entity") in which the Group holds any equity interest, including any Executive Director of the Company, and of such subsidiaries or any Invested Entity;

(b) any Non-executive Directors (including Independent Non-executive Directors) of the Company, any of its subsidiaries or any Invested Entity;

(c) any supplier of goods or services to any member of the Group or any Invested Entity;

(d) any customer of the Group or any Invested Entity;

(e) any person of entity that provide research, development, or other technological support to the Group or any Invested Entity; and

(f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity.

The Share Option Scheme will remain valid for a period 10 years commencing from 18 October 2002.

For the year ended 30 June 2009, no share option had been granted or agreed to be granted under the Share Option Scheme.

DIRECTORS' REPORT

Details of share options held by the Directors are as follows:

Name of Directors	Date of grant	Exercise price HK$	Outstanding at 1 July 2008	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 30 June 2009	Exercise period of share options
Cheung Kwai Lan	23/11/2006	0.62	1,560,000	–	–	–	1,560,000	23/11/2006 – 17/10/2012
	23/11/2006	0.62	1,560,000	–	–	–	1,560,000	23/5/2007 – 17/10/2012
	23/11/2006	0.62	3,120,000	–	–	–	3,120,000	23/11/2007 – 17/10/2012
Chan Tung Mei	23/11/2006	0.62	1,560,000	–	–	–	1,560,000	23/11/2006 – 17/10/2012
	23/11/2006	0.62	1,560,000	–	–	–	1,560,000	23/5/2007 – 17/10/2012
	23/11/2006	0.62	3,120,000	–	–	–	3,120,000	23/11/2007 – 17/10/2012
Chan Ting	23/11/2006	0.62	1,560,000	–	–	–	1,560,000	23/11/2006 – 17/10/2012
	23/11/2006	0.62	1,560,000	–	–	–	1,560,000	23/5/2007 – 17/10/2012
	23/11/2006	0.62	3,120,000	–	–	–	3,120,000	23/11/2007 – 17/10/2012
Lau Hin Kun	23/11/2006	0.62	350,000	–	–	–	350,000	23/11/2006 – 17/10/2012
	23/11/2006	0.62	350,000	–	–	–	350,000	23/5/2007 – 17/10/2012
	23/11/2006	0.62	700,000	–	–	–	700,000	23/11/2007 – 17/10/2012
Tian He Nian	23/11/2006	0.62	260,000	–	–	–	260,000	23/11/2006 – 17/10/2012
	23/11/2006	0.62	260,000	–	–	–	260,000	23/5/2007 – 17/10/2012
	23/11/2006	0.62	530,000	–	–	–	530,000	23/11/2007 – 17/10/2012

Name of Directors	Date of grant	Exercise price HK$	Outstanding at 1 July 2008	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 30 June 2009	Exercise period of share options
To Yan Ming Edmond	23/11/2006	0.62	260,000	–	–	–	260,000	23/11/2006 – 17/10/2012
	23/11/2006	0.62	260,000	–	–	–	260,000	23/5/2007 – 17/10/2012
	23/11/2006	0.62	530,000	–	–	–	530,000	23/11/2007 – 17/10/2012
Total			22,220,000	–	–	–	22,220,000	

The closing price of the Company's shares on 23 November 2006, the date of grant of the share options, was HK$0.63.

The share option cost was calculated based on Black-Scholes Model.

Save as disclosed above, as at 30 June 2009, none of the Directors or chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in the section headed "Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation" above, at no time during the year was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors and chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any body corporate, and none of the Directors and chief executives or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 30 June 2009, according to the register kept by the Company pursuant to section 336 of SFO, and so far as is known to the Directors or the chief executives of the Company, the following persons (other than a Director or chief executive of the Company) had, or was deemed taken to have, an interest or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital, carrying rights to vote in all circumstances at general meeting of any member of the Group:

(1) Long positions in the shares

Name of Shareholder	Capacity	Number of shares held		Approximate percentage of shareholding
		Long position	Short position	
Best Frontier Investments Limited	Beneficial owner	2,095,857,322 *(Note 1)*	–	65.25%

Note:

1. The 2,095,857,322 shares are owned by Best Frontier Investments Limited which is owned as to 99.89% and 0.11% by Madam Cheung Kwai Lan and Mr. Chan Tung Mei who are spouse to each other.

(2) Long positions in underlying shares

Name of Shareholder	Capacity	Number of shares held		Approximate percentage of shareholding
		Long position	Short position	
The Goldman Sachs Group, Inc.	Interest in controlled corporation	343,211,215 *(Note 1)*	–	10.69%

Note:

1. A maximum of 343,211,215 new shares will be allotted and issued to Liberty Harbor Master Fund I, L.P. ("Liberty Harbor") upon its exercise of the exchange option under the convertible bonds (which was assumed by the Company when acquired Grand Promise International Limited). Liberty Harbor is advised by GS Investment Strategies, LLC, a Delaware limited liability company, whose sole member is The Goldman Sachs Group, Inc., a Delaware corporation.

Save as disclosed above, as at 30 June 2009, the Directors or chief executives of the Company were not aware of any person (other than a Director or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, was, directly or indirectly, interest in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group.

WARRANTS

On 1 November 2006, a bonus issue of 124,810,561 warrants was made on the basis of one warrant for every five issued shares held on 24 October 2006. Each warrant entitles its holder to subscribe in cash at a price of HK$1.33 for one share of the Company at any time from 3 November 2006 to 2 November 2008, both days inclusive. 16,600 warrants were exercised during the year and the balance of warrants expired on 2 November 2008.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 30 June 2009, the Group made 52.76% of its entire sales to five customers and sales to the largest customer included therein amounted to approximately 12.98%.

Purchases from the Group's five largest suppliers accounted for approximately 94.59% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 40.73%. None of the Directors of the Company, or any of their associates or any other shareholders, which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital, had any beneficial interest in the Group's five customers or five largest suppliers during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

DONATIONS

During the year, the Group made donations amounting to approximately HK$48,000 (2008: HK$2,192,000).

DIRECTORS' REPORT

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

The Company has repurchased a total of 23,405,000 ordinary shares of the Company on the Exchange in September, October, December 2008 and February 2009 for an aggregate amount of approximately HK$11,410,000 excluding of transaction cost. The Directors believe that such repurchases will lead to an enhancement of the net asset value of the Company and/or its earnings per share and will benefit the Company and the Company's shareholders. Details of the share repurchases were as follow:

Date of Repurchase	Number of Shares repurchased	Price per share repurchased Highest (HK$)	Lowest (HK$)
26 September 2008	1,475,000	0.5400	0.5300
29 September 2008	1,500,000	0.5400	0.5400
30 September 2008	1,500,000	0.5700	0.5500
2 October 2008	1,060,000	0.5900	0.5800
3 October 2008	30,000	0.6100	0.6100
6 October 2008	1,500,000	0.6300	0.6200
8 October 2008	1,500,000	0.6000	0.5800
9 October 2008	725,000	0.6000	0.6000
10 October 2008	2,500,000	0.5900	0.5200
1 December 2008	1,740,000	0.4200	0.3800
2 December 2008	655,000	0.4100	0.3850
3 December 2008	770,000	0.4200	0.4050
4 December 2008	470,000	0.4250	0.4200
5 December 2008	300,000	0.4200	0.4100
8 December 2008	300,000	0.4250	0.4150
9 December 2008	280,000	0.4400	0.4400
10 December 2008	305,000	0.4450	0.4300
11 December 2008	355,000	0.4500	0.4200
12 December 2008	520,000	0.4550	0.4350
18 December 2008	1,200,000	0.4850	0.4550
19 December 2008	650,000	0.4850	0.4500
22 December 2008	550,000	0.4900	0.4550
23 December 2008	630,000	0.4800	0.4600
24 December 2008	550,000	0.4900	0.4650
17 February 2009	1,420,000	0.2650	0.2500
18 February 2009	230,000	0.2700	0.2550
19 February 2009	590,000	0.2800	0.2550
20 February 2009	100,000	0.2650	0.2600
Total:	23,405,000		

All the repurchased Shares have been cancelled.

Save as disclosed herein, neither the Company, nor any its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 30 June 2009.

COMPETING INTERESTS

None of the Directors or the management shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules) had any business that competed or might compete with the business of the Group.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference based upon the guidelines published by the Hong Kong Institute of Certified Public Accountants. The primary duties of the audit committee are to review the Company's annual report and accounts, half-year reports and quarterly reports and to provide advice and comments thereon to the Board. The audit committee is also responsible for reviewing and supervising the Company's financial reporting and internal control procedures. The audit committee consisted of three Independent Non-executive Directors, namely Mr. Tian He Nian, Mr. Zhang Xiu Fu and Mr. To Yan Ming Edmond. Mr. To Yan Ming Edmond is the chairman of the audit committee. The Group's audited results for the year ended 30 June 2009 have been reviewed by the audit committee which was of the opinion that the preparation of such results complied with applicable accounting standards and requirements and that adequate disclosures had been made. Four meetings were held during the current financial year.

The Company has received from each of the three Independent Non-executive Directors, an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers all of the three Independent Non-executive Directors are independent.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 30 June 2009.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 46 to the financial statements.

AUDITORS

A resolution will be submitted to the forthcoming AGM of the Company to re-appoint Messrs. W.H. Tang & Partners CPA Limited.

On behalf of the Board

Madam Cheung Kwai Lan
Chairman

Hong Kong, 28 September 2009

INDEPENDENT AUDITORS' REPORT

鄧偉雄會計師事務所有限公司

Level 7, Parkview Centre,
7 Lau Li Street,
Causeway Bay, Hong Kong.

Tel : (852) 23426130
Fax : (852) 23426006

香港銅鑼灣琉璃街七號
栢景中心七樓

電話：(852) 23426130
傳真：(852) 23426006

W.H. TANG
& PARTNERS
CPA LIMITED

TO THE SHAREHOLDERS OF CHINA VANGUARD GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Vanguard Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 44 to 137, which comprise the consolidated balance sheet 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 CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 30 June 2009 and of the loss and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

EMPHASIS OF MATTERS

Without qualifying in our opinion, we would like to draw your attention to note 4 in the financial statements which indicates that the possible early redemption request from the convertible bond holder to exercise their right on 30 September 2009. These conditions, along with other matters as set forth in note 4 regarding the convertible bonds, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

W.H. Tang & Partners CPA Limited
Certified Public Accountants

Tang Wai Hung
Practising Certificate Number P03525
Hong Kong, 28 September 2009

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2009

	Notes	2009 HK$'000	2008 HK$'000 (Restated)
Continuing operations			
Revenue	8	**85,079**	78,292
Cost of sales		**(40,473)**	(46,707)
Gross profit		**44,606**	31,585
Other revenue	8	**8,565**	4,533
Selling and distribution costs		**(8,095)**	(2,657)
Administrative expenses		**(75,607)**	(89,310)
Gain (loss) on changes in fair value for derivative financial instruments		**25,629**	(13,347)
Finance costs	9	**(60,658)**	(37,476)
Loss before taxation	10	**(65,560)**	(106,672)
Income tax expenses	13	**(1,149)**	(2,306)
Loss for the year from continuing operations		**(66,709)**	(108,978)
Discontinued operations			
Loss for the year from discontinued operations	14	**(28,557)**	(4,036)
Loss for the year		**(95,266)**	(113,014)
Attributable to:			
Equity holders of the Company			
Continuing operations		**(72,086)**	(112,369)
Discontinued operations		**(28,557)**	(4,036)
		(100,643)	(116,405)
Minority interests			
Continuing operations		**5,377**	3,391
Discontinued operations		**–**	–
		(95,266)	(113,014)
Loss per share			
From continuing and discontinued operations			
Basic	17	**(HK3.12 cents)**	(HK8.03 cents)
From continuing operations			
Basic	17	**(HK2.24 cents)**	(HK7.75 cents)

CONSOLIDATED BALANCE SHEET

At 30 June 2009

	Notes	**2009** **HK$'000**	2008 HK$'000
Non-current assets			
Property, plant and equipment	18	**54,670**	276,868
Goodwill	19	**2,215,971**	2,297,186
Other intangible assets	20	**8,677**	5,358
Interest in associates	21	**–**	2,127
Available-for-sale financial asset	22	**63,780**	63,780
Prepaid lease payments	23	**–**	15,502
Construction in progress	24	**–**	6,912
		2,343,098	2,667,733
Current assets			
Inventories	25	**2,423**	6,912
Trade and other receivables and prepayments	26	**56,040**	114,487
Prepaid lease payments – current portion	23	**–**	452
Tax recoverable		**–**	680
Pledged bank deposits		**5,110**	5,033
Bank balances and cash	27	**231,195**	292,600
		294,768	420,164
Assets classified as held for sale	15	**350,193**	–
		644,961	420,164
Current liabilities			
Trade and other payables	28	**58,081**	66,093
Tax liabilities		**1,163**	539
Derivative financial instruments	30(b)	**75,232**	100,861
Bank and other borrowings – due within one year	29	**16,500**	66,745
		150,976	234,238
Liabilities associated with assets classified as held for sale	15	**123,825**	–
		274,801	234,238

CONSOLIDATED BALANCE SHEET

At 30 June 2009

	Notes	2009 HK$'000	2008 HK$'000
Net current assets		**370,160**	185,926
Total assets less current liabilities		**2,713,258**	2,853,659
Non-current liabilities			
Bank and other borrowings	29	**19,645**	114,251
Convertible bonds	30(a)&(b)	**522,739**	471,097
		542,384	585,348
Net assets		**2,170,874**	2,268,311
Capital and reserves			
Share capital	31	**32,119**	32,353
Reserves		**2,102,684**	2,215,272
Equity attributable to equity holders of the Company		**2,134,803**	2,247,625
Minority interests		**36,071**	20,686
Total equity		**2,170,874**	2,268,311

The financial statements on pages 44 to 137 were approved and authorized for issue by the board of directors on 28 September 2009 and are signed on its behalf by:

Cheung Kwai Lan
Director

Chan Ting
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2009

	Attributable to equity holders of the Company												
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Convertible bonds reserve HK$'000	Employee share-based compensation reserve HK$'000	Share option reserve HK$'000	Translation reserve HK$'000	Special reserve HK$'000	Retained profits/ (Accumulated loss) HK$'000	Discontinued operations HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 July 2007	9,361	286,884	–	10,712	35,572	122,746	8,136	(1)	(47,713)	–	425,697	12,508	438,205
Released on deemed disposal of a subsidiary held by a jointly controlled entity	–	–	–	–	–	–	(12)	–	–	–	(12)	(737)	(749)
Exchange differences on translation of financial statement of overseas operations	–	–	–	–	–	–	26,971	–	–	–	26,971	968	27,939
Net income recognized directly in equity	9,361	286,884	–	10,712	35,572	122,746	35,095	(1)	(47,713)	–	452,656	12,739	465,395
Net (loss) profit for the year	–	–	–	–	–	–	–	–	(116,405)	–	(116,405)	3,391	(113,014)
Total recognized income and expenses for the year	9,361	286,884	–	10,712	35,572	122,746	35,095	(1)	(164,118)	–	336,251	16,130	352,381
Capital contribution from minority shareholders	–	–	–	–	–	–	–	–	–	–	–	4,556	4,556
Release of share option reserve	–	–	–	–	–	(120,002)	–	–	120,002	–	–	–	–
Recognition of equity-settled share based payment	–	–	–	–	–	8,538	–	–	–	–	8,538	–	8,538
Shares issued pursuant to sale and purchase agreement	22,622	1,854,982	–	–	–	–	–	–	–	–	1,877,604	–	1,877,604
Conversion of convertible bonds	1	83	–	–	–	–	–	–	–	–	84	–	84
Share issued for repayment of loan	200	16,419	–	–	–	–	–	–	–	–	16,619	–	16,619
Share issued on exercise of options	169	8,360	–	–	–	–	–	–	–	–	8,529	–	8,529
At 30 June 2008 and at 1 July 2008	32,353	2,166,728	–	10,712	35,572	11,282	35,095	(1)	(44,116)	–	2,247,625	20,686	2,268,311
Exchange differences on translation of financial statement of overseas operations	–	–	–	–	–	–	(791)	–	–	–	(791)	(44)	(835)
Discontinued operations	–	–	–	–	–	–	(19,990)	–	–	19,990	–	–	–
Net income recognized directly in equity	32,353	2,166,728	–	10,712	35,572	11,282	14,314	(1)	(44,116)	19,990	2,246,834	20,642	2,267,476
Net (loss) profit for the year	–	–	–	–	–	–	–	–	(100,643)	–	(100,643)	5,377	(95,266)
Total recognized income and expenses for the year	32,353	2,166,728	–	10,712	35,572	11,282	14,314	(1)	(144,759)	19,990	2,146,191	26,019	2,172,210
Capital contribution from minority shareholders	–	–	–	–	–	–	–	–	–	–	–	10,052	10,052
Shares issued on exercise of warrants	–	22	–	–	–	–	–	–	–	–	22	–	22
Repurchase of shares	(234)	(11,176)	234	–	–	–	–	–	(234)	–	(11,410)	–	(11,410)
At 30 June 2009	32,119	2,155,574	234	10,712	35,572	11,282	14,314	(1)	(144,993)	19,990	2,134,803	36,071	2,170,874

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2009

	Notes	2009 HK$'000	2008 HK$'000
OPERATING ACTIVITIES			
Loss before income tax			
Continuing operations		**(65,560)**	(106,672)
Discontinued operations		**(27,072)**	(4,451)
		(92,632)	(111,123)
Adjustment for:			
Interest income		**(4,025)**	(3,857)
Interest expenses		**66,112**	41,874
Depreciation of property, plant and equipment		**34,343**	28,837
Allowances for doubtful receivable		**697**	5,848
Loss on disposal of property, plant and equipment		**334**	31
Impairment loss on goodwill		**31,761**	–
Gain on disposal of associates		**(8)**	–
Amortization of prepaid lease payments		**466**	461
Gain on disposal of a subsidiary held by a jointly controlled entity		**(1,158)**	–
Loss on deemed disposal of a subsidiary held by a jointly controlled entity		**–**	7
Share option expenses		**–**	8,538
Amortization of other intangible assets		**1,326**	1,943
Loss arising from settlement of financial liabilities by issuing of shares		**–**	2,810
Provision for obsolete inventories		**37**	438
Share of results of associates		**(124)**	40
(Gain) loss on change in fair value for derivative financial instruments	30(b)	**(25,629)**	13,347
Reversal of allowance recognized in respect of doubtful receivable		**(100)**	–
Operating cash flows before movements in working capital		**11,400**	(10,806)
Decrease (increase) in inventories		**2,738**	(958)
Decrease (increase) in trade and other receivables and prepayments		**48,099**	(25,540)
Increase in trade and other payables		**3,779**	20,838
Cash from (used in) operations		**66,016**	(16,466)
Tax refund (paid)		**50**	(3,846)
NET CASH FROM (USED IN) OPERATING ACTIVITIES		**66,066**	(20,312)

	Notes	2009 HK$'000	2008 HK$'000
INVESTING ACTIVITIES			
Interest received		**4,025**	3,857
Purchases of property, plant and equipment		**(18,860)**	(14,191)
Purchases of other intangible assets		**(4,653)**	(693)
Purchases of construction in progress		**(22,994)**	(17,249)
Increase in pledged bank deposits		**(77)**	(33)
Proceeds from disposal of property, plant and equipment		**286**	–
Proceeds from disposal of associates		**2,033**	–
Acquisition of subsidiaries, net of cash and cash equivalents acquired	33	**–**	138,160
Disposal of a subsidiary held by a jointly controlled entity	33	**1,351**	–
Deemed disposal of a subsidiary held by a jointly controlled entity	33	**–**	(208)
Purchases of prepaid lease payments		**(316)**	(2,191)
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**(39,205)**	107,452
FINANCING ACTIVITIES			
Interest paid		**(11,835)**	(5,306)
Issue of shares		**22**	8,529
Net repayment of borrowings		**(35,716)**	(17,929)
Capital contribution from minority interests		**10,052**	4,556
Payment of shares buy-back		**(11,410)**	–
NET CASH USED IN FINANCING ACTIVITIES		**(48,887)**	(10,150)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(22,026)**	76,990
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**292,600**	204,722
Effect of foreign exchange rate changes		**(519)**	10,888
		270,055	292,600
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by			
Bank balances and cash		**231,195**	292,600
Cash and cash equivalents included in assets held for sale		**38,860**	–
		270,055	292,600

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2009

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information of the Annual Report.

The consolidated financial statements are presented in Hong Kong dollars and the functional currency of the Company's subsidiaries and jointly controlled entities is Renminbi ("RMB"). As the Company is listed in Hong Kong, the directors consider that it is appropriate to present the consolidated financial statements in Hong Kong dollars.

The principal activities of the Company is investment holding. The activities of its principal subsidiaries and jointly controlled entities are set out in notes 43 and 44 respectively.

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

In the current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are or have become effective for accounting periods beginning on or after 1 July 2008.

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

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

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

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

HKFRSs (Amendments)	Improvements to HKFRSs[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 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[3]
HKAS 39 (Amendment)	Eligible hedged items[4]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[4]
HKFRS 1 & 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 Disclosure 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	Distribution 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 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 transfer on or after 1 July 2009

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

The directors of the Company anticipate that the application of the other new or revised standards and interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA as well as the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange Hong Kong Limited.

The consolidated financial statements have been prepared on the historical cost convention, except for certain financial instruments which are measured at fair values as explained in the accounting policies set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies at an entity so as to obtain benefit from its activities.

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

Where necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All material intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Non-current assets held for sale and discontinued operation

(a) Non-current assets (or assets of disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the reclassification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets and explained below), or disposal groups, are recognized at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred tax assets and financial assets (other than in vestments in subsidiaries). These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 3.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' (disposal groups') previous carrying amount and fair value less costs to sell.

(b) *Discontinued operation*

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or a part of single coordinated plan to dispose of a separate major line of business or geographical area of operation, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale (as referred to in (a) above), if earlier. It also occurs when the operations is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face on the income statement, which comprises:

– the post-tax profit or loss of the discontinued operations; and

– the post-tax gain or loss recognized on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Business combinations

The acquisition of business is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under Hong Kong Financial Reporting Standard ("HKFRS") 3 "Business Combinations" are recognized at their fair values at the acquisition date, except for non-current assets (disposal groups) that are classified as held for sale inaccordance with HKFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, which are recognized and measured at fair value less costs to sell.

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

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

Interests in jointly controlled entities

Joint venture arrangements that involve the establishment of a separated entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The Group recognizes its interests in jointly controlled entities using proportionate consolidation. The Group's share of each of the assets, liabilities, income and expenses of the jointly controlled entities are combined with the Group's similar line items, line by line, in the consolidated financial statements.

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising on the acquisition of a business.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment is recognized immediately in profit or loss.

When a group entity transacts with a jointly controlled entity of the Group, unrealized profits or losses are eliminated to the extent to the Group's interest in the jointly controlled entity, except to the extent that unrealized losses provided evidence of an impairment of the asset transferred, in which case the full amount of losses is recognized.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Goodwill

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

For previously capitalized goodwill arising on acquisitions, the Group has discontinued amortization from 1 July 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired (see the accounting policy below).

Goodwill arising on an acquisition of a business or a jointly controlled entity for which the agreement date is on or after 1 July 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalized goodwill arising on an acquisition of a subsidiary or a jointly controlled entity is presented separately in the consolidated balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a business or a jointly controlled entity, the attributable amount of goodwill capitalized is included in the determination of the amount of profit or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Interests in associates

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

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. An additional share of losses is provided for and a liability is recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit and loss.

Where a Group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from sales of gas and gas appliances are recognized when goods are delivered and title has passed.

Gas transportation revenue and gas connection fee income are recognized when the corresponding services are performed.

Sales of goods are recognized when goods are delivered and title has been passed.

Revenue from the provision of lottery-related hardware and software systems is recognized when the services are rendered.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Revenue recognition – continued

Revenue from the provision of Karaoke CMS services and licence fee collection business ("Karaoke CMS") is recognized when it is probable that the economic benefit will flow to the Group.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Property, plant and equipment

Property, plant and equipment, comprising leasehold land and buildings, leasehold improvement, plant and machinery, furniture, fixtures and equipment, motor vehicles, computer equipment, gas distribution network, gas storage equipment and other equipment are stated at cost less accumulated depreciation and any identified impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the property, plant and equipment to its working condition and location for its intended use. Expenditure incurred after property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalized as an additional cost of that property plant and equipment.

Property, plant and equipment are depreciated at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold land and buildings	3%-5% or over the lease term but limited to 15 years
Furniture, fixtures and equipment	7%-25%
Computer equipment	20%-25%
Plant and machinery	3%-12%
Motor vehicles	6%-20%
Gas distribution network	5%-10%
Gas storage equipment	5%-31%
Leasehold improvement	Over the lease term

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued used of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognized.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Construction in progress

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognized impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Inventories

Inventories, including construction materials, gas and gas appliances for sales are stated at the lower of cost and net realizable value. Cost, which comprises all costs of purchase and, where applicable other costs that has been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average method. Net realizable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Leasing

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

The Group as lessor

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

The Group as lessee

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

Leasehold land and building

Land and building elements of a lease of land and building are considered separately for the purposes of lease classification, leasehold land which title is not expected to pass to the lessee by the end of the lease term is classified as an operating lease unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is classified as a finance lease and account for as property, plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Impairment losses on assets other than goodwill

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

Intangible assets

Intangible assets acquired separately are capitalized at cost and those acquired from a business combination are capitalized at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets. Intangible assets, excluding development costs, created within the business are not capitalized and expenditure is charged against the profit in the year in which the expenditure is incurred.

Useful lives of acquired intangible assets are assessed to be either finite or indefinite. Intangible assets with finite useful lives are stated at cost less accumulated amortization and any accumulated impairment losses. Intangible assets with indefinite useful lives are stated at cost less any subsequent accumulated impairment losses.

Amortization for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Intangible assets are tested for impairment annually either individually or at the cash-generating unit level. Useful lives are also examined on an annual basis and, where applicable, adjustments are made on a prospective basis.

As intangible asset is derecognized on disposal or no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of the intangible asset, calculated as the difference between the net disposal proceeds and the carrying amount of the intangible asset, is recognized in the income statement in the year the intangible asset is derecognized.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Intangible assets – continued

Patents

Cost incurred on the acquisition of patents are capitalised in the consolidated balance sheet and stated at cost. Patents are not revalued as there is no active market for these assets.

Technical know-how

Acquired technical know-how is stated at cost less amortization and any identified impairment losses.

Computer software

Costs incurred on the acquisition of computer software are capitalized in the consolidated balance sheet at cost less amortization and any identified impairment losses.

Research and development expenditures

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognized only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortized on a straight-line basis over its useful life.

Where no internally generated intangible asset can be recognized, development cost is charged to profit or loss in the year in which it is incurred.

Impairment

Intangible assets with indefinite useful lives are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimated of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

Intangible assets with finite useful lives are tested for impairment when there is an indication that an asset may be impaired.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments

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

Financial assets

The Group's financial assets are classified into one of the two categories, including loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest Income is recognized on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables and prepayments and bank balances and cash) are carried at amortized cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as (a) loans and receivables, (b) held to maturity investments or (c) financial assets at fair value through profit or loss "FVTPL". At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognized in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognized in equity is removed from equity and recognized in consolidated income statement.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For accounts receivables that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, an impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When the trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognized directly in equity.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Impairment of financial assets – continued

For financial assets measured at amortized cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at fair value through profit and loss and other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Effective interest method

The effective interest method is a method of calculating the amortized cost of financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognized on an effective interest basis.

Financial liabilities

Financial liabilities including trade and other payables, and bank and other borrowings are subsequently measured at amortized cost, using the effective interest rate method.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Convertible bonds

(i) Convertible bonds that contains liability component and conversion option components

Convertible bonds issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of Aptus own equity instruments is classified as an equity instrument.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

(ii) Convertible bonds that contain liability component and conversion/redemption option derivatives

Convertible bonds assumed by the Company from Grand Promise International Limited contain liability and conversion/redemption option derivatives components are classified separately into respective items on initial recognition. Conversion option derivatives that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is a conversion option derivative. The redemption option derivatives represent the redemption at the option of the bond holders before the maturity date. At the date of issue, both the liability and conversion/redemption option components are recognized at fair value.

In subsequent periods, the liability component of the convertible bonds is carried at amortized cost using the effective interest method. The conversion/redemption option derivative is measured at fair value with changes in fair value recognized in profit or loss.

Transaction costs that related to the issue of the convertible bonds are allocated to the liability and conversion/redemption option components in proportion to the allocation of the proceeds. Transaction costs relating to the conversion/redemption option derivatives is charged to profit and loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortized over that the period of the convertible bonds using the effective interest method.

Equity instruments

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

Derivative financial instruments

Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in profit or loss as they arise.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Embedded derivatives

Derivatives embedded in non-derivative host contracts are separated from the relevant host contracts (the liability component) and deemed as held-for-trading when the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contracts, and the combined contracts are not measured at fair value through profit or loss. In all other circumstances, derivatives embedded are not separated and are accounted for together with the host contracts in accordance with appropriate standards. Where the Group needs to separate an embedded derivative but is unable to measure the embedded derivative, the combined contract is treated as held-for-trading.

Derecognition

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

Financial liabilities are derecognized from the Group's consolidated balance sheet when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Taxation – continued

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

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

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognized in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognized in equity in the consolidated financial statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in equity, in which cases, the exchange differences are also recognized directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's entities are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognized as a separate component of equity (the exchange translation reserve). Such exchange differences are recognized in profit or loss in the period in which the foreign operation is disposed of.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Foreign currencies – continued

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognized in the exchange translation reserve.

Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost.

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheet, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognized for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Employee benefits

(a) Retirement benefits schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. 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.

The employees of the Group's subsidiary that operated in the People's Republic of China and Singapore are required to participate in a central pension scheme operated by the local municipal government and Central Provident Fund Scheme, respectively. These subsidiaries are required to contribute pension, based on a certain percentage of their payroll costs, to the pension schemes. The contributions are charged to income statement as they become payable in accordance with the rules of the pension schemes.

(b) Share option schemes

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participant who, in the sole discretion of the Board, have contributed or may contribute to the Group. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

(c) Share award scheme

The Group also grants employees and consultants (but not directors) shares of the Company at nil consideration under its share award scheme. Under the share award scheme, the awarded shares are newly issued at par value. The fair value of the employees' and consultants' services received in exchange for the grant of shares newly issued is recognized as staff costs in the income statement with a corresponding increase in an employee share-based compensation reserve under equity.

Retirement benefit costs

Payments to mandatory provident fund scheme ("MPF scheme") and state-managed retirement benefits scheme and the defined contribution schemes are charged as expense as they fall due.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Segment reporting

The Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

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. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and 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 balances, corporate and financing expenses.

Dividends

Dividends proposed or declared after the balance sheet date is not recognized as a liability at the balance sheet date.

Equity-settled share-based payment transactions

Share options granted to directors, employees or other eligible participants of the Company

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the time when the share options are exercised, the amount previously recognized in share option reserve will be transferred to share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognized in share option reserve will be transferred to retained earnings.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset. Capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are charged to the income statement in the year in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Related parties

A party is 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 Company or Group;
- has an interest in the Company that gives it significant influence over the Company or Group; or
- has joint control over the Company or 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 Company 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 Company or Group, or of any entity that is a related party of the Company or Group.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, which are described in note 3, management has made the following judgments that have significant effect on the amounts recognized in the financial statements. The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also discussed below:

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account of their estimated residual value. The determination of the useful lives and residual values involve management's estimation. The Group assesses annually the residual value and the useful life of the property, plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the year and the estimate will be changed in the future period.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual cash flows are less than expected, a material impairment loss may arise. As at 30 June 2009, the carrying amount of goodwill is approximately HK$2,215,971,000 (2008: HK$2,297,186,000) and impairment loss of approximately HK$31,761,000 (2008: HK$Nil) was recognized in the consolidated income statement. Details of the impairment test on goodwill are disclosed in note 19.

Amortization of other intangible assets

Other intangible assets with finite useful lives are amortized on a straight-line basis over their estimated useful lives. The determination of useful lives and residual values involve management's estimation. The Group assesses annually the useful life of other intangible assets and if the expectation differs from the original estimate, such a difference may impact the amortization in the year and the estimate will be changed in the future period.

Income tax

As at 30 June 2009, no deferred tax asset was recognized in the Group's consolidated balance sheet in relation to the estimated unused tax losses of approximately HK$66,399,000 (2008: HK$77,399,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are more than expected, a material recognition of deferred tax asset may arise, which would be recognized in the income statement for the period in which such recognition takes place.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY – continued

Share option benefit expenses

The share option benefit expense is subject to the limitations of the Black-Scholes option pricing model and the uncertainty in estimates used by management in the assumptions. The estimates include limited early exercise behavior, expected interval and frequency of open exercise periods in the share option life, and other relevant parameters of the share option model (see note 32 for the estimates).

The number of options to be vested at the end of vesting period involves management estimation. Should the number of options being vested at the end of vesting period be changed, there would be material changes in the amount of share option benefits recognized in the consolidated income statement and share option reserve.

Estimated allowance of accounts receivables

The Group makes allowance of accounts receivables based on an assessment of the recoverability of receivables. Allowance is applied to accounts receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of allowance requires the use of judgment and estimates. Where the expectation on the recoverability of accounts receivables is different from the original estimate, such difference will impact the carrying value of accounts receivables and doubtful debt expenses in the periods in which such estimate has been changed.

Convertible bonds

Referring to the fifth undertaking amendment agreement entered into between the Company and the holder(s) of convertible bonds (the "Bondholders") dated 22 September 2009, each Bondholder will have the right to require the Company to redeem in whole or in part of the convertible bonds of such Bondholder(s) on a Put Option Date 15 business days after 30 September 2009 together with interest accrued to the Put Option Date. Any early redemption request from the Bondholders will cause unexpected cash outflow from the Company and will have an impact on the going concern of the Company. Up to the date of the financial statements approved by the Board, the Company did not receive request from any Bondholder to redeem the convertible bonds on the forthcoming Put Option Date. As such, in the opinion of the directors, the Company did not have going concern problem as at the balance sheet date and the liability portion of the convertible bonds was classified under non-current liabilities.

5. FINANCIAL INSTRUMENTS

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings and convertible bonds disclosed notes 29 and 30 respectively, and equity attributable to equity holders of the Company, comprising issued share capital disclosed in note 31, reserves and accumulated profits as disclosed in consolidated statements of changes in equity. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt. The Group's overall strategy remains unchanged throughout the year.

Categories of financial instruments

	2009	2008
	HK$'000	HK$'000
Financial assets		
Available-for-sale financial asset	**63,780**	63,780
Held-for-trading investments	**–**	–
Loans and receivables (including cash and cash equivalents)	**292,345**	412,120
Derivative financial assets	**–**	–
Financial liabilities		
Amortized cost	**616,965**	718,186
Derivative financial instruments	**75,232**	100,861

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade and other receivables and prepayments, trade and other payables, derivative financial instruments and bank and other borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables and bank balances. At the respective balance sheet dates, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arising from the carrying amount of the respective recognized financial assets stated in the consolidated balance sheet.

In order to minimize the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

The credit risk on liquid funds is limited because the counterparties are authorized banks in Hong Kong and the PRC.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

Foreign currency risk

The Group collects most of its revenue in RMB and incurs most of its expenditure including capital expenditure in RMB. Future exchange rates of RMB could vary significantly from the current or historical exchange rates as a result of controls that could be imposed by the PRC government. The exchange rates may also be affected by economic developments and political changes domestically and internationally, and supply and demand of RMB. The appreciation or devaluation of RMB against foreign currencies may have positive or negative impact on the results of operations of the Group.

As at balance sheet date, the Group has convertible bonds, certain bank balances and bank and other borrowings denominated in Singaporean dollars ("SGD"), Hong Kong dollars ("HKD") and United State dollars ("USD"), which are the currencies other than the functional currency of respective group entities. The carrying amounts of the Group's foreign currency denominates monetary assets and liabilities are as follows:

	Assets		Liabilities	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
SGD	**200**	180	**18**	17
HKD	**2,298,004**	2,358,804	**351,462**	376,330
USD	**136,292**	194,418	**294,830**	298,058

The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises. The directors considered that the Group's exposure to foreign currency exchange risk is insignificant as the majority of the Group's transactions are denominated in the functional currency of the respective group entities.

The Group uses a 5% sensitivity rate to report foreign currency risk internally to key management personnel and represents management's assessment of the reasonable possible change in foreign exchange rates. If RMB had strengthened/weakened by 5%, loss for the year ended 30 June 2009 would have been increased/decreased by approximately HK$314,000 as a result of foreign exchange losses/gains on translation of transactions denominated in Hong Kong dollars (2008: decreased/increased by approximately HK$121,400).

Certain financial assets and liabilities of the Group are denominated in USD. However, the exchange rate of USD against HKD is relatively stable, accordingly, no sensitivity analysis has been presented on the currency risk.

In addition, certain financial assets and liabilities of the Group are denominated in SGD. In the opinion of the management, no sensitivity analysis has been presented on the currency risk because the amount involved is insignificant.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

Interest rate risk

The Group's interest rate risk arises from bank and other borrowings and convertible bonds. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk. Details of the Group's bank and other borrowings are set out in note 29.

The Group is also exposed to fair value interest rate risk in relation to convertible bonds. It is the Group's policy to keep its borrowings at fixed rate so as to minimize the cash flow interest rate risk.

Sensitivity analysis

At 30 June 2009, it is estimated that a general increase or decrease of 100 basis points in interest rates with all other variable held constant, would decrease/increase the Group's loss by approximately HK$1,947,000 (2008: increase/decrease HK$832,000). The above sensitivity analysis has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for financial instrument in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis was performed on the same basis for 2008.

Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2009

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

Liquidity risk – continued

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay:

Year 2009

	Carrying amounts HK$'000	Total contractual undiscounted cash flows HK$'000	Within 1 year or on demands HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Over 5 years HK$'000
Trade and other payables	58,081	58,081	58,081	–	–	–
Tax liabilities	1,163	1,163	1,163	–	–	–
Bank and other borrowings	36,145	37,853	16,500	21,353	–	–
Convertible bonds	597,971	730,595	75,232	–	655,363	–
	693,360	827,692	150,976	21,353	655,363	–

Year 2008

	Carrying amounts HK$'000	Total contractual undiscounted cash flows HK$'000	Within 1 year or on demands HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Over 5 years HK$'000
Trade and other payables	66,093	66,093	66,093	–	–	–
Tax liabilities	539	539	539	–	–	–
Bank and other borrowings	180,996	197,757	66,745	71,165	42,473	17,374
Convertible bonds	571,958	736,445	100,861	–	635,584	–
	819,586	1,000,834	234,238	71,165	678,057	17,374

Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 30 June 2009 and 2008.

7. SEGMENT INFORMATION

a. Business segments

	Year ended 30 June 2009									
	Continuing operations						Discontinued operations			
	Distribution of natural supplementary products HK$'000	Provision of lottery-related hardware and software systems HK$'000	Distribution of edible oil HK$'000	Karaoke CMS HK$'000	Others HK$'000	Total HK$'000	Gas related HK$'000	Profit sharing on oil field HK$'000	Total HK$'000	Consolidated HK$'000
Segment revenue:										
Sales to external customers	793	42,843	18,292	22,889	262	85,079	106,803	–	106,803	191,882
Segment results	(1,030)	15,933	11	(8,205)	(890)	5,819	10,438	(412)	10,026	15,845
Unallocated income						3,708			–	3,708
Unallocated expenses						(15,602)			(31,761)	(47,363)
Finance costs						(60,658)			(5,454)	(66,112)
Share of result of associates						–			124	124
Gain on disposal of a subsidiary held by a jointly controlled entity						1,158			–	1,158
Gain (loss) on disposal of associates						15			(7)	8
Loss before taxation						(65,560)			(27,072)	(92,632)
Income tax						(1,149)			(1,485)	(2,634)
Loss for the year						(66,709)			(28,557)	(95,266)
Segment assets	7,581	87,482	1,341	71,252	4,481	172,137	350,193	33,927	384,120	556,257
Unallocated assets						2,431,802			–	2,431,802
Total assets						2,603,939			384,120	2,988,059
Segment liabilities	386	28,421	122	14,873	592	44,394	123,825	–	123,825	168,219
Unallocated liabilities						50,995			–	50,995
Convertible bonds						597,971			–	597,971
Total liabilities						693,360			123,825	817,185
Other segment information:										
Depreciation of property, plant and equipment	788	10,359	19	3,038	241	14,445	19,719	29	19,748	34,193
Unallocated						150			–	150
						14,595			19,748	34,343
Amortization of prepaid lease payments	–	–	–	–	–	–	466	–	466	466
Capital expenditure	–	2,648	–	8,154	103	10,905	33,996	–	33,996	44,901
Unallocated						974			–	974
						11,879			33,996	45,875
Allowances for doubtful receivable	697	–	–	–	–	697	–	–	–	697
Other non-cash expenses	–	–	–	–	–	–	–	31,761	31,761	31,761
Unallocated						57,492			–	57,492
						57,492			31,761	89,253

7. SEGMENT INFORMATION – continued

a. Business segments – continued

	Year ended 30 June 2008									
	Continuing operations						Discontinued operations			
	Distribution of natural supplementary products HK$'000	Provision of lottery-related hardware and software systems HK$'000	Distribution of edible oil HK$'000	Karaoke CMS HK$'000	Others HK$'000	Total HK$'000	Gas related HK$'000	Profit sharing on oil field HK$'000	Total HK$'000	Consolidated HK$'000
Segment revenue:										
Sales to external customers	2,707	35,715	39,562	226	82	78,292	65,793	–	65,793	144,085
Segment results	(6,854)	8,814	(28)	(1,915)	(495)	(478)	836	(840)	(4)	(482)
Unallocated income						3,604			–	3,604
Unallocated expenses						(72,322)			(2)	(72,324)
Finance costs						(37,476)			(4,398)	(41,874)
Share of result of associates						–			(40)	(40)
Loss on deemed disposal of subsidiary held by a jointly controlled entity						–			(7)	(7)
Loss before taxation						(106,672)			(4,451)	(111,123)
Income tax						(2,306)			415	(1,891)
Loss for the year						(108,978)			(4,036)	(113,014)
Segment assets	22,120	75,597	1,754	57,563	3,857	160,891	339,939	33,581	373,520	534,411
Unallocated assets						2,553,486			–	2,553,486
Total assets						2,714,377			373,520	3,087,897
Segment liabilities	699	31,390	457	790	585	33,921	117,157	1,672	118,829	152,750
Unallocated liabilities						94,878			–	94,878
Convertible bonds						571,958			–	571,958
Total liabilities						700,757			118,829	819,586
Other segment information:										
Depreciation of property, plant and equipment	889	9,440	–	559	230	11,118	17,673	33	17,706	28,824
Unallocated						13			–	13
						11,131			17,706	28,837
Amortization of prepaid lease payments	–	–	–	–	–	–	461	–	461	461
Capital expenditure	671	2,634	–	197	23	3,525	12,837	2	12,839	16,364
Allowances for doubtful receivable	195	14	–	–	4,783	4,992	856	–	856	5,848
Other non-cash expenses										
Unallocated						44,025			–	44,025

7. SEGMENT INFORMATION – continued

b. Geographical market segments

A summary of the geographical segments is set out as follows:

Geographical segments

	Revenue					
	Continuing operations		Discontinued operations		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
PRC	**65,994**	36,023	**106,803**	65,793	**172,797**	101,816
Hong Kong	**793**	2,707	**–**	–	**793**	2,707
South East Asia	**18,292**	39,562	**–**	–	**18,292**	39,562
	85,079	78,292	**106,803**	65,793	**191,882**	144,085

	Segment Results					
	Continuing operations		Discontinued operations		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
PRC	**6,839**	6,404	**10,026**	(4)	**16,865**	6,400
Hong Kong	**(1,031)**	(6,854)	**–**	–	**(1,031)**	(6,854)
South East Asia	**11**	(28)	**–**	–	**11**	(28)
	5,819	(478)	**10,026**	(4)	**15,845**	(482)
Unallocated income	**3,708**	3,604	**–**	–	**3,708**	3,604
Unallocated expenses	**(15,602)**	(72,322)	**(31,761)**	(2)	**(47,363)**	(72,324)
Finance costs	**(60,658)**	(37,476)	**(5,454)**	(4,398)	**(66,112)**	(41,874)
Share of result of associates	**–**	–	**124**	(40)	**124**	(40)
Gain (loss) on disposal of associates	**15**	–	**(7)**	–	**8**	–
Gain on disposal of a subsidiary held by a jointly controlled entity	**1,158**	–	**–**	–	**1,158**	–
Loss on deemed disposal of a subsidiary held by a jointly controlled entity	**–**	–	**–**	(7)	**–**	(7)
Loss before taxation	**(65,560)**	(106,672)	**(27,072)**	(4,451)	**(92,632)**	(111,123)
Income tax	**(1,149)**	(2,306)	**(1,485)**	415	**(2,634)**	(1,891)
Loss for the year	**(66,709)**	(108,978)	**(28,557)**	(4,036)	**(95,266)**	(113,014)

	Carrying amounts of Segment assets		Capital expenditure	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
PRC	**552,886**	510,537	**44,901**	15,693
Hong Kong	**2,433,832**	2,575,606	**974**	671
South East Asia	**1,341**	1,754	**–**	–
	2,988,059	3,087,897	**45,875**	16,364

8. REVENUE AND OTHER REVENUE

The principal activities of the Group are (i) the distribution of natural supplementary products, (ii) provision of lottery-related hardware and software systems, (iii) distribution of edible oil, (iv) holding profit sharing right of oil field, (v) sales of gas and gas appliances, provision of gas transportation services and installation services for gas connected and (vi) provision of Karaoke CMS services and licence fee collection business.

Revenue represents invoiced value of sales, net of returns, discounts allowed or sales taxes where applicable.

Revenue recognized during the year is as follows:

	Continuing operations		Discontinued operations		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue						
Distribution of natural supplementary products	**793**	2,707	**–**	–	**793**	2,707
Provision of lottery-related hardware and software systems	**42,843**	35,715	**–**	–	**42,843**	35,715
Distribution of edible oil	**18,292**	39,562	**–**	–	**18,292**	39,562
Gas related	**–**	–	**106,803**	65,793	**106,803**	65,793
Provision of Karaoke CMS services and licence fee collection business	**22,889**	226	**–**	–	**22,889**	226
Sales of goods	**262**	82	**–**	–	**262**	82
	85,079	78,292	**106,803**	65,793	**191,882**	144,085

8. REVENUE AND OTHER REVENUE – continued

	Continuing operations 2009 HK$'000	Continuing operations 2008 HK$'000	Discontinued operations 2009 HK$'000	Discontinued operations 2008 HK$'000	Consolidated 2009 HK$'000	Consolidated 2008 HK$'000
Other revenue						
Interest income	**3,420**	3,200	**605**	657	**4,025**	3,857
Others	**5,145**	1,333	**521**	422	**5,666**	1,755
	8,565	4,533	**1,126**	1,079	**9,691**	5,612

9. FINANCE COSTS

	Continuing operations 2009 HK$'000	Continuing operations 2008 HK$'000	Discontinued operations 2009 HK$'000	Discontinued operations 2008 HK$'000	Consolidated 2009 HK$'000	Consolidated 2008 HK$'000
Interest on:						
– borrowings wholly repayable within five years	**3,166**	1,989	**–**	50	**3,166**	2,039
– borrowings wholly repayable after five years	**–**	–	**5,454**	4,348	**5,454**	4,348
– convertible bonds	**57,492**	35,487	**–**	–	**57,492**	35,487
	60,658	37,476	**5,454**	4,398	**66,112**	41,874

10. LOSS BEFORE TAXATION

	Continuing operations		Discontinued operations		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Loss before taxation has been arrived at after charging (crediting):						
Staff costs (excluding directors' emoluments – note 11):						
– Wages and salaries	**19,691**	12,431	**6,818**	5,217	**26,509**	17,648
– Retirement benefits scheme contributions	**901**	297	**–**	–	**901**	297
Total staff costs	**20,592**	12,728	**6,818**	5,217	**27,410**	17,945
Cost of inventories sold *(Note a)*	**40,473**	46,707	**80,729**	47,660	**121,202**	94,367
Auditors' remuneration						
– Provided for the year	**1,587**	1,456	**14**	12	**1,601**	1,468
– Underprovision in last year	**268**	–	**–**	–	**268**	–
Depreciation of property, plant and equipment *(Note b)*	**14,595**	11,131	**19,748**	17,706	**34,343**	28,837
Amortization of prepaid lease payments	**–**	–	**466**	461	**466**	461
Share option expenses	**–**	8,538	**–**	–	**–**	8,538
Impairment loss on goodwill	**–**	–	**31,761**	–	**31,761**	–
Minimum lease payments under operating leases:						
– Land and buildings	**4,677**	3,107	**101**	421	**4,778**	3,528
Loss on disposal of property, plant and equipment	**331**	31	**3**	–	**334**	31
Allowances for doubtful receivable	**697**	4,992	**–**	856	**697**	5,848
Amortization of other intangible assets	**1,326**	1,943	**–**	–	**1,326**	1,943
(Gain) loss on disposal of associates	**(15)**	–	**7**	–	**(8)**	–
Provision for obsolete inventories	**37**	438	**–**	–	**37**	438
(Gain) loss on changes in fair value of derivative financial instruments *(Note c)*	**(25,629)**	13,347	**–**	–	**(25,629)**	13,347
Loss arising from settlement of financial liabilities by issuing of shares	**–**	2,810	**–**	–	**–**	2,810
Loss on deemed disposal of a subsidiary held by a jointly controlled entity	**–**	–	**–**	7	**–**	7
Bad debts written off	**1,623**	–	**–**	–	**1,623**	–
Inventories written off	**191**	–	**–**	–	**191**	–
Gain on disposal of a subsidiary held by a joint controlled entity	**(1,158)**	–	**–**	–	**(1,158)**	–
Exchange losses (gain), net	**175**	(8,685)	**–**	–	**175**	(8,685)

10. LOSS BEFORE TAXATION – continued

Note a: For the year ended 30 June 2009, cost of inventories included approximately of HK$16,499,000 (2008: HK$10,583,000) relating to depreciation expenses, which amount is also included in the respective total amounts disclosed separately above in note 10 for each of these types.

Note b: Included in the depreciation of approximately HK$34,343,000 (2008: HK$28,837,000) was an amount of approximately HK$16,499,000 (2008: HK$10,583,000) capitalized in cost of inventories sold during the year. The amount of approximately HK$16,499,000 (2008: HK$10,583,000) was included in cost of inventories sold of approximately HK$121,202,000 (2008: HK$94,367,000).

Note c: Arising from convertible bonds, please refer to note 30.

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

Emoluments paid or payable to each of the 9 (2008: 9) directors of the Company during the year were as follows:

For the year ended 30 June 2009

	Fees HK$'000	Salaries and other emoluments HK$'000	Contribution to retirement benefits scheme HK$'000	Total HK$'000
Executive Directors:				
Cheung Kwai Lan	**102**	**4,260**	**–**	**4,362**
Chan Tung Mei	**78**	**1,300**	**–**	**1,378**
Chan Ting	**102**	**2,730**	**13**	**2,845**
Chan Siu Sarah	**78**	**1,950**	**12**	**2,040**
Lau Hin Kun	**78**	**309**	**12**	**399**
Independent Non-executive Directors:				
Tian He Nian	**156**	**–**	**–**	**156**
Zhang Xiu Fu	**240**	**–**	**–**	**240**
To Yan Ming Edmond	**125**	**–**	**–**	**125**
Zhao Zhi Ming (resigned on 30 June 2009)	**156**	**–**	**–**	**156**
	1,115	**10,549**	**37**	**11,701**

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS – continued

(a) Directors' emoluments – continued

For the year ended 30 June 2008

	Fees HK$'000	Salaries and other emoluments HK$'000	Contribution to retirement benefits scheme HK$'000	Total HK$'000
Executive Directors:				
Cheung Kwai Lan	107	3,300	–	3,407
Chan Tung Mei	78	1,100	–	1,178
Chan Ting	107	2,200	12	2,319
Chan Siu Sarah *(Note a)*	7	160	1	168
Lau Hin Kun	78	282	12	372
Independent Non-executive Directors:				
Tian He Nian	133	–	–	133
Zhang Xiu Fu *(Note b)*	180	–	–	180
Zhao Zhi Ming	117	–	–	117
To Yan Ming Edmond	125	–	–	125
	932	7,042	25	7,999

Notes:

a. appointed on 28 May 2008

b. appointed on 25 January 2008

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS – continued

(b) Senior management emoluments

Of the five individuals whose emoluments were the highest in the Group for the year include four (2008: three) Directors whose emoluments are set out in the above. The emoluments payable to the remaining one (2008: two) individual during the year as follows:

	2009 **HK$'000**	2008 HK$'000
Salaries, allowances and other benefits	**1,540**	2,146
Contributions to retirement benefits scheme	**12**	19
	1,552	2,165

The emoluments fell with the following bands:

	2009 **No. of individuals**	2008 No. of individuals
Emoluments bands		
Nil – HK$1,000,000	**–**	1
HK$1,000,001 – HK$2,000,000	**1**	1

During the year ended 30 June 2009, no emoluments have been paid by the Group to the four Directors (2008: three Directors) or the one (2008: two) highest paid individuals as an inducement to join the Group, or as compensation for loss of office.

12. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	Continuing operations		Discontinued operations		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Wages and salaries	**31,355**	20,405	**6,818**	5,217	**38,173**	25,622
Retirement benefits scheme contributions	**938**	322	**–**	–	**938**	322
Total staff costs	**32,293**	20,727	**6,818**	5,217	**39,111**	25,944

13. INCOME TAX EXPENSES

	Continuing operations		Discontinued operations		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
The charge comprises:						
Current year						
Hong Kong Profits Tax	**–**	–	**–**	–	**–**	–
Other jurisdictions	**1,970**	2,306	**1,485**	1,953	**3,455**	4,259
	1,970	2,306	**1,485**	1,953	**3,455**	4,259
Over-provisions in prior years						
Hong Kong Profits Tax	**–**	–	**–**	–	**–**	–
Other jurisdictions	**(821)**	–	**–**	(2,368)	**(821)**	(2,368)
	(821)	–	**–**	(2,368)	**(821)**	(2,368)
Income tax expenses charged (credited) for the year	**1,149**	2,306	**1,485**	(415)	**2,634**	1,891

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group had no assessable profit derived in Hong Kong for both years.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

13. INCOME TAX EXPENSES – continued

Pursuant to the relevant laws and regulations in the PRC, certain PRC jointly controlled entities of the Company are exempted from PRC Enterprise Income Tax for the first two years commencing from their first profit making year of operation and thereafter, these PRC entities will be entitled to a 50% relief from PRC for the following three years ("Tax Preference").

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations changes the PRC Enterprise Income Tax rate to 25% and will affect the PRC group entitles of the Company from 1 January 2008.

Entities that originally enjoy the Tax Preference can continue enjoying the Tax Preference based on the original tax rate until after the expiration of the Tax Preference. Entities that did not start Tax Preference before 2008 because they were still in loss position shall start the Tax Preference from 2008.

The amount of income tax expenses charged to the consolidated income statement reconciled to the loss per consolidated income statement is as follows:

	2009 **HK$'000**	2008 HK$'000
Loss before income tax:		
Continuing operations	**(65,560)**	(106,672)
Discontinued operations	**(27,072)**	(4,451)
	(92,632)	(111,123)
Tax at the Hong Kong Profits Tax rate of 16.5% (2008: 17.5%)	**(15,284)**	(19,447)
Tax effect of expenses that are not deductible for tax purposes	**9,747**	16,305
Tax effect of income that is not taxable for tax purposes	**(7,613)**	(4,074)
Tax effect of tax losses not recognized	**20,960**	11,193
Tax effect of utilization of tax losses previously not recognized	**(284)**	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(4,071)**	282
Tax effect of over-provision in prior years	**(821)**	(2,368)
Income tax expenses	**2,634**	1,891

13. INCOME TAX EXPENSES – continued

At the balance sheet date, the Group has unused tax losses of approximately HK$66,399,000 (2008: HK$77,399,000) available for offset against future profits. No deferred tax asset has been recognized in respect of the unused tax losses due to the unpredictability of future profits streams. Deductible temporary differences have not been recognized in these financial statements owing to the absence of objective evidence in respect of the availability of sufficient taxable profits that are expected to arise to offset against the deductible temporary differences. Included in unused estimated tax losses are losses of approximately HK$19,270,000 (2008: HK$15,229,000) that will expire within 2 to 4 years from the year origination. Other losses may be carried forward indefinitely.

The components of unrecognized deductible (taxable) temporary differences are as follows:

	2009 **HK$'000**	2008 HK$'000
Deductible temporary differences:		
Unutilized tax losses	**66,399**	77,399
Other	**8,121**	7,828
Accelerated tax allowances	**259**	–
Taxable temporary differences:		
Accelerated tax allowances	**–**	(569)
	74,779	84,658

14. DISCONTINUED OPERATIONS

On 24 April 2009, the Group entered into agreements relating to the termination of the Profit Sharing Rights for return of monies provided to China Huayou Group Corporation and compensatory interest for an amount of approximately RMB39,856,000 (approximately HK$45,226,000) and the disposals by Aptus of the equity interest in Changde Joint Venture and Hunan Joint Venture for the consideration of RMB255,000,000 (approximately HK$289,350,000) and approximately RMB100,144,000 (approximately HK$113,634,000) respectively. Changde Joint Venture and Hunan Joint Venture together refer as a Disposal Group.

Details of the assets and liabilities disposed of are disclosed in note 15.

14. DISCONTINUED OPERATIONS – continued

The combined results and cash flows of the discontinued operations (i.e. the oilfield sharing right and the gas related business) included in the consolidated income statement and the consolidated cash flow statement are set out below:

	2009 HK$'000	2008 HK$'000
Loss for the year from discontinued operations		
Revenue and other revenue	**107,929**	66,872
Expenses	**(135,001)**	(71,323)
Loss before taxation	**(27,072)**	(4,451)
Income tax expenses	**(1,485)**	415
Loss for the year from discontinued operations	**(28,557)**	(4,036)
Cash flows from discontinued operations		
Net cash inflows from operating activities	**22,925**	18,871
Net cash outflows from investing activities	**(27,686)**	(29,659)
Net cash inflows (outflows) from financing activities	**6,355**	(5,009)
Net cash inflows (outflows)	**1,594**	(15,797)

15. NON-CURRENT ASSETS HELD FOR SALE

	2009 HK$'000
Assets related to the gas related business classified as held for sale	**350,193**
Liabilities of the gas related business associated with assets classified as held for sale	**123,825**
Net assets of the gas related business classified as held for sale	**226,368**
Reserve of the gas related business classified as held for sale	**19,990**

15. NON-CURRENT ASSETS HELD FOR SALE – continued

Note: The Group has entered into an agreement to dispose of its gas related business. The major classes of assets and liabilities comprising the operations classified as held for sale at the balance sheet date are as follows:

	2009 HK$'000
Property, plant and equipment *(Note)*	231,819
Construction in progress	2,877
Goodwill *(note 19)*	49,454
Prepaid lease payments	15,775
Prepayments, deposits and other receivables	8,513
Accounts receivables	1,181
Inventories	1,714
Bank balances and cash	38,860
Assets related to the gas related business classified as held for sale	350,193
Accounts payables	4,713
Accrued liabilities and other payables	8,900
Tax liabilities	1,503
Bank and other borrowings *(Note)*	108,709
Liabilities of the gas related business associated with assets classified as held for sale	123,825
Net assets of the gas related business classified as held for sale	226,368
Reserve of the gas related business classified as held for sale	19,990

Note: The Disposal Group has pledged gas distribution network having a carrying amount of approximately HK$117,278,000 to secure bank borrowings granted to the Disposal Group.

In addition, leasehold buildings included in property, plant and equipment are located in the People's Republic of China and held under medium term lease.

Borrowings of approximately HK$15,105,000 is secured by corporate guarantee from a shareholder of a jointly controlled entity, interest charged at 2.55% per annum and has fixed repayment term.

Borrowing of approximately HK$59,907,000 is secured by gas network of a jointly controlled entity, interest charged at 5.508%-5.751% per annum and has fixed repayment term.

Borrowing of approximately HK$33,697,000 is unsecured, interest charged at 4.779%-5.67% per annum and has fixed repayment term.

16. DIVIDENDS

No dividend was paid or proposed during the year ended 30 June 2009, nor has any dividend been proposed since the balance sheet date (2008: HK$Nil).

17. LOSS PER SHARE

For continuing and discontinued operations

The calculation of basic loss per share is based on the following data:

	2009 HK$'000	2008 HK$'000
Loss for the purposes of basic loss per share	**(100,643)**	(116,405)

Number of shares	**'000**	'000
Weighted average number of ordinary shares for the purpose of basic loss per share	**3,220,582**	1,449,641

No diluted loss per share has been presented in both years, as the outstanding share options, warrants and convertible bonds of the Company are anti-dilutive since their exercise or concession would result in a decrease in loss per share.

From continuing operations

The calculation of the basic loss per share from continuing operations attributable to the ordinary equity share holders of the parent is based on the following data:

	2009 HK$'000	2008 HK$'000
Loss for the year attributable to equity holders of the parent	**(100,643)**	(116,405)
Less: Loss for the year attributable to the equity holders of the Company from discontinued operations	**(28,557)**	(4,036)
Loss for the purpose of basic loss per share from continuing operations	**(72,086)**	(112,369)

The denominators used are the same as those detailed above for basic loss per share.

From discontinued operations

Loss per share for the discontinued operations is HK0.89 cent per share (2008: HK0.28 cent per share), based on the loss for the year from the discontinued operations of approximately HK$28,557,000 (2008: HK$4,036,000) and the denominators detailed above for basic loss per share.

18. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Gas distribution network HK$'000	Gas storage equipment HK$'000	Furniture, fixtures and equipment HK$'000	Plant and machinery HK$'000	Leasehold improvement HK$'000	Motor vehicles HK$'000	Computer equipment HK$'000	Total HK$'000
COST									
At 1 July 2007	18,876	157,374	10,041	7,260	42,623	1,108	5,995	4,056	247,333
Additions	254	9,637	–	1,086	–	910	2,166	138	14,191
Acquired on acquisition of subsidiaries	–	–	–	7,884	–	334	721	–	8,939
Transfer from construction in progress	1,520	15,022	–	9,089	–	–	–	–	25,631
Deemed disposal of a subsidiary held by a jointly controlled entity	(50)	(1,818)	(160)	(17)	–	–	(54)	–	(2,099)
Disposal	–	–	–	(41)	–	–	–	–	(41)
Exchange realignment	2,009	16,602	1,056	915	4,549	8	385	448	25,972
At 30 June 2008 and at 1 July 2008	22,609	196,817	10,937	26,176	47,172	2,360	9,213	4,642	319,926
Additions	–	6,133	3	7,878	1,798	–	2,906	142	18,860
Transfer from construction in progress	640	20,592	–	5,783	–	–	–	–	27,015
Disposal	–	–	–	(131)	–	–	(1,197)	–	(1,328)
Disposal of a subsidiary held by a jointly controlled entity	–	–	–	(852)	–	–	–	–	(852)
Exchange realignment	(43)	(370)	(21)	(82)	(88)	(1)	(13)	(8)	(626)
Reclassified as held for sale	(14,890)	(223,172)	(10,919)	(21,643)	–	–	(3,998)	–	(274,622)
At 30 June 2009	**8,316**	**–**	**–**	**17,129**	**48,882**	**2,359**	**6,911**	**4,776**	**88,373**
DEPRECIATION									
At 1 July 2007	745	3,332	280	710	3,939	552	1,012	1,066	11,636
Charged for the year	867	14,640	1,122	1,876	7,844	466	1,164	858	28,837
Deemed disposal of a subsidiary held by a jointly controlled entity	(1)	(43)	(8)	(2)	–	–	(3)	–	(57)
Eliminated on disposals	–	–	–	(10)	–	–	–	–	(10)
Exchange realignment	128	1,174	92	136	860	7	63	192	2,652
At 30 June 2008 and at 1 July 2008	1,739	19,103	1,486	2,710	12,643	1,025	2,236	2,116	43,058
Charged for the year	1,039	16,147	776	4,789	8,327	637	1,690	938	34,343
Eliminated on disposals	–	–	–	(63)	–	–	(645)	–	(708)
Eliminated on disposal of a subsidiary held by a jointly controlled entity	–	–	–	(51)	–	–	–	–	(51)
Exchange realignment	(6)	(62)	(4)	(16)	(36)	(1)	(6)	(5)	(136)
Reclassified as held for sale	(1,128)	(35,188)	(2,258)	(3,127)	–	–	(1,102)	–	(42,803)
At 30 June 2009	**1,644**	**–**	**–**	**4,242**	**20,934**	**1,661**	**2,173**	**3,049**	**33,703**
NET BOOK VALUES									
At 30 June 2009	**6,672**	**–**	**–**	**12,887**	**27,948**	**698**	**4,738**	**1,727**	**54,670**
At 30 June 2008	20,870	177,714	9,451	23,466	34,529	1,335	6,977	2,526	276,868

18. PROPERTY, PLANT AND EQUIPMENT – continued

The leasehold land and buildings of the subsidiary is located in the PRC and held under medium lease term.

Depreciation provided for the year within the Group after reclassified as held for sale included HK$29,000 from discontinued operations expenses.

At 30 June 2009, none of the Group's property, plant and equipment was held under finance lease (2008: HK$Nil).

19. GOODWILL

	HK$'000
COST	
At 1 July 2007	284,195
Arising on acquisition of subsidiaries	2,016,497
At 30 June 2008 and at 1 July 2008	2,300,692
Reclassified as held for sale	(49,454)
At 30 June 2009	**2,251,238**
IMPAIRMENT	
At 1 July 2007	(3,506)
Impairment loss recognized for the year	–
At 30 June 2008 and at 1 July 2008	(3,506)
Impairment loss recognized for the year	(31,761)
At 30 June 2009	**(35,267)**
CARRYING VALUES	
At 30 June 2009	**2,215,971**
At 30 June 2008	2,297,186

The Group tests goodwill annually for impairment in the financial year in which the acquisition takes place, or more frequently if there are indications that goodwill might be impaired.

19. GOODWILL – continued

For the year ended 30 June 2008, addition of goodwill was arisen from acquisition of subsidiaries, Grand Promise International Limited and Best Delight Group Limited of approximately HK$1,877,427,000 and HK$139,070,000 respectively.

The recoverable amounts of cash generating units ("CGUs") are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the year. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The value in use calculations is derived from cash flow projections based on the most recent financial budgets approved by management for the next 3 years. Cash flows beyond that 3 years period have been extrapolated using a steady growth rate, which is based on industry growth forecasts.

During the year ended 30 June 2009, the Group recognized an impairment loss of approximately HK$31,761,000 (2008: HK$Nil) in relation to goodwill arising on acquisition of subsidiary, CNPC Huayou Cu Energy Investment Co. Limited due to the termination of profits sharing right on oilfield and the carrying amount would over the recoverable amount in the future. In addition, goodwill of approximately HK$49,454,000 was reclassified to non-current assets held for sale (note 15).

20. OTHER INTANGIBLE ASSETS

	Research and development HK$'000	Computer software HK$'000	Technical know-how HK$'000	Total HK$'000
COST				
At 1 July 2007	–	4,913	–	4,913
Acquired on acquisition of subsidiaries and jointly controlled entities	924	–	2,829	3,753
Additions	693	–	–	693
Exchange realignment	20	525	64	609
At 30 June 2008 and at 1 July 2008	1,637	5,438	2,893	9,968
Additions	3,402	1,251	–	4,653
Transfer to technical know-how	(3,372)	–	–	(3,372)
Transfer from research and development	–	–	3,372	3,372
Exchange realignment	(3)	(11)	(5)	(19)
At 30 June 2009	**1,664**	**6,678**	**6,260**	**14,602**
AMORTIZATION				
At 1 July 2007	–	2,310	–	2,310
Charge for the year	–	1,937	6	1,943
Exchange realignment	–	357	–	357
At 30 June 2008 and at 1 July 2008	–	4,604	6	4,610
Charge for the year	–	887	439	1,326
Exchange realignment	–	(10)	(1)	(11)
At 30 June 2009	**–**	**5,481**	**444**	**5,925**
CARRYING VALUES				
At 30 June 2009	**1,664**	**1,197**	**5,816**	**8,677**
At 30 June 2008	1,637	834	2,887	5,358

The above intangible assets other than research and development have definite useful lives. Such intangible assets are amortized on a straight-line basis over the following periods:

Computer software	5 years
Technical know-how	3 years

21. INTEREST IN ASSOCIATES

	2009 HK$'000	2008 HK$'000
Cost of unlisted investment	**2,127**	1,982
Share of post-acquisition profits (losses)	**124**	(40)
Disposal	**(2,251)**	–
Exchange realignment	**–**	185
At 30 June	**–**	2,127

The Group has interests in the following associates:

Name of company	Form of business structure	Place of incorporation/ operation	Class of shares held	Proportion of nominal value of issued share capital held by the Group 2009	2008	Nature of business
深圳市博眾技術服務有限公司 *(Note a)* (Shenzhen Bozone Technology Services Co. Ltd.)	Limited liability Company	PRC	Registered capital	–	24.99%	Provision of lottery-related hardware and software systems
臨澧華油燃氣有限公司 *(Note b)* (Linli Huayou Gas Co., Ltd.)	Limited liability Company	PRC	Registered capital	–	23.49%	Distribution of natural gas

Note a: Shenzhen Bozone Technology Services Co. Ltd. ("Bozone Technology") was deregistrated during the year.

Note b: For the year ended 30 June 2008, Linli Huayou Gas Co., Limited ("Linli") is a subsidiary of a jointly controlled entity, Changde Huayou Gas Co., Limited ("Changde Joint Venture"), which holds 70% registered capital of Linli. Due to the change in share structure of Linli, shareholding held by Changde Joint Venture was decreased to 48.61% and Linli became an associate of the Group. Changde Joint Venture disposed its equity interest in Linli in November 2008.

21. INTEREST IN ASSOCIATES – continued

Summarized financial information in respect of the Group's associates is set out below:

	2009		
	Bozone Technology 1-July-2008 to date of deregistration HK$'000	Linli 1-July-2008 to date of disposal HK$'000	2008 HK$'000
Total assets	573	9,542	9,958
Total liabilities	(6)	(973)	(964)
Net assets	567	8,569	8,994
The Group's share of associates' net assets	278	2,013	2,127
Revenue	–	1,719	2,838
Profit (loss) for the year	–	526	(170)
The Group's share of result of associates	–	124	(40)

In November 2008, Changde Joint Venture disposed its equity interest in Linli, at a consideration of approximately HK$4,145,000.

Loss on disposal of Linli of approximately HK$7,000 was shared by the Group. Up to the date of disposal of Linli, the Group shared Linli's profit of approximately HK$124,000 for the year ended 30 June 2009. Gain on disposal of Bozone Technology of approximately HK$15,000 was recorded by the Group.

22. AVAILABLE-FOR-SALE FINANCIAL ASSET

	2009 HK$'000	2008 HK$'000
Unlisted investment, at cost less impairment	63,780	63,780

Unlisted investment represents investment in an unlisted equity securities issued by a private entity incorporated in the PRC. The Group holds 9.99% of shareholding right. In the opinion of the directors, the Group is unable to exercise significant influence on the financial and operation of the investee, therefore, the investment is classified as available-for-sale financial asset.

The unlisted investment is measured at cost less impairment at the balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are in the opinion that its fair value cannot be measured reliably. During the year ended 30 June 2009, impairment loss had not been made (2008: HK$Nil).

23. PREPAID LEASE PAYMENTS

	2009	2008
	HK$'000	HK$'000
At 1 July	**15,954**	12,876
Additions	**316**	2,191
Exchange realignment	**(29)**	1,348
	16,241	16,415
Less: Charged to consolidated income statement for the year	**(466)**	(461)
Reclassified as held for sale	**(15,775)**	–
At 30 June	**–**	15,954
Analysis for reporting purposes:		
Non-current portion	**–**	15,502
Current portion	**–**	452
At 30 June	**–**	15,954

The amount represented medium-term land use rights situated in the PRC and premises under operating leases in the PRC.

24. CONSTRUCTION IN PROGRESS

	2009	2008
	HK$'000	HK$'000
At 1 July	**6,912**	14,004
Additions	**22,994**	17,249
Deemed disposal of a subsidiary held by a jointly controlled entity	**–**	(184)
Transferred to property, plant and equipment	**(27,015)**	(25,631)
Exchange realignment	**(14)**	1,474
Reclassified as held for sale	**(2,877)**	–
At 30 June	**–**	6,912

25. INVENTORIES

	2009 HK$'000	2008 HK$'000
Raw materials and consumables	**486**	2,450
Finished goods	**1,937**	4,462
	2,423	6,912

All inventories are stated at cost.

26. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2009 HK$'000	2008 HK$'000
Trade receivables	**9,860**	16,047
Other receivables and prepayments	**51,697**	104,288
	61,557	120,335
Less: Allowances for doubtful receivable	**(5,517)**	(5,848)
At 30 June	**56,040**	114,487

Payment terms with customers are mainly on credit. Invoices are normally payable within 180 days of issuance. The following is an aged analysis of trade receivables at the balance sheet dates:

	2009 HK$'000	2008 HK$'000
0 to 30 days	**5,061**	6,873
31 to 60 days	**737**	4,077
61 to 365 days	**3,298**	3,708
Over 1 year	**764**	1,389
	9,860	16,047

The trade receivables with carrying amount of approximately HK$8,149,000 (2008: HK$14,658,000) are neither past due nor impaired at the reporting date.

26. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS – continued

The Group has policies for allowances for doubtful receivable which are based on the evaluation of collectibility and age analysis of accounts and on the management's judgement including the credit creditworthiness, collaterals and the past collection history of each customer.

During the year ended 30 June 2009, the Group made an allowance of approximately HK$344,000 (2008: HK$1,051,000) in respect of trade receivables, which was past due at the reporting date with long age and slow repayments were received from respective customers since the due date. The directors considered the related receivables may be impaired and specified allowance is made.

Movement in the allowances for doubtful receivable:

	2009	2008
	HK$'000	HK$'000
Balance at the beginning of the year	**5,848**	–
Charged for the year – trade receivables	**344**	1,051
Amount written off as uncollectible	**(172)**	–
Amount recovered during the year – trade receivables	**(100)**	–
Charged for the year – other receivables	**353**	4,797
Exchange adjustments	**46**	–
Reclassified as parts of disposal group of asset held for sale	**(802)**	–
At 30 June	**5,517**	5,848

Included in the Group's trade receivable with a carrying amount of approximately HK$416,000 (2008: HK$338,000) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amount are still considered recoverable. The Group does not hold any collateral over these balances.

Other receivables and prepayments included:

(a) Prepayments for the drilling operation of Xin Jiang Oilfield in the PRC of approximately HK$34 million (2008: HK$34 million) from discontinued operations.

(b) Deposits for investment in a jointly controlled entity of approximately HK$Nil (2008: HK$4.7 million).

(c) Deposits held in securities dealer of a jointly controlled entity of approximately HK$Nil (2008: HK$16 million).

(d) Prepayment of professional fees for investments of approximately HK$Nil (2008: HK$25.1 million).

The fair value of the Group's trade and other receivables and prepayments at 30 June 2009 was approximate to the corresponding carrying amount.

27. BANK BALANCES AND CASH

	2009 HK$'000	2008 HK$'000
Cash and bank deposits denominated in:		
Hong Kong dollar	**7,374**	77,839
Renminbi	**87,329**	74,321
United States dollar	**136,292**	140,260
Singaporean dollar	**200**	180
At 30 June	**231,195**	292,600

Included in the balance was approximately HK$87,329,000 (2008: HK$74,321,000), representing bank deposits denominated in Renminbi placed with banks in the PRC by the Group. The remittance of these funds out of the PRC is subject to the exchange control restrictions imposed by the PRC government. In addition, an amount of approximately HK$Nil (2008: HK$138,686,000), representing bank deposits denominated in United States dollars placed with a bank in Hong Kong in an escrow account upon acquisition of subsidiaries and jointly controlled entities.

28. TRADE AND OTHER PAYABLES

	2009 HK$'000	2008 HK$'000
Trade payables	**13,315**	6,823
Other payables	**44,766**	59,270
At 30 June	**58,081**	66,093

The following is an aged analysis of trade payables at the balance sheet dates:

	2009 HK$'000	2008 HK$'000
0 to 30 days	**76**	27
31 to 120 days	**3,776**	–
121 to 180 days	**9,358**	169
181 to 365 days	**105**	2,885
Over 1 year	**–**	3,742
At 30 June	**13,315**	6,823

The fair value of the Group's trade and other payables at 30 June 2009 was approximate to the corresponding carrying amount.

29. BANK AND OTHER BORROWINGS

	2009 HK$'000	2008 HK$'000
Other loans, unsecured *(Note a)*	**36,145**	83,246
Other loan, secured	**–**	17,474
Bank loans, secured	**–**	60,020
Bank loan, unsecured	**–**	20,256
At 30 June	**36,145**	180,996

The Group's borrowings are repayable as follows:

	2009 HK$'000	2008 HK$'000
On demand or within one year	**16,500**	66,745
More than one year, but not exceeding two years	**19,645**	63,704
Two to five years	**–**	40,054
Over five years	**–**	10,493
	36,145	180,996
Less: Amount due within one year shown under current liabilities	**(16,500)**	(66,745)
Amount due after one year	**19,645**	114,251

The fair value of the Group's borrowings at 30 June 2009 was approximate to the corresponding carrying amount.

Note:

a. Borrowings of approximately HK$16,500,000 is interest bearing at 2-3% over prime rate, unsecured and repayable in next twelve months.

Borrowings of approximately HK$19,645,000 is unsecured, interest bearing at prime rate and not repayable in next twelve months.

Bank and other borrowings of approximately HK$108,709,000 were reclassified to liabilities of the gas related business associated with assets classified as held for sale.

29. BANK AND OTHER BORROWINGS – continued

The details of the Group's borrowings which are denominated in foreign currencies are set out as below:

	RMB HK$'000 equivalent
At 30 June 2009	**–**
At 30 June 2008	97,750

30. CONVERTIBLE BONDS

(a) On 22 November 2006, the subsidiary of the Company, Aptus Holdings Limited ("Aptus") issued convertible bonds due on 21 November 2011 with a principal amount of HK$234,000,000, which is with a gross yield at 11% per annum, calculated in a semi-annual basis. The convertible bonds were issued for the purpose of the acquisition of a 48.33% equity interest in the Changde Joint Venture, 33% equity interest in the Hunan Joint Venture and general working purposes.

On 28 August 2009, the Company and Evolution, the sole beneficial owner have entered into a deed of undertaking as follows:

(a) in consideration of the undertaking given by the Company referred to in paragraph (b) below, Evolution irrevocably and unconditionally undertakes to the Company that it will not exercise its conversion right under the convertible bonds; and

(b) in consideration of the undertaking given by Evolution referred to in paragraph (a) above, the Company irrevocably and unconditionally undertakes to Evolution that when the Redemption Amount is Available for Redemption, it will be applied to redeem the convertible bonds.

On each of 21 November 2009 and 21 November 2010 (each a "Put Option Date"), each bondholder will have the right to require Aptus to redeem in whole or in part of the convertible bonds of such bondholder(s) on the Put Option Date together with interest accrued to the Put Option Date.

Unless previously redeemed, converted or purchased and cancelled, the convertible bonds will be redeemed at 150.15% of their principal amount on 21 November 2011.

30. CONVERTIBLE BONDS – continued

(a) (continued)

The fair value of the liability component of the convertible bonds is estimated by computing the present value of all future cash flows discounted using prevailing market rate of interest for similar instrument with a similar credit rating and with consideration of the convertible bonds. The residual amount, representing the value of the equity component is credited to a Company's reserve account.

The Directors had assessed the fair values of the early redemption rights and considered the fair value is insignificant.

The convertible bonds have been spilt between the liability and equity components as follows:

	2009 **HK$'000**	2008 HK$'000
Nominal value of convertible bonds issued	**234,000**	234,000
Equity component	**(10,712)**	(10,712)
Liability component at the issuance date	**223,288**	223,288
Interest paid	**(5,850)**	–
Imputed finance cost	**85,806**	51,036
Non-current liability component as at the balance sheet date	**303,244**	274,324
	(Note b)	

For details, please refer to the joint announcement of Aptus and the Company dated 9 November 2006, 23 October 2008, 7 January 2009 and 28 August 2009.

30. CONVERTIBLE BONDS – continued

(b) The Company assumed the convertible bonds issued by Grand Promise International Limited with a principal amount of US$35 million. The convertible bonds are denominated in United State dollars. The convertible bonds holders are entitled to convert the convertible bonds into ordinary shares of the Company at a conversion price of HK$0.8 per each ordinary share. If any of the convertible bonds have not been converted, they will be redeemed on the maturity date at 141.06% of the outstanding principal amount of the Bonds.

Further details of the convertible bonds can also be found in the circular made by the Company dated 14 March 2008.

The convertible bonds contain two components: liability component and conversion option derivative. The effective interest rate of the liability component is 16.38%. The conversion option derivative is measured at fair value with changes in fair value recognized in profit and loss.

The movement of the liability component and conversion option derivative of the convertible bonds for the year is set out as below:

	Conversion option derivative component HK$'000	**Liability component** HK$'000
At 1 July 2008	100,861	196,773
Imputed finance cost	–	22,722
Changes of fair value	(25,629)	–
At 30 June 2009	75,232	219,495
	(Note a)	*(Note b)*

Note a: Recorded in current liabilities as derivative financial instruments.

Note b: Total of approximately of HK$522,739,000 (2008: HK$471,097,000) is recorded as non-current liabilities.

31. SHARE CAPITAL

	Number of shares '000	HK$'000
Authorized:		
At 1 July 2008 and 30 June 2009, shares of HK$0.01 each	20,000,000	200,000
Issued and fully paid:		
At 1 July 2007	936,079	9,361
Shares issued on exercise of options	16,900	169
Conversion of convertible bonds	106	1
Shares issued for repayment of loan	20,023	200
Shares issued pursuant to sale and purchase agreement	2,262,174	22,622
At 30 June 2008 and 1 July 2008, shares of HK$0.01 each	3,235,282	32,353
Shares issued on exercise of warrants	17	–
Shares buy-back	(23,405)	(234)
At 30 June 2009, shares of HK$0.01 each	3,211,894	32,119

During the year, the movements in share capital were as follows:

(a) During the year, 16,600 shares were issued on exercise of warrants.

(b) During the year, the Company repurchased a total of 23,405,000 shares of its own shares through the Stock Exchange for an aggregate consideration of approximately HK$11,410,000. The highest and lowest prices per share paid by the Company for the purchase of shares during the year were HK$0.63 and HK$0.25 respectively.

All the repurchased shares were cancelled by the Company upon such repurchase and, accordingly, the issued share capital of the Company was reduced by the nominal value of these shares.

The premium payable on the repurchase was charged against the share premium account.

The directors considered that, as the Company's shares are trading at a discount to the expected net asset value per share, the repurchase of shares would be beneficial to the Company.

Warrants

On 1 November 2006, a bonus issue of 124,810,561 warrants was made on the basis of one warrant for every five issued shares held on 24 October 2006. Each warrant entitles its holder to subscribe in cash at a price of HK$1.33 for one share of the Company at any time from 3 November 2006 to 2 November 2008, both days inclusive. 16,600 warrants were exercised during the year and the balance of warrants expired on 2 November 2008.

32. SHARE-BASED PAYMENT TRANSACTIONS

Pre-IPO Share Option Scheme

As at 30 June 2009, all options granted under the Pre-IPO Share Option Scheme were either exercised or lapsed.

Share Option Scheme

The Company has adopted a share option scheme (the "Share Option Scheme"), under which the Directors may, at its discretion, invite any persons belonging to any of the following classes of participants, to take up options to subscribe for the shares in the Company:

(a) any employees (whether full-time or part-time) of the Company, any of its subsidiaries or any entity (the "Invested Entity") in which the Group holds any equity interest, including any executive director of the Company, any of such subsidiaries or any Invested Entity;

(b) any Non-executive Directors (including Independent Non-executive Directors) of the Company, any of its subsidiaries or any Invested Entity;

(c) any supplier of goods or services to any member of the Group or any Invested Entity;

(d) any customer of the Group or any Invested Entity;

(e) any person or entity that provides research, development, or other technological support to the Group or any Invested Entity; and

(f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity.

The Share Option Scheme will remain valid for a period of 10 years commencing from 18 October 2002. The exercise price of the share options is determinable by the Directors, and may not be less than the highest of:

(i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a business day;

(ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a share of the Company.

No share options was granted during the year ended 30 June 2009.

There were 84,100,000 outstanding share options brought forward from 1 July 2008 and no share options was exercised for the year ended 30 June 2009.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2009

32. SHARE-BASED PAYMENT TRANSACTIONS – continued

Share Option Scheme – continued

2009

Categories of grantees	Date of grant	Exercise price HK$	Number of share options at 1 July 2008 '000	Granted during the year '000	Exercised during the year '000	Lapsed during the year '000	Number of share options at 30 June 2009 '000	Exercise period of share options
Cheung Kwai Lan	23/11/2006	0.62	1,560	–	–	–	1,560	23/11/2006 – 17/10/2012
	23/11/2006	0.62	1,560	–	–	–	1,560	23/5/2007 – 17/10/2012
	23/11/2006	0.62	3,120	–	–	–	3,120	23/11/2007 – 17/10/2012
Chan Tung Mei	23/11/2006	0.62	1,560	–	–	–	1,560	23/11/2006 – 17/10/2012
	23/11/2006	0.62	1,560	–	–	–	1,560	23/5/2007 – 17/10/2012
	23/11/2006	0.62	3,120	–	–	–	3,120	23/11/2007 – 17/10/2012
Chan Ting	23/11/2006	0.62	1,560	–	–	–	1,560	23/11/2006 – 17/10/2012
	23/11/2006	0.62	1,560	–	–	–	1,560	23/5/2007 – 17/10/2012
	23/11/2006	0.62	3,120	–	–	–	3,120	23/11/2007 – 17/10/2012
Lau Hin Kun	23/11/2006	0.62	350	–	–	–	350	23/11/2006 – 17/10/2012
	23/11/2006	0.62	350	–	–	–	350	23/5/2007 – 17/10/2012
	23/11/2006	0.62	700	–	–	–	700	23/11/2007 – 17/10/2012
Tian He Nian	23/11/2006	0.62	260	–	–	–	260	23/11/2006 – 17/10/2012
	23/11/2006	0.62	260	–	–	–	260	23/5/2007 – 17/10/2012
	23/11/2006	0.62	530	–	–	–	530	23/11/2007 – 17/10/2012

32. SHARE-BASED PAYMENT TRANSACTIONS – continued

Share Option Scheme – continued

2009 – continued

Categories of grantees	Date of grant	Exercise price HK$	Number of share options at 1 July 2008 '000	Granted during the year '000	Exercised during the year '000	Lapsed during the year '000	Number of share options at 30 June 2009 '000	Exercise period of share options
To Yan Ming Edmond	23/11/2006	0.62	260	–	–	–	260	23/11/2006 – 17/10/2012
	23/11/2006	0.62	260	–	–	–	260	23/5/2007 – 17/10/2012
	23/11/2006	0.62	530	–	–	–	530	23/11/2007 – 17/10/2012
Eligible participants	18/8/2004	0.427 (adjusted)	28,500	–	–	–	28,500	19/8/2004 – 17/10/2012
Eligible participants	23/11/2006	0.62	33,380	–	–	–	33,380	23/11/2006 – 17/10/2012
Total			84,100	–	–	–	84,100	

The closing prices of the Company's shares on 18 August 2004, 22 March 2006 and 23 November 2006, the dates of grant of the share options, were HK$0.64 (adjusted to HK$0.427 due to issue of bonus shares on 1 November 2006), HK$2.90 (adjusted to HK$1.90 due to issue of bonus shares on 1 November 2006) and HK$0.63, respectively.

The exercise in full of the share options would, under the present capital structure of the Company, result in the issue of 84,100,000 additional ordinary shares of the Company at additional share capital of HK$841,000 and share premium of HK$45,800,500.

32. SHARE-BASED PAYMENT TRANSACTIONS – continued

Share Option Scheme – continued

At 30 June 2009, the number of the shares in respect of which option had been granted and remained outstanding under the scheme was 2.62% (2008: 2.60%) of the shares of the Company in issue at that date.

The maximum number of shares of the Company which may be issued upon exercise of all the outstanding options granted and yet to be issued under the Pre-IPO Share Option Scheme, the Share Option Scheme or any other schemes must not, in aggregate, exceed 30% of the shares of the Company in issue from time to time.

The maximum number of shares which may be granted under the Pre-IPO Share Option Scheme of the Company must not exceed 40,000,000 shares, being 10% of the issued share capital as at the listing of the Company's shares on GEM on 12 November 2002.

The maximum number of shares issued and to be issued on the exercise of options granted and to be granted to each eligible participant (included both exercised and outstanding options) in any 12-month period must not exceed 1% of the total issued share capital of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholder's approval in a general meeting.

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

32. SHARE-BASED PAYMENT TRANSACTIONS – continued

Share Option Scheme – continued

2008

Categories of grantees	Date of grant	Exercise price HK$	Number of share options at 1 July 2007 '000	Granted during the year '000	Exercised during the year '000	Lapsed during the year '000	Number of share options at 30 June 2008 '000	Exercise period of share options
Cheung Kwai Lan	23/11/2006	0.62	1,560	–	–	–	1,560	23/11/2006 – 17/10/2012
	23/11/2006	0.62	1,560	–	–	–	1,560	23/5/2007 – 17/10/2012
	23/11/2006	0.62	3,120	–	–	–	3,120	23/11/2007 – 17/10/2012
Chan Tung Mei	23/11/2006	0.62	1,560	–	–	–	1,560	23/11/2006 – 17/10/2012
	23/11/2006	0.62	1,560	–	–	–	1,560	23/5/2007 – 17/10/2012
	23/11/2006	0.62	3,120	–	–	–	3,120	23/11/2007 – 17/10/2012
Chan Ting	23/11/2006	0.62	1,560	–	–	–	1,560	23/11/2006 – 17/10/2012
	23/11/2006	0.62	1,560	–	–	–	1,560	23/5/2007 – 17/10/2012
	23/11/2006	0.62	3,120	–	–	–	3,120	23/11/2007 – 17/10/2012
Lau Hin Kun	18/8/2004	0.427 (adjusted)	1,600	–	(1,600)	–	–	19/8/2004 – 17/10/2012
	23/11/2006	0.62	350	–	–	–	350	23/11/2006 – 17/10/2012
	23/11/2006	0.62	350	–	–	–	350	23/5/2007 – 17/10/2012
	23/11/2006	0.62	700	–	–	–	700	23/11/2007 – 17/10/2012

32. SHARE-BASED PAYMENT TRANSACTIONS – continued

Share Option Scheme – continued

2008 – continued

Categories of grantees	Date of grant	Exercise price HK$	Number of share options at 1 July 2007 '000	Granted during the year '000	Exercised during the year '000	Lapsed during the year '000	Number of share options at 30 June 2008 '000	Exercise period of share options
Tian He Nian	23/11/2006	0.62	260	–	–	–	260	23/11/2006 – 17/10/2012
	23/11/2006	0.62	260	–	–	–	260	23/5/2007 – 17/10/2012
	23/11/2006	0.62	530	–	–	–	530	23/11/2007 – 17/10/2012
Zhao Zhi Ming	23/11/2006	0.62	260	–	–	–	260	23/11/2006 – 17/10/2012
	23/11/2006	0.62	260	–	–	–	260	23/5/2007 – 17/10/2012
	23/11/2006	0.62	530	–	–	–	530	23/11/2007 – 17/10/2012
To Yan Ming Edmond	23/11/2006	0.62	260	–	–	–	260	23/11/2006 – 17/10/2012
	23/11/2006	0.62	260	–	–	–	260	23/5/2007 – 17/10/2012
	23/11/2006	0.62	530	–	–	–	530	23/11/2007 – 17/10/2012
Eligible participants	18/8/2004	0.427 (adjusted)	37,000	–	(8,500)	–	28,500	19/8/2004 – 17/10/2012
Eligible participants	22/3/2006	1.90 (adjusted)	40,210	–	–	(40,210)	–	22/3/2006 – 22/3/2008
Eligible participants	23/11/2006	0.62	39,130	–	(6,800)	–	32,330	23/11/2006 – 17/10/2012
Total			141,210	–	(16,900)	(40,210)	84,100	

32. SHARE-BASED PAYMENT TRANSACTIONS – continued

Share Option Scheme – continued

These fair values were calculated by using the Black-Scholes Option Pricing Model. The inputs into the model were as follows:

	Share option grant date				
	22 March 2006	23 November 2006			
Share price on grant date (HK$)	2.90	0.70	0.70	0.70	0.70
Exercise price (HK$)	2.85	0.62	0.62	0.62	0.62
Expected volatility	83.83%	74.67%	74.67%	74.67%	74.67%
Expected life	2 years	1 year	2 years	2.5 years	3 years
Risk-free rate	4%	3.66%	3.68%	3.69%	3.709%
Expected dividend yield	0.69%	0%	0%	0%	0%

Expected volatility for the options granted 22 March 2006 and 23 November 2006 was determined by using the historical volatility of the Company's share price over the previous 2 years and 1 to 3 years respectively. The expected life used in the model has been adjusted, based on the management's best estimate, for the effects on non transferability, exercise restrictions and behavioural considerations.

The Group recognized the total expenses of approximately HK$Nil for the year ended 30 June 2009 (2008: HK$864,000) in relation to share options granted by the Company.

In addition, the Group recognized share option expenses of its subsidiary, Aptus Holdings Limited of approximately HK$Nil (2008: HK$7,674,000) into the consolidated income statement.

33. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Disposal of a subsidiary held by a jointly controlled entity

On 31 August 2008, the Group disposed equity interest in 北京中文發影音文化傳播有限公司 (China Culture Development Music Culture Broadcasting Co., Limited). Details of the disposal was summarised as follows:

	HK$'000
NET ASSETS DISPOSED	
Property, plant and equipment	801
Other receivables and prepayments	52
Bank balances and cash	320
Accruals and other payables	(660)
Net assets	513
Gain on disposal	1,158
Total consideration	1,671
Satisified by:	
Cash	1,671
Net cash inflow arising on disposal:	
Cash consideration	1,671
Bank balances and cash disposal of	(320)
	1,351

Acquisition of subsidiaries

For the year ended 30 June 2008, the Group acquired 100% equity interest in Grand Promise International Limited ("Grand Promise") and Best Delight Group Limited ("Best Delight") and their subsidiaries and jointly controlled entities at a consideration of approximately HK$1,877,604,000 and HK$139,000,000, respectively. For the acquisition of Grand Promise, the Group issued 2,262,173,906 ordinary shares of HK$0.01 per share for the acquisition. The closing price of the Company's share as at 11 April 2008, the completion date of the transaction was HK$0.83 and non-cash consideration of approximately HK$1,877,604,000 for this acquisition transaction was resulted. For the acquisition of Best Delight, the Group has paid cash consideration of HK$139,000,000.

Set out below is the details of Grand Promise and Best Delight upon completion of the acquisition and goodwill of approximately HK$1,877,427,000 and HK$139,070,000 was recorded in these transactions respectively.

33. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT – continued

Acquisition of subsidiaries – continued

	Grand Promise HK$'000	Best Delight HK$'000	Total HK$'000
NET ASSETS (LIABILITIES) ACQUIRED			
Property, plant and equipment	8,939	–	8,939
Available-for-sale financial asset	–	63,780	63,780
Research and development	924	–	924
Other intangible assets	2,829	–	2,829
Other receivables and prepayments	5,212	–	5,212
Bank balances and cash	277,044	116	277,160
Accruals and other payables	(895)	(65)	(960)
Other loan	(13,816)	(63,901)	(77,717)
Convertible bonds	(280,060)	–	(280,060)
	177	(70)	107
Goodwill on acquisition	1,877,427	139,070	2,016,497
Total consideration	1,877,604	139,000	2,016,604
SATISFIED BY			
Cash consideration	–	139,000	139,000
Shares allotted	1,877,604	–	1,877,604
	1,877,604	139,000	2,016,604
Net cash inflow arising on acquisition:			
Cash consideration	–	(139,000)	(139,000)
Bank balances and cash acquired	277,044	116	277,160
Net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries	277,044	(138,884)	138,160

Note: Consideration for acquisition of Grand Promise was satisfied by allotment of 2,262,173,906 ordinary shares of the Company of HK$0.01 par values. Fair value of the shares allotted at the acquisition date was HK$0.83.

The acquirees' carrying amount of net assets before combination approximates to its fair value. Accordingly, no fair value adjustments are required. Grand Promise contributed to the Group's loss before taxation of approximately HK$2,369,000 between the date of acquisition to 30 June 2008.

Consideration for acquisition of Best Delight was satisfied by cash of HK$139,000,000.

33. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT – continued

Major non-cash transactions

(a) During the year ended 30 June 2009, the Group incurred share option expenses of approximately HK$Nil (2008: HK$8,538,000).

(b) During the year, the Group incurred imputed interest on convertible bonds of approximately HK$57,492,000 (2008: HK$35,487,000).

(c) During the year, impairment loss on goodwill of approximately HK$31,761,000 (2008: HK$Nil) was provided in the consolidated income statement.

Deemed disposal of a subsidiary held by a jointly controlled entity

For year ended 30 June 2008, Linli Huayou Gas Co., Limited ("Linli") is a subsidiary of a jointly controlled entity, Changde Huayou Gas Co., Limited ("Changde Joint Venture"), which holds 70% registered capital of Linli. Due to the change in share structure of Linli, shareholding held by Changde Joint Venture decreased to 48.61% and Linli became an associate of the Group. Loss arisen on deemed disposal of equity interest in Linli was approximately of HK$7,000.

	Linli HK$'000
Property, plant and equipment	2,042
Accounts receivables	23
Prepayments, deposits and other receivables	4
Inventories	146
Construction in progress	184
Bank balances and cash	208
Accounts payables	(36)
Accrued liabilities and other payables	(71)
Net assets	2,500
Less: Minority interests	(737)
Less: Released of translation reserve	(12)
Net amount of assets disposed of	1,751
Loss on disposal	(7)
Represented by investment in an associate at the date of deemed disposal	1,744
Net cash outflow arising on deemed disposal:	
Bank balances and cash disposed of	208

34. CONTINGENT LIABILITIES

The Company provided corporate guarantees to the extent of approximately HK$10,000,000 (2008: HK$10,000,000) to a bank to secure general banking facilities granted to a subsidiary.

The Company provided corporate guarantees to the extend of approximately HK$16,500,000 (2008: HK$16,500,000) to secure other loan granted to a subsidiary.

The total facilities utilized by the Group at 30 June 2009 amounted to approximately HK$16,500,000 (2008: HK$16,500,000).

35. OPERATING LEASE COMMITMENTS

The Group as lessee

As at 30 June 2009, the Group had commitments for future minimum lease payments in respect of rented premises under non-cancellable operating leases which fall due as follows:

Continuing operations

	2009 **HK$'000**	2008 HK$'000
Within one year	**4,323**	4,019
In the second to fifth year inclusive	**2,290**	2,873
	6,613	6,892

Discontinued operations

	2009 **HK$'000**	2008 HK$'000
Within one year	**10**	19
In the second to fifth year inclusive	**14**	7
Over five years	**3**	–
	27	26

Operating lease payments represent rentals payable by the Group for certain of its office properties.

35. OPERATING LEASE COMMITMENTS – continued

The Group as lessor

As at 30 June 2009, the Group had contracted with tenants for the following minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

Discontinued operations

	2009 **HK$'000**	2008 HK$'000
Within one year	**520**	314
In the second to fifth year inclusive	**1,631**	263
Over five years	**2,106**	–
At 30 June	**4,257**	577

Leases are negotiated for an average term of 2 to 10 years.

The Group did not have any lease arrangement from continuing operations.

36. CAPITAL COMMITMENTS

	2009 **HK$'000**	2008 HK$'000
Continuing operations		
Capital expenditure in respect of the investment in a subsidiary		
– authorized but not contracted for	**44,137**	44,220

37. RETIREMENT BENEFITS SCHEME

With the introduction of Mandatory Provident Fund Scheme (the "MPF Scheme") in December 2000 in Hong Kong, the Group has arranged its employees in Hong Kong to join the MPF Scheme. The retirement benefits scheme contributions charged to the consolidated income statement represents contributions payable to the MPF Scheme by the Group at rates specified in the rules of the MPF Scheme.

The employees employed in the PRC subsidiaries are members of the state-managed retirement benefits schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the schemes.

The employees employed in the Singapore subsidiary are members of the Central Provident Fund Scheme. The Singapore subsidiary is required to contribute pension, based on a certain percentage of their payroll, to the Central Provident Fund Scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

The total cost charged to the consolidated income statement of approximately HK$938,000 (2008: HK$322,000) represents retirement benefits scheme contributions for the year ended 30 June 2009.

38. PROVISION FOR LONG SERVICE PAYMENTS

Under the Hong Kong Employment Ordinance, the Group is obliged to make lump sum payments on cessation of employment in certain circumstances to certain employees who have completed at least five years of service with the Group. The amount payable is dependent on the employee's final salary and years of service, and is reduced by entitlements accrued under the Group's retirement plan that are attributable to contributions made by the Group. The Group does not set aside any assets to fund any remaining obligations.

The Group had no significant provision for long service payments at 30 June 2009 (2008: HK$Nil).

39. PLEDGE OF ASSETS

As at 30 June 2009, the Group has pledged all the issued and outstanding shares of Birdview Group Limited (a wholly-owned subsidiary of Grand Promise International Limited) together with all proceeds in favor of the holder(s) of the convertible bonds previously issued by Grand Promise and by the Deeds of Adherence on completion of acquisition of Grand Promise in April 2008, the convertible bonds were taken up by the Company.

At 30 June 2009, the Group has pledged its bank deposits of approximately HK$5,110,000 (2008: HK$5,033,000) as securities for the general banking facilities granted to the Group.

As at 30 June 2009, the 100% of the issued share capital of Good United Management Limited ("GUM"), a subsidiary of the Company, was pledged in favors of the holder(s) of the convertible bonds issued by Aptus on 22 November 2006. GUM held 70% equity interest in CNPC Huayou Cu Energy Investment Co. Limited, which owned profit sharing rights on Xin Jiang Oilfield.

In addition, borrowings of approximately HK$59,907,000 which is classified as liabilities associated with asset classified as held for sale (2008: HK$60,020,000) has been secured by gas network of a jointly controlled entity, Hunan Joint Venture.

40. SHARE AWARD SCHEME

On 24 January 2005, the Company adopted a share award scheme for employees and consultants, excluding executive directors and chief executive, of the Group for the purpose of recognizing the contributions of certain employees and consultants of the Group to the growth of the Group, by rewarding them with opportunities to obtain an ownership interest in the Company and to further motivate them and give an incentive to these persons to continue to contribute to the Group's long term success and prosperity. Under the scheme, following the making of an award to employees and consultants, the relevant newly issued shares vest over a period of time provided that the employees and consultants continue to contribute to the Group at the relevant time and satisfies any other conditions specified at the time the award is made. The maximum aggregate number of shares that can be awarded under the scheme is limited to 20% of the issued share capital of the Company and no cash consideration should be paid for the shares allotted under the share award scheme.

No share award was granted during the year ended 30 June 2009 (2008: HK$Nil).

The fair value of shares under the share award scheme is measured by the last 14 days of trading average of the quoted market price of the Shares on the Stock Exchange before the date of grant.

41. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform with current year's presentation.

42. RELATED PARTY TRANSACTIONS

Compensation of directors and key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2009	2008
	HK$'000	HK$'000
Short-term benefits	**16,472**	12,550
Post-employment benefits	**120**	94
	16,592	12,644

The remuneration of directors and key management personnel is determined by the remuneration committee having regard to the performance of individuals and market trends.

Acquisition of subsidiaries

For the year ended 30 June 2008, the Group acquired subsidiaries from certain related parties at a consideration of approximately HK$1,877,604,000. For detail, please refer to the circular of the Company dated 14 March 2008.

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the subsidiaries at 30 June 2009 are as follows:

Name of company	Place of incorporation/ operation	Class of shares held/ Issued and fully paid up shares/ registered capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Precise Result Profits Limited	British Virgin Islands	Ordinary share US$1	–	100%	Investment holding
Aptus Holdings Limited	Cayman Islands	Ordinary shares HK$17,628,414	–	55.12%	Investment holding
China Success Enterprises Limited	British Virgin Islands	Ordinary shares US$2,000	100%	–	Investment holding
Loyalion Limited	Hong Kong	Ordinary shares HK$1,000	–	100%	Investment holding
B & B International Marketing (HK) Limited	Hong Kong	Ordinary shares HK$2	–	100%	Distribution of natural supplementary products
B & B International Marketing Limited	British Virgin Islands	Ordinary share US$1	–	100%	Investment holding
B & B Winery Limited	Hong Kong	Ordinary shares HK$1,000	–	100%	Investment holding
B & B Enterprises Limited	Hong Kong	Ordinary shares HK$100	–	100%	Investment holding
Natural Lives Company Limited	Hong Kong	Ordinary shares HK$500,000	–	60%	Distribution of natural supplementary products
B & B Group Holdings Limited	Hong Kong	Ordinary share HK$1	–	100%	Investment holding
Rain International Company Limited	Hong Kong	Ordinary shares HK$1,000,000	–	100%	Distribution of natural supplementary products
Step Gain Limited	British Virgin Islands	Ordinary shares US$10	–	100%	Investment holding
雙遼市步得秸稈科技有限公司# (Shuang Liao City Step Gain Technology Limited†)	PRC	Registered capital HK$3,400,000	–	100%	Animal feed (玉米秸稈飼料)

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – continued

Details of the subsidiaries at 30 June 2009 are as follows: – continued

Name of company	Place of incorporation/ operation	Class of shares held/ Issued and fully paid up shares/ registered capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Greatest Luck Limited	British Virgin Islands	Ordinary share US$1	–	100%	Investment holding
深圳生港科技有限公司# (Formerly known as 深圳市生港蜂業有限公司#) (B & B (Shenzhen) Limited†)	PRC	Registered capital US$10,000,000	100%	–	Investment holding
Ace Bingo Group Limited	British Virgin Islands	Ordinary share US$1	–	100%	Investment holding
Cheerfull Group Holdings Limited	British Virgin Islands	Ordinary shares US$50,000	–	51%	Investment holding
深圳市博眾信息技術有限公司# (Shenzhen Bozone IT Co. Limited†)	PRC	Registered capital RMB10,000,000	–	51%	Provision of lottery-related hardware and software systems
深圳市龍江風采信息技術有限公司# (Shenzhen Longjiang Fengcai IT Co. Limited†)	PRC	Registered capital RMB1,000,000	–	50.49%	Provision of lottery-related hardware and software systems
黑龍江省博眾信息技術有限公司 (Heilongjiang Bozone IT Co. Ltd) (Formerly known as 哈爾濱市龍江風采信息科技有限公司# Harbin Longjiang Fengcai Technology Co. Limited†)	PRC	Registered capital RMB500,000	–	33.15%	Provision of lottery-related hardware and software systems
Muller Group Limited	British Virgin Islands	Ordinary share US$1	–	100%	Investment holding
Lucky Villa Investments Limited	Hong Kong	Ordinary share HK$1	–	100%	Investment holding
Best Delight Group Limited	British Virgin Islands	Ordinary share US$1	–	100%	Investment holding

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – continued

Details of the subsidiaries at 30 June 2009 are as follows: – continued

Name of company	Place of incorporation/ operation	Class of shares held/ Issued and fully paid up shares/ registered capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Lead Team Investments Limited	Hong Kong	Ordinary share HK$1	–	100%	Investment holding
Grand Promise International Limited	British Virgin Islands	Ordinary shares US$10,000	–	100%	Investment holding
Birdview Group Limited	Hong Kong	Ordinary share HK$1	–	100%	Investment holding
北京本心齋茶文化有限責任公司# (Beijing Beuxinzhai Teahouse Co., Limited†)	PRC	Registered capital RMB100,000	–	100%	Trading of packaged food, drinks, clothing, commodities, toys and stationeries
Good United Management Limited	British Virgin Islands	Ordinary share US$1	–	55.71%	Investment holding
Top Entrepreneur Profits Limited	British Virgin Islands	Ordinary shares US$200	–	41.78%	Investment holding
B & B Natural Products (BVI) Limited	British Virgin Islands	Ordinary share US$1	–	41.78%	Investment holding
Rapid Progress Profits Limited	British Virgin Islands	Ordinary shares US$8	–	31.34%	Investment holding
Hsing Long Trading Co. Pte. Ltd.	Singapore	Ordinary shares SGD100,000	–	39.17%	Distribution of edible oil
CNPC Huayou Cu Energy Investment Co., Limited#	PRC	Registered capital RMB100,000,000	–	39%	Holding of profit sharing right of Xin Jiang Oilfield

\# The statutory financial year end date of these subsidiaries is 31 December

† For identification only

44. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

At 30 June 2009, the Group had interests in the following significant jointly controlled entities:

Name of entity	Form of business structure	Place of establishment/ and operations	Class of capital	Proportion of Nominal value of registered capital held by the Group %	Principal activities
常德華油燃氣有限公司# (Changde Huayou Gas Co., Limited)	Sino-foreign equity joint venture	PRC	Registered	26.92%	Development and management of natural gas pipelines and distribution facilities in PRC
湖南華油天然氣輸配有限責任公司# (Hunan Huayou Natural Gas Transportation and Distribution Company Limited)	Sino-foreign equity joint venture	PRC	Registered	18.38%	Construction and development of natural gas pipelines and related consultation services
北京中文發數字科技有限公司# (China Culture Development Digital Technology Co., Limited†)	Sino-foreign equity joint venture	PRC	Registered	49%	Research and development of software and information technology products; system integrations; technology concultancy and other services
重慶禮光博軟科技發展有限公司# (Chongqing Li Jiang Development Co., Limited+)	Limited liability company	PRC	Registered	29.89%	Development of software, trading of computer hardware
天合文化集團有限公司# (Excellent Union Communication Group Co., Limited†) (Formerly known as 北京天合文化有限公司 (Beijing Tian He Culture Co., Limited†))	Limited liability company	PRC	Registered	24.50%	Carryout copyright transactions of Karaoke programmes between IP owners and Karaoke venues and also provide technical support and operational services for value-added services at Karaoke venues

44. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES – continued

At 30 June 2009, the Group had interests in the following significant jointly controlled entities: – continued

Name of entity	Form of business structure	Place of establishment/ and operations	Class of capital	Proportion of Nominal value of registered capital held by the Group %	Principal activities
河南天合文化有限公司# (Henan Tian He Culture Co., Limited†)	Limited liability company	PRC	Registered	12.50%	Carryout copyright transactions of Karaoke programmes between IP owners and Karaoke venues and also provide technical support and operational services for value-added services at Karaoke venues
四川天合文化有限公司# (Sichuan Tian He Culture Co., Limited†)	Limited liability company	PRC	Registered	12.27%	Carryout copyright transactions of Karaoke programmes between IP owners and Karaoke venues and also provide technical support and operational services for value-added services at Karaoke venues
雲南天合世紀文化傳播有限公司# (Yunnan Tian He Culture Co., Limited†)	Limited liability company	PRC	Registered	12.50%	Carryout copyright transactions of Karaoke programmes between IP owners and Karaoke venues and also provide technical support and operational services for value-added services at Karaoke venues
遼寧天合文化有限公司# (Liaoning Tian He Culture Co., Limited†)	Limited liability company	PRC	Registered	13.72%	Carryout copyright transactions of Karaoke programmes between IP owners and Karaoke venues and also provide technical support and operational services for value-added services at Karaoke venues

44. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES – continued

At 30 June 2009, the Group had interests in the following significant jointly controlled entities: – continued

Name of entity	Form of business structure	Place of establishment/ and operations	Class of capital	Proportion of Nominal value of registered capital held by the Group %	Principal activities
湖南天合世嘉文化有限公司# (Hunan Tian He Culture Co., Limited†)	Limited liability company	PRC	Registered	18.50%	Carryout copyright transactions of Karaoke programmes between IP owners and Karaoke venues and also provide technical support and operational services for value-added services at Karaoke venues
北京天合傳媒網絡有限公司# (Beijing Tian He Culture Co., Limited†)	Limited liability company	PRC	Registered	24.50%	Carryout copyright transactions of Karaoke programmes between IP owners and Karaoke venues and also provide technical support and operational services for value-added services at Karaoke venues
北京天合新紀元文化有限公司# (Beijing Tian He New Century Culture Co., Limited†)	Limited liability company	PRC	Registered	12.50%	Carryout copyright transactions of Karaoke programmes between IP owners and Karaoke venues and also provide technical support and operational services for value-added services at Karaoke venues
內蒙古天合文化有限公司# (Inner Mongolia Tian He Culture Co., Limited†)	Limited liability company	PRC	Registered	24.50%	Carryout copyright transactions of Karaoke programmes between IP owners and Karaoke venues and also provide technical support and operational services for value-added services at Karaoke venues

44. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES – continued

At 30 June 2009, the Group had interests in the following significant jointly controlled entities: – continued

Name of entity	Form of business structure	Place of establishment/ and operations	Class of capital	Proportion of Nominal value of registered capital held by the Group %	Principal activities
上海天合文化傳播有限公司# (Shanghai Tian He Culture Co., Limited†)	Limited liability company	PRC	Registered	18.50%	Carryout copyright transactions of Karaoke programmes between IP owners and Karaoke venues and also provide technical support and operational services for value-added services at Karaoke venues
山西天合文化傳播有限公司# (Shanxi Tian He Culture Co., Limited†)	Limited liability company	PRC	Registered	12.50%	Carryout copyright transactions of Karaoke programmes between IP owners and Karaoke venues and also provide technical support and operational services for value-added services at Karaoke venues
天津天合新紀元文化傳播有限公司# (Tianjin Tian He New Century Culture Co., Limited†)	Limited liability company	PRC	Registered	18.50%	Carryout copyright transactions of Karaoke programmes between IP owners and Karaoke venues and also provide technical support and operational services for value-added services at Karaoke venues
黑龍江天合世紀文化有限公司# (Heilongjiang Tian He Culture Co., Limited†)	Limited liability company	PRC	Registered	18.62%	Carryout copyright transactions of Karaoke programmes between IP owners and Karaoke venues and also provide technical support and operational services for value-added services at Karaoke venues

44. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES – continued

At 30 June 2009, the Group had interests in the following significant jointly controlled entities: – continued

Name of entity	Form of business structure	Place of establishment/ and operations	Class of capital	Proportion of Nominal value of registered capital held by the Group %	Principal activities
山東天合世紀文化傳播有限公司# (Shandong Tian He Culture Co., Limited†)	Limited liability company	PRC	Registered	24.50%	Carryout copyright transactions of Karaoke programmes between IP owners and Karaoke venues and also provide technical support and operational services for value-added services at Karaoke venues
浙江天合文化發展有限公司# (Zhejiang Tian He Culture Co., Limited†)	Limited liability company	PRC	Registered	12.50%	Carryout copyright transactions of Karaoke programmes between IP owners and Karaoke venues and also provide technical support and operational services for value-added services at Karaoke venues
陝西天合陽光文化傳播有限公司# (Shaanxi Tian He Culture Co., Limited†)	Limited liability company	PRC	Registered	24.50%	Carryout copyright transactions of Karaoke programmes between IP owners and Karaoke venues and also provide technical support and operational services for value-added services at Karaoke venues
海南天合傳美文化有限公司# (Hainan Tian He Culture Co., Limited†)	Limited liability company	PRC	Registered	12.50%	Carryout copyright transactions of Karaoke programmes between IP owners and Karaoke venues and also provide technical support and operational services for value-added services at Karaoke venues

44. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES – continued

At 30 June 2009, the Group had interests in the following significant jointly controlled entities: – continued

Name of entity	Form of business structure	Place of establishment/ and operations	Class of capital	Proportion of Nominal value of registered capital held by the Group %	Principal activities
重慶天合世紀文化傳媒有限公司# (Chongqing Tian He Culture Co., Limited†)	Limited liability company	PRC	Registered	12.50%	Carryout copyright transactions of Karaoke programmes between IP owners and Karaoke venues and also provide technical support and operational services for value-added services at Karaoke venues
江蘇天合新紀元文化有限公司# (Jiangsu Tian He Culture Co., Limited†)	Limited liability company	PRC	Registered	24.50%	Carryout copyright transactions of Karaoke programmes between IP owners and Karaoke venues and also provide technical support and operational services for value-added services at Karaoke venues
吉林天合世嘉文化有限公司# (Jilin Tian He Culture Co., Limited†)	Limited liability company	PRC	Registered	24.50%	Carryout copyright transactions of Karaoke programmes between IP owners and Karaoke venues and also provide technical support and operational services for value-added services at Karaoke venues
湖北天合文化發展有限公司# (Hubei Tian He Culture Co., Limited†)	Limited liability company	PRC	Registered	12.50%	Carryout copyright transactions of Karaoke programmes between IP owners and Karaoke venues and also provide technical support and operational services for value-added services at Karaoke venues

44. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES – continued

At 30 June 2009, the Group had interests in the following significant jointly controlled entities: – continued

Name of entity	Form of business structure	Place of establishment/ and operations	Class of capital	Proportion of Nominal value of registered capital held by the Group %	Principal activities
寧夏天合文化有限公司# (Ningxia Tian He Culture Co., Limited†)	Limited liability company	PRC	Registered	24.50%	Carryout copyright transactions of Karaoke programmes between IP owners and Karaoke venues and also provide technical support and operational services for value-added services at Karaoke venues
甘肅天合文化有限公司# (Gansu Tian He Culture Co., Limited†)	Limited liability company	PRC	Registered	24.50%	Carryout copyright transactions of Karaoke programmes between IP owners and Karaoke venues and also provide technical support and operational services for value-added services at Karaoke venues
安徽天合文化有限公司# (Anhui Tian He Culture Co., Limited†)	Limited liability company	PRC	Registered	12.50%	Carryout copyright transactions of Karaoke programmes between IP owners and Karaoke venues and also provide technical support and operational services for value-added services at Karaoke venues
貴州天合陽光文化有限公司# (Guizhou Tian He Culture Co., Limited†)	Limited liability company	PRC	Registered	12.50%	Carryout copyright transactions of Karaoke programmes between IP owners and Karaoke venues and also provide technical support and operational services for value-added services at Karaoke venues

44. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES – continued

At 30 June 2009, the Group had interests in the following significant jointly controlled entities: – continued

Name of entity	Form of business structure	Place of establishment/ and operations	Class of capital	Proportion of Nominal value of registered capital held by the Group %	Principal activities
青海天合文化有限公司# (Qinghai Tian He Culture Co., Limited†)	Limited liability company	PRC	Registered	12.50%	Carryout copyright transactions of Karaoke programmes between IP owners and Karaoke venues and also provide technical support and operational services for value-added services at Karaoke venues
江西天合新紀元文化有限公司# (Jiangxi Tian He Culture Co., Limited†)	Limited liability company	PRC	Registered	12.50%	Carryout copyright transactions of Karaoke programmes between IP owners and Karaoke venues and also provide technical support and operational services for value-added services at Karaoke venues
河北天人合文化有限公司# (Hubei Tian He Culture Co., Limited†)	Limited liability company	PRC	Registered	24.50%	Carryout copyright transactions of Karaoke programmes between IP owners and Karaoke venues and also provide technical support and operational services for value-added services at Karaoke venues
福建天合文化傳播有限公司# (Fujian Tian He Culture Co., Limited†)	Limited liability company	PRC	Registered	12.50%	Carryout copyright transactions of Karaoke programmes between IP owners and Karaoke venues and also provide technical support and operational services for value-added services at Karaoke venues

44. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES – continued

At 30 June 2009, the Group had interests in the following significant jointly controlled entities: – continued

Name of entity	Form of business structure	Place of establishment/ and operations	Class of capital	Proportion of Nominal value of registered capital held by the Group %	Principal activities
廣州天合文化發展有限公司# (Guangzhou Tian He Culture Co., Limited†)	Limited liability company	PRC	Registered	12.50%	Carryout copyright transactions of Karaoke programmes between IP owners and Karaoke venues and also provide technical support and operational services for value-added services at Karaoke venues
新疆天合新文化有限公司# (Xinjiang Tian He Culture Co., Limited†)	Limited liability company	PRC	Registered	12.50%	Carryout copyright transactions of Karaoke programmes between IP owners and Karaoke venues and also provide technical support and operational services for value-added services at Karaoke venues
廣西天合文化有限公司# (Guangxi Tian He Culture Co., Limited†)	Limited liability company	PRC	Registered	16.17%	Carryout copyright transactions of Karaoke programmes between IP owners and Karaoke venues and also provide technical support and operational services for value-added services at Karaoke venues

† For identification only

The statutory financial year end date of these jointly controlled entities is 31 December

44. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES – continued

The following amounts represent the Group's proportionate share of the assets, liabilities, revenue and expenses of the jointly controlled entities and are included in the consolidated balance sheet and consolidated income statements as a result of proportionate consolidation:

	2009 **HK$'000**	2008 HK$'000
Current assets	**350,361**	92,559
Non-current assets	**21,630**	255,491
Current liabilities	**138,698**	31,540
Non-current liabilities	**–**	86,406
Minority interests	**7,033**	–

	2009 **HK$'000**	Date of acquisition# to 30 June 2008 HK$'000
Revenue	**130,025**	70,726
Expenses	**(132,449)**	(75,838)
Minority interests	**(1,164)**	–
Loss for the period	**(3,588)**	(5,112)

The date of acquisition of China Culture Development Digital Technology Co., Limited was 11 April 2008.

45. LEGAL LITIGATION

Legal action has been taken to recover the escrow money of approximately HK$4,675,000 against a solicitor in Singapore. Full provision has been made in year 2008 for prudence by considering that the outcome of the legal action is uncertain.

46. EVENT AFTER BALANCE SHEET DATE

Subsequent to the balance sheet date, on 3 July 2009, the Company has redeemed part of the relevant note, being approximately US$3,370,000 (equivalent to approximately HK$26,286,000) in the case of the Evolution Note and approximately US$8,420,000 (equivalent to approximately HK$65,676,000) in the case of Liberty Harbour Note. The redemption price of principal amount to be redeemed plus a yield of 7% per annum, compounded semi-annually, on the amount redeemed, commencing on the date of the issuance of the note and including the relevant redemption date subject to currency conversion in accordance with the terms of the relevant note.

FINANCIAL SUMMARY

RESULTS

	For the year ended 30 June				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**191,882**	144,085	91,461	81,608	189,131
Cost of sales	**(121,202)**	(94,367)	(64,471)	(55,284)	(142,875)
Gross profit	**70,680**	49,718	26,990	26,324	46,256
Other revenue	**9,691**	5,612	5,911	34,282	5,112
Gain (loss) on changes in fair value for derivative financial instruments	**25,629**	(13,347)	–	–	–
Selling and distribution costs	**(20,161)**	(16,255)	(4,993)	(3,718)	(12,747)
Administrative expenses	**(113,649)**	(94,930)	(136,045)	(111,252)	(18,884)
Gain (loss) on disposal of subsidiaries and associates	**1,166**	–	30,635	(13,106)	6,945
Loss on disposal of a jointly controlled entity	**–**	–	–	–	(2,789)
Loss on deemed disposal of a subsidiary held by a jointly controlled entity	**–**	(7)	–	–	–
Finance costs	**(66,112)**	(41,874)	(24,537)	(3,005)	(1,849)
Share of results of associates	**124**	(40)	–	18,830	17,653
(Loss) profit before taxation	**(92,632)**	(111,123)	(102,039)	(51,645)	39,697
Income tax expenses	**(2,634)**	(1,891)	(1,442)	(6,717)	(9,086)
(Loss) profit for the year	**(95,266)**	(113,014)	(103,481)	(58,362)	30,611

ASSETS AND LIABILITIES

	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**2,988,059**	3,087,897	852,021	519,414	248,351
Total liabilities	**(817,185)**	(819,586)	(413,816)	(65,563)	(77,580)
Net assets	**2,170,874**	2,268,311	438,205	453,851	170,771
Equity attributable to equity holders of the Company	**2,134,803**	2,247,625	425,697	397,958	160,642
Minority interests	**36,071**	20,686	12,508	55,893	10,129
Total equity	**2,170,874**	2,268,311	438,205	453,851	170,771

Note:

1. The results of the Group for the years ended 30 June 2008 and 2009 are those set out on page 44 of the financial statements.