



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)

A N N U A L R E P O R T

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This report, for which the board of directors of China Vanguard Group Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Madam CHEUNG Kwai Lan (*Chairperson*)

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

AUDIT COMMITTEE

Mr. TO Yan Ming Edmond (*Chairman*)

Mr. TIAN He Nian

Mr. ZHANG Xiu Fu

REMUNERATION COMMITTEE

Mr. CHAN Ting (*Chairman*)

Mr. ZHANG Xiu Fu

Mr. TO Yan Ming Edmond

AUTHORISED REPRESENTATIVES

Madam CHEUNG Kwai Lan

Mr. CHAN Ting

COMPLIANCE OFFICER

Mr. CHAN Ting

COMPANY SECRETARY

Mr. CHOW Chun Hong Ernest *FCCA FCPA ACA*

COMPANY WEBSITE

www.cvg.com.hk

STOCK CODE

08156

PRINCIPAL BANKERS

Nanyang Commercial Bank, Limited

The Hongkong and Shanghai Banking Corporation Ltd.

AUDITORS

W.H. Tang & Partners CPA Limited

SOLICITORS

Minter Ellison Lawyers

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

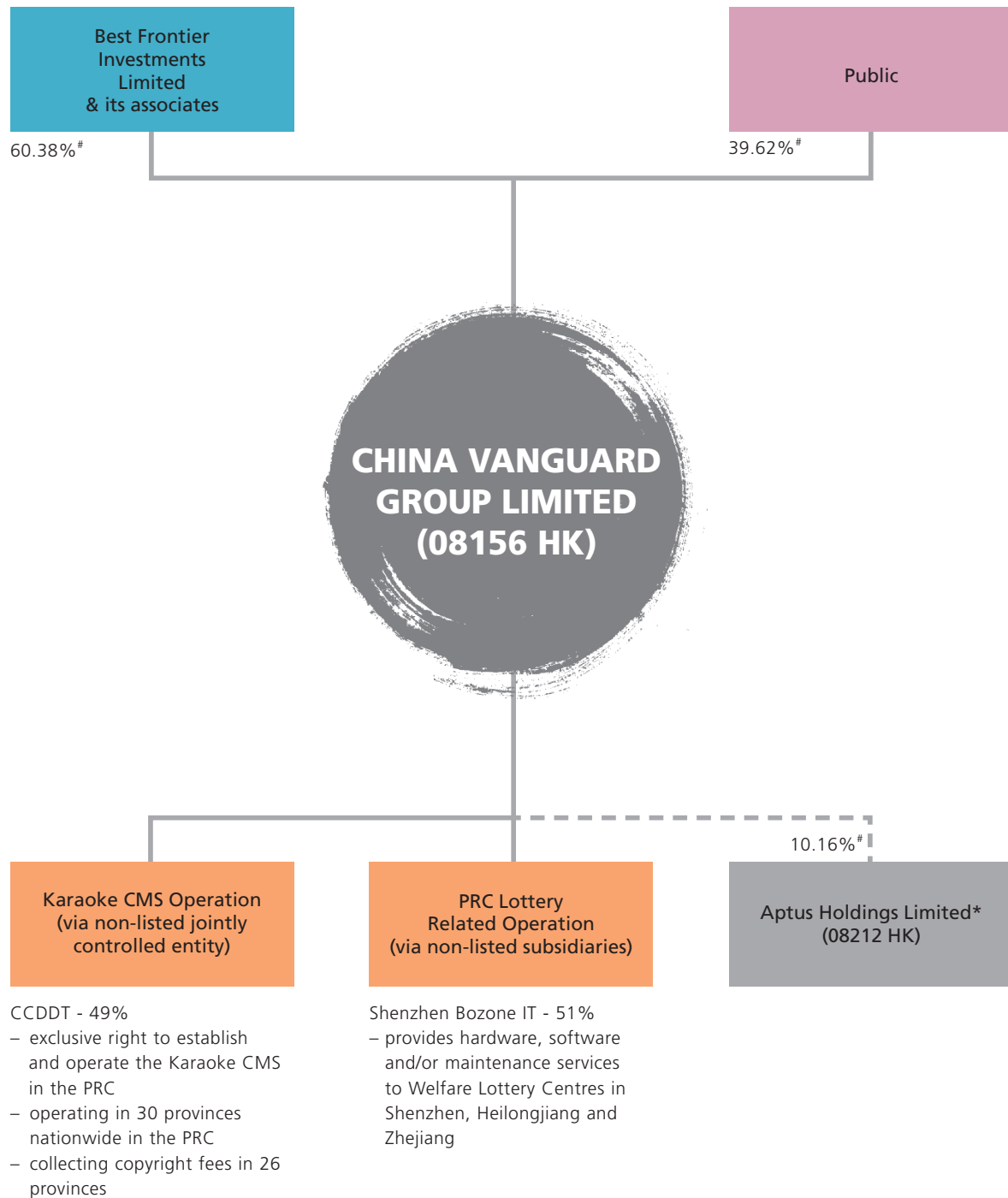
26/F Tesbury Centre

28 Queen's Road East

Wanchai

Hong Kong

CORPORATE STRUCTURE



[#] Shareholding as at 28 September 2010

^{*} Discontinued operations as at 28 September 2010

HIGHLIGHTS OF THE YEAR

6 July 2009 Partial redemption of the outstanding principal of the GPIL Bonds, reduced the outstanding principal from US\$34,990,000 to US\$23,200,000.

10 & 11 September 2009 Completed of the Changde joint venture and the Hunan joint venture disposals by Aptus for a total consideration of approximately RMB 355,144,000.

12 November 2009 Over 2,200 karaoke venues in the PRC have now been connected to the Karaoke CMS platform. Meanwhile Excellent Union has successfully collected copyright fees in 23 provinces.

17 November 2009 Coming into effect of the termination of the profit sharing rights on the Xin Jiang Oilfield and receiving compensatory monies of RMB 39,856,000.

20 November 2009 Aptus Group entered into the sale and purchase agreement to conditionally acquire from Red Rabbit Capital Limited ("Red Rabbit") the entire issued share capital of Casdon for a total consideration of HK\$1,775,000,000.

16 December 2009 The Company completed the placing of 120,000,000 existing shares of Aptus and raised total gross proceeds of HK\$30,000,000 (before commission and related expenses).

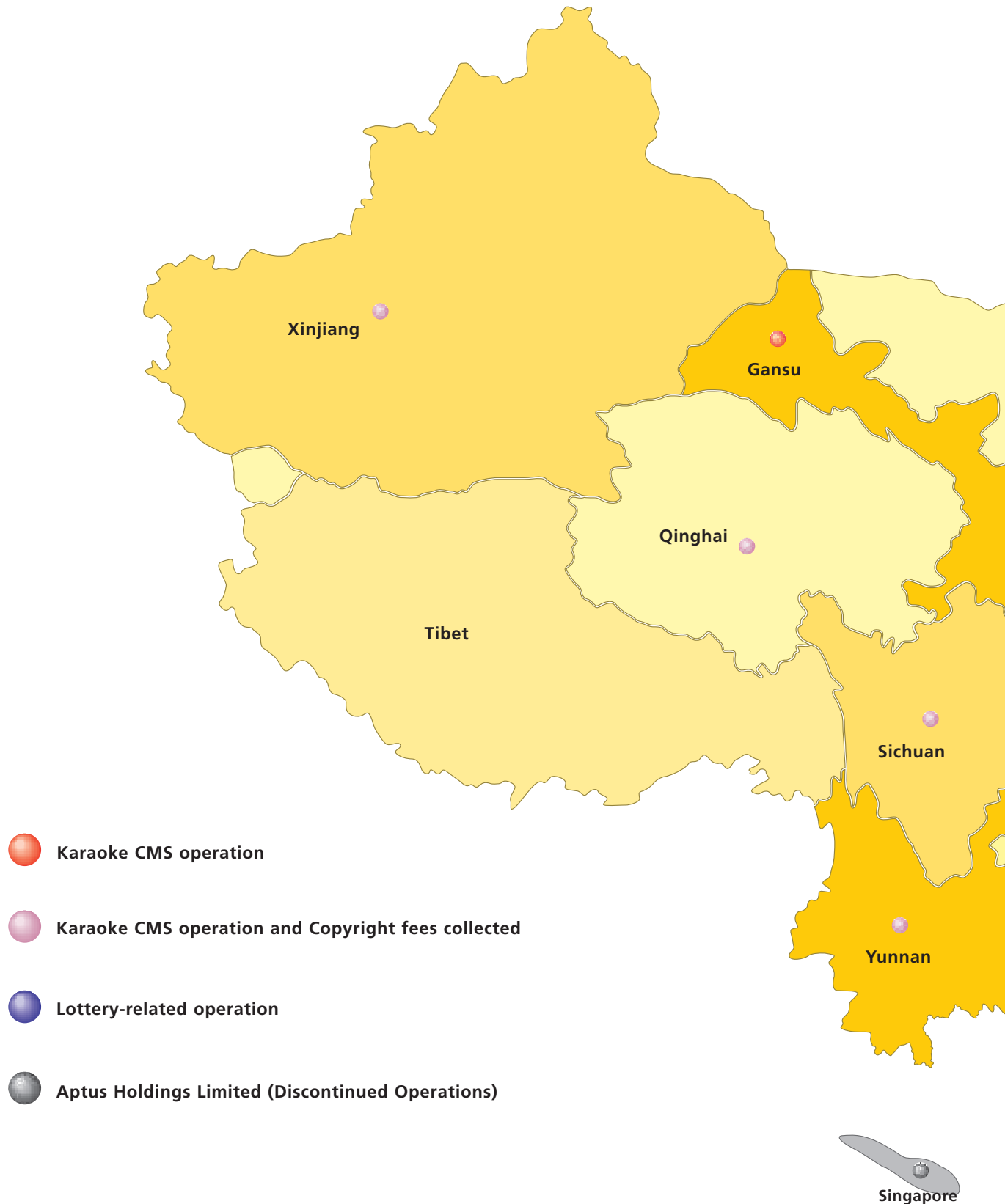
13 January 2010 Partial redemption of the outstanding principal of the GPIL Bonds, reduced the outstanding principal from US\$23,200,000 to US\$14,996,000.

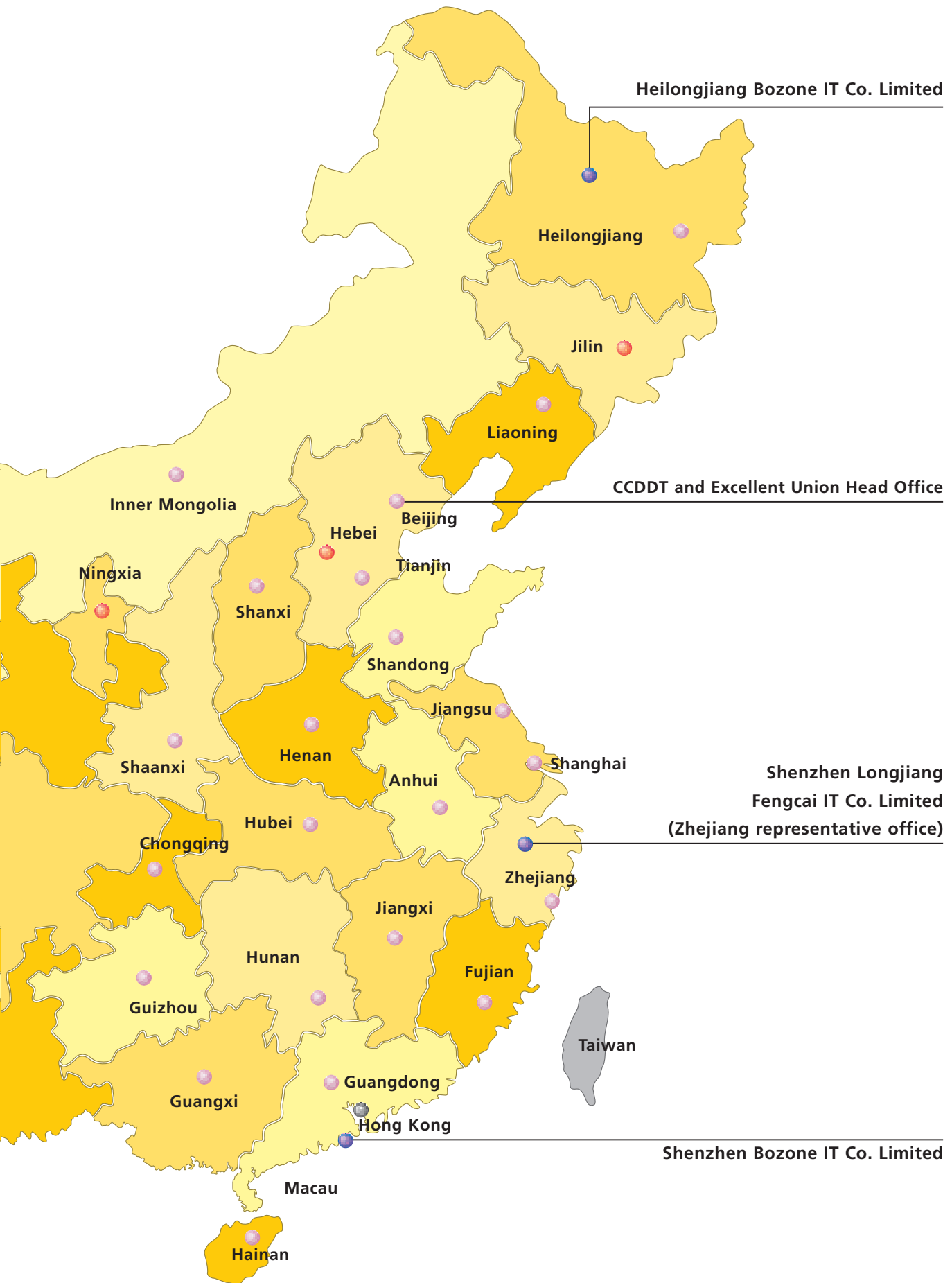
11 February 2010 The Karaoke CMS platform has connected to over 2,700 karaoke venues in the PRC while Excellent Union has successfully collected copyright fees in 23 provinces.

HIGHLIGHTS OF THE YEAR

The Company completed the placing of 140,000,000 existing shares of Aptus and raised total gross proceeds of HK\$39,200,000 (before commission and related expenses).	25 February 2010
Partial redemption of the outstanding principal of the GPIL Bonds, reduced the outstanding principal from US\$14,996,000 to US\$10,894,000.	25 February 2010
Aptus Group entered into the supplemental agreement to amend certain terms and conditions of the sale and purchase agreement dated 20 November 2009 to conditionally acquire from Red Rabbit the entire issued share capital of Casdon for a total revised consideration of HK\$1,085,000,000.	19 March 2010
Partial redemption of the outstanding principal of the GPIL Bonds, reduced the outstanding principal from US\$10,894,000 to US\$7,964,000.	31 March 2010
The Company completed the placing of 280,000,000 existing shares of Aptus and raised total gross proceeds of HK\$78,400,000 (before commission and related expenses).	12 May 2010
The Karaoke CMS platform has connected to over 3,100 karaoke venues in the PRC while Excellent Union has successfully collected copyright fees in 23 provinces.	14 May 2010
Aptus retired the convertible bonds issued on 22 November 2006 in its entirety.	18 May 2010
Aptus Group completed the acquisition of Casdon.	27 May 2010
Appointed Mr. Chow Chun Hong Ernest as the Chief Financial Officer of the Group and the Company Secretary of the Company to fill the casual vacancy caused by the resignation of Mr. Kwan Yiu Ming Patrick.	18 June 2010

GEOGRAPHIC COVERAGE





CHAIRPERSON'S STATEMENT

**Poised for steady
and
continuous growth**



Dear Shareholders,

On behalf of the board of directors ("Board") 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 2010 ("Year 2010").

OVERVIEW OF THE YEAR

During Year 2010, your management team has worked hard to enhance the Group's operations and strengthen its financial position. Solid progress was made by our core operations during the year. Our nationwide karaoke content management service system ("Karaoke CMS") (卡拉OK內容管理服務系統), the establishment and operation of which was exclusively granted by the Ministry of Culture Market Development Centre of the People's Republic of China (the "PRC") to our 49%-owned China Culture Development Digital Technology Co., Ltd., ("CCDDT") (北京中文發數字科技有限公司) for a period of 30 years, made steady progress in terms of penetration of karaoke venues as well as development of new value-added services ("VAS") such as lottery and advertising to go along with our royalty/copyright fee collection services. Our lottery-related operation via our non wholly-owned subsidiary Shenzhen Bozone I.T. Co., Ltd. and its subsidiaries ("Bozone" and "Bozone Group" respectively) continued to contribute steady revenue stream for the Group whilst helping grow the combined lottery revenues of the locations in which it operates by about 18% year-on-year.

CHAIRPERSON'S STATEMENT

DEVELOPMENTS**Karaoke CMS operation**

The Karaoke CMS operation continued increasing its coverage to karaoke venues in the PRC. Currently, over 3,200 karaoke venues have been installed with the Karaoke CMS, representing a year on year increase of about 45%.

Excellent Union Communication Group Co., Ltd. ("Excellent Union") (天合文化集團有限公司), a jointly controlled entity of CCDDT (together known as the "CCDDT Group"), the royalty/copyright fee settlement and collection arm of CCDDT, has established operational subsidiaries in 30 provinces in the PRC and collected copyright fees in 26 provinces, including major cities and provinces such as Beijing, Shanghai, Guangdong and Chongqing.

The CCDDT Group has developed VAS software and hardware for provision of services such as in-room spot commercials and in-room welfare lottery tickets sales within karaoke venues. The pilot tests of these VAS in Chongqing were very positive.

For Year 2010, the revenue contributed to the Group from the Karaoke CMS operations was approximately HK\$41,415,000, representing an increase by about 80.94% from approximately HK\$22,889,000 recorded for the previous corresponding year ("Year 2009").

Lottery-related operation

Bozone Group is currently servicing over 13,000 point of sales terminals for the Welfare Lottery Centres of Shenzhen, Heilongjiang and Zhejiang. During Year 2010, the combined welfare lottery sales recorded in these 3 locations amounted to approximately RMB 8.5 billion, a year on year increase of about 18%.

In anticipating future growth of the existing 3 locations, and the possible expansion into other welfare lottery sales channels, Bozone Group focused its resources on enhancing the capabilities of the existing platform to further increase stability and security. New system interfaces were also implemented for Heilongjiang and Zhejiang. In a continuing effort to maintaining high standards, Bozone Group is currently undergoing the process of getting the ISO27001 certification, which will enhance the Bozone Group's creditability and increase customers' confidence in the Bozone Group. ISO27001 is the International Standard for Information Security and it formally specifies a management system that is intended to bring information security under explicit management control.

For Year 2010, the revenue contributed to the Group from the lottery-related operation was approximately HK\$52,777,000, representing an increase by about 24.23% from approximately HK\$42,483,000 recorded for Year 2009.

CHAIRPERSON'S STATEMENT

Aptus Holdings Limited ("Aptus") (Discontinued Operations)

Aptus completed the acquisition of Casdon Management Limited ("Casdon") on 27 May 2010 and as part of the consideration, issued a convertible bond in the amount of HK\$850,000,000 at a conversion price of HK\$0.25 per share. As of the date of this report, HK\$500,000,000 of the convertible bond has been converted into 2,000,000,000 new shares of Aptus, bringing the enlarged share capital of Aptus to 4,137,771,428. The Company holds circa 10.16% of the total issued share capital of Aptus as of the date of this report.

Subsequent to 30 June 2010, the Company announced on 17 September 2010 that in order to allow flexibility in effecting future disposals of shares of Aptus at appropriate time(s) and price(s) so as to maximize financial flexibility of the Group, it was seeking shareholders' approval in advance to allow the directors of the Company ("Directors") to dispose of up to 420,596,428 shares of Aptus, representing the entire equity interest of the Company in Aptus, for a 12-month period from the date of passing the relevant ordinary resolution from the shareholders.

STRENGTHENING OUR FINANCIAL POSITION

The Group has reduced the outstanding amount plus accrued but unpaid interest of the convertible bonds issued by Grand Promise International Limited ("GPIL" and "GPIL Bonds" respectively), an indirect wholly-owned subsidiary of the Company, from approximately HK\$327,710,000 to approximately HK\$41,136,000 as of the date of this report. In addition to internal resources, the Company raised part of the funding via the disposals of 551,150,000 Aptus shares during the period from December 2009 to May 2010, and raised total gross proceeds of approximately HK\$150,517,000. The Company continues to hold 420,596,428 Aptus shares, representing about 10.16% of the total issued share capital of Aptus as of the date of this report.

Meanwhile, a total of approximately HK\$329,461,000 was utilised to retire the convertible bonds issued by Aptus on 22 November 2006 in their entirety. The funds used came from the proceeds from the disposal of the natural gas joint ventures of Aptus, which was completed in September 2009.

MANAGEMENT CHANGES

Mr. Kwan Yiu Ming Patrick resigned as the Chief Financial Officer and Company Secretary of the Company with effect on 18 June 2010. On behalf of the Board, I would like to express our sincere thanks for his contributions to the Group during his period of service. With effect on 18 June 2010, Mr. Chow Chun Hong Ernest ("Mr. Chow") has been appointed as the Chief Financial Officer of the Group and the Company Secretary of the Company. Prior to joining the Company, Mr. Chow worked for the IT operating business of Jardine Matheson Group for 16 years. He held senior financial controller positions of several business operations during the period and the last position he held was the company director and regional financial controller in the PRC. He has extensive knowledge and experience in accounting, financial management, taxation, auditing and financial control relating to Hong Kong and the PRC business.

CHAIRPERSON'S STATEMENT

FUTURE OUTLOOK AND PROSPECTS

While the CCDDT Group have established joint ventures and operations in 30 provinces in the PRC and has begun collecting copyright fees from 26 provinces, this is just the beginning to the many great opportunities that awaits the Group in providing solutions and services to the entertainment industry. Via the Karaoke CMS, the Group is able to keep track of songs sung in the karaoke venues nationwide to ensure the interests of the intellectual property owners ("IP Owners") are protected. Via the Karaoke CMS, the Group can help to ensure contents played in karaoke venues are in compliance with industry regulations. Via the Karaoke CMS, the Group can provide other VAS to the karaoke operators to broaden their revenue streams, thereby, creating more incentives for the karaoke operators to be installed with the Karaoke CMS.

In short, our Karaoke CMS operations are protecting the interest of the IP Owners and maintaining industry standards while at the same time deriving new revenue streams for the karaoke operators. With more than 50,000 licensed karaoke venues in the PRC, the potential is endless. Management will do everything they can to increase the returns to the shareholders.

It is also management's intentions to further utilize the synergies provided by the Karaoke CMS operation to facilitate further expansion of our lottery-related operation. As mentioned above, VAS, such as in-room welfare lottery ticket sales, is currently being carried out in selected karaoke venues in Chongqing and have proven a success. An area of focus for the Bozone Group in the future will be to develop games and customize systems for the entertainment industry.

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 the year.

Madam Cheung Kwai Lan

Chairperson and Executive Director

Hong Kong, 28 September 2010

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

On 24 April 2009 Aptus entered into agreements relating to the disposal of the natural gas joint ventures and the termination of the profit sharing rights for the Xin Jiang Oilfield, the disposal was completed in 11 September 2009 while the termination took effect on 17 November 2009. Financial information regarding the natural gas joint ventures and the profit sharing rights have been classified as discontinued operations for Year 2010 and Year 2009 respectively.

Subsequent to 30 June 2010, the Company announced on 17 September 2010 that it intends to dispose of its remaining equity interest in Aptus, the financial information regarding Aptus for Year 2010 has been classified as discontinued operations and the comparative figures for Year 2009 has been restated accordingly.

Turnover

The Group recorded a turnover from continuing operations of approximately HK\$97,510,000 for Year 2010, an increase of approximately 46.0% as compared to approximately HK\$66,787,000 for Year 2009. Turnover from our core continuing operations such as the Karaoke CMS operation and lottery-related operation have exhibited commendable growth.

The attributable turnover from the Karaoke CMS operation increased by approximately 80.94% from approximately HK\$22,889,000 for Year 2009 to approximately HK\$41,415,000 recorded for Year 2010 as the Karaoke CMS operation gained momentum in terms of set-top box installation and copyright fee collections.

The turnover from our lottery-related operation increased by approximately 23.19% from approximately HK\$42,843,000 recorded for Year 2009 to approximately HK\$52,777,000 recorded for Year 2010. The increase in revenue contribution is a direct result of the increase of combined lottery sales recorded in the 3 locations being serviced by the Bozone Group.

Gross Profit

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

	Year 2010		Year 2009	
	Gross Profit HK\$'000	Gross Profit Ratio %	Gross Profit HK\$'000	Gross Profit Ratio %
Karaoke CMS and license fee collection operation	15,057	36.4	7,296	31.9
Lottery-related operation	48,218	91.4	37,224	86.9
Others	(26)	N/A	40	3.8
Overall	63,249	64.9	44,560	66.7

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's overall gross profit ratio from continuing operations for Year 2010 was about 64.9% as compared to about 66.7% recorded for Year 2009 and the total gross profit for Years 2010 was approximately HK\$63,249,000, representing a year on year increase of about 41.9%. With regards to the Karaoke CMS and license fee collection operations, the gross profit ratio was about 36.4% recorded for Year 2010 as compared to about 31.9% recorded for Year 2009. On the lottery-related side, the gross profit ratio increased by about 4.5% to about 91.4% for Year 2010.

Discontinued Operations

During Year 2010, Aptus completed the termination of profit sharing rights on the Xin Jiang Oilfield and the disposal of the Changde joint venture and the Hunan joint venture (together known as the "Natural Gas Joint Ventures").

The profit from discontinued operations of approximately HK\$24,042,000 for Year 2010 represented (i) the Group's share of net loss of the Natural Gas Joint Ventures of approximately HK\$170,000; (ii) gain on the disposal transaction, net of tax, of approximately HK\$180,888,000; (iii) gain on termination of profit sharing rights on the Xin Jiang Oilfield, net of tax, of approximately HK\$10,104,000; and (iv) impairment loss on goodwill of approximately HK\$105,044,000.

Loss from discontinued operations of approximately HK\$70,392,000 for Year 2009 represented net result of the Group's share of net profit from the Natural Gas Joint Ventures of approximately HK\$3,616,000, net loss of termination of the profit sharing rights on the Xin Jiang Oilfield of approximately HK\$412,000 and impairment loss of goodwill of approximately HK\$31,761,000.

Operating Costs (From Continuing Operations)

The Group's operating costs, comprising selling and distribution costs and administrative expenses, increased by approximately HK\$23,849,000 from approximately HK\$78,791,000 recorded for Year 2009 to approximately HK\$102,640,000 recorded for Year 2010. The increase was mainly attributable to the payment of arrangement fees incurred as a result of the restructuring of the GPIL Bonds of approximately HK\$15,499,000 for Year 2010 (Year 2009: HK\$ nil).

In addition, the Group recorded an impairment loss of goodwill of approximately HK\$956,159,000 for Year 2010 (Year 2009: HK\$ nil) in respect of goodwill arising from the acquisition of GPIL. The carrying value of such goodwill exceeding the probable future economic benefits that can be derived from the business caused the recognition of the impairment loss. Detail is set out in note 19 to the consolidated financial statements.

Finance Costs

The decrease in finance costs from continuing operations in Year 2010 was about HK\$12,493,000 which improved from approximately HK\$23,674,000 recorded for Year 2009 to approximately HK\$11,181,000 in Year 2010. It was mainly attributable to the decrease in imputed finance costs arising from substantial reduction to the outstanding principal amount of the GPIL Bonds.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2010, shareholders' funds excluding assets and liabilities classified as held for sale amounted to approximately HK\$1,270,861,000 (2009: approximately HK\$1,944,506,000). Current assets excluding assets classified as held for sale amounted to approximately HK\$129,868,000 (2009: approximately HK\$294,768,000), 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\$68,319,000 (2009: approximately HK\$170,621,000) mainly comprising of its trade and other payables, derivative financial instruments and other borrowings. The Group has bank borrowings of about HK\$8,251,000 excluding bank borrowings classified as held for sale as at 30 June 2010 (2009: HK\$Nil). 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\$0.40 (2009: approximately HK\$0.61). The gearing ratio was 4.96% (2009: 26.88%) on the basis of non-current liabilities divided by shareholders' funds excluding assets and liabilities classified as held for sale.

CONTINGENT LIABILITIES

As at 30 June 2010, the Group had no contingent liabilities.

CHARGES ON GROUP ASSETS

As at 30 June 2010, the Group has pledged all of the issued and outstanding shares of Birdview Group Limited (a wholly-owned subsidiary of GPIL) together with all proceeds in favour of the holders of the GPIL Bonds. By the deeds of adherence, on completion of the acquisition of GPIL in April 2008, the GPIL Bonds were taken up by the Company.

As at 30 June 2010, the Group has pledged its bank deposits of approximately HK\$5,128,000 (30 June 2009: approximately HK\$5,110,000) to a bank to secure the general banking facilities granted to the Group.

Subsequent to 30 June 2010, the Group has pledged a total of 400,000,000 shares of Aptus to the holders of the GPIL Bonds.

CAPITAL STRUCTURE

During the year ended 30 June 2010, nil share was issued due to the exercise of warrants and the nil share was cancelled due to repurchase of shares by the Company. As of 30 June 2010, the Company has in issue a total of 3,211,893,839 ordinary shares with a par value of HK\$0.01 each.

CONVERTIBLE BONDS

On 11 April 2008, upon completion of acquisition of GPIL, the Company took up the GPIL Bonds with a principal amount of US\$35,000,000 (equivalent to approximately HK\$273,000,000) previously issued by GPIL by the deeds of adherence. The principal amount of the GPIL 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.

MANAGEMENT DISCUSSION AND ANALYSIS

During Year 2010 and up to the date of the report, the Company has redeemed a substantial part of the principal of the GPIL Bonds, being US\$23,140,000 (equivalent to approximately HK\$180,145,000) in the case of the GPIL Bonds issued to Liberty Harbor Master Fund I, L.P. ("LH GPIL Bonds" and "Liberty Harbor" respectively) and US\$7,886,000 (equivalent to approximately HK\$61,393,000) in the case of the GPIL Bonds issued to Evolution Master Fund Ltd. SPC, Segregated Portfolio M ("Evolution GPIL Bonds" and "Evolution" respectively). The redemption amount is the sum of the 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 GPIL Bonds and including the relevant redemption date subject to currency conversion in accordance with the terms of the GPIL Bonds (as amended from time to time).

The Company and GPIL have been in negotiation with Liberty Harbor and Evolution with regards to the restructuring of the GPIL Bonds which resulted in a series of amendments and undertakings being entered into in order to give all parties adequate time to reach restructuring terms which are acceptable to all parties.

Subsequent to 30 June 2010, on 29 July 2010, the LH GPIL Bonds in the outstanding principal amount of US\$1,850,000 (equivalent to approximately HK\$14,402,000) issued to Liberty Harbor was sold to Tarascon Asia Absolute Fund (Cayman) Limited ("Tarascon"). All the rights, title, interest in and obligations under the LH GPIL Bonds have been assigned and novated to Tarascon by an assignment and novation agreement dated 28 July 2010.

As a result of the latest amendments and/or restatements, the period during which Evolution and Tarascon may require redemption of the outstanding principal amounts of the GPIL Bonds have been delayed to the period from 13 August 2010 to 30 November 2010. As a result of GPIL and the Company providing certain undertakings to Evolution and Tarascon, including payment of step up fees and the issuance of a total of 40,000,000 warrants on 26 August 2010, Evolution and Tarascon both have undertaken not to exercise the redemption option during the abovementioned period and will only exercise their redemption rights on 30 November 2010.

The fair value of the liability component, as stated in the consolidated statement of financial position and note 31 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 will be charged to the profit and loss account. The residual amount, representing the value of the derivative component, is credited to current liability of the Company.

WARRANTS

Subsequent to 30 June 2010, on 26 August 2010 the Company issued an aggregate of 40,000,000 warrants at the exercise price of HK\$0.168 per share to the holders GPIL Bonds expiring on 26 August 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2010, the Company and its subsidiaries employed 30 staff in Hong Kong, and 148 staff in the PRC; and the Group's jointly controlled entities employed 515 staff in the PRC. Staff costs from continuing operations excluding directors' remuneration amounted to approximately HK\$24,254,000 (Year 2009: approximately HK\$18,819,000). 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 2010, the Group did not have any significant investments.

MATERIAL ACQUISITION AND DISPOSALS

On 24 April 2009, the Aptus entered into agreements relating to the disposal of the Natural Gas Joint Ventures and the termination of the profit sharing rights for the Xin Jiang Oilfield which were subsequently approved by the shareholders in the extraordinary general meeting held on 10 July 2009. The disposal and termination were completed on 11 September 2009 and 17 November 2009, respectively.

Aptus, via Sea Marvel Limited, its wholly-owned subsidiary, completed the acquisition of the entire issued capital of Casdon at a consideration of HK\$1,085,000,000 on 27 May 2010. The consideration was settled in the following manner: (i) HK\$85,000,000 was settled in cash payment; (ii) HK\$850,000,000 by way of Aptus issuing the convertible bonds; (iii) HK\$20,000,000 by way of Aptus issuing the secured promissory note; and (iv) HK\$130,000,000 by way of Aptus issuing the unsecured promissory note. As a result of Aptus issuing the HK\$850,000,000 convertible bonds and assuming full conversion of the convertible bonds into shares of Aptus, the Group was deemed to have disposed of Aptus by way of dilution. Details of the transactions are set out in the joint circular of the Company and Aptus dated 22 April 2010.

During Year 2010, the Group disposed an aggregate of 551,150,000 shares of Aptus and raised total gross proceeds of approximately HK\$150,517,000.

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 2010.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Madam CHEUNG Kwai Lan, aged 72, is the Chairperson, one of the founders of the Group, the Executive Director and an Authorized Representative of the Company. She has served the Group for more than 10 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 was an executive director and chairperson of Aptus for the period from 20 December 2004 to 18 June 2010. 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 74, is one of the founders of the Group and an Executive Director. He has served the Group for more than 10 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 14 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 40, is an Executive Director, the chairman of the remuneration committee, an Authorized Representative, the Compliance Officer of the Company and the Chief Executive Officer of the Group. 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 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 17 years of solid working experience in establishing and managing companies in the PRC. He was an executive director and chief executive officer of Aptus for the period from 27 August 2004 to 24 September 2010. 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 45, is an Executive Director of the Company and the General Counsel of the Group. 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 Siu Sarah 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 Siu Sarah 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.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Mr. LAU Hin Kun, aged 51, is an Executive Director of the Company. He has served the Group for more than 9 years and is the director of various subsidiaries of the Group. 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 70, is an Independent Non-executive Director of the Company 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 was previously an independent non-executive director and audit committee member of Aptus for the period from 30 September 2004 to 18 June 2010. He joined the Group in November 2004.

Mr. ZHANG Xiu Fu, aged 76, is an Independent Non-executive Director of the Company and a 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 was previously an independent non-executive director and a member of the audit committee and remuneration committee of Aptus for the period from 25 January 2008 to 23 June 2010. He joined the Group in January 2008.

Mr. TO Yan Ming Edmond, aged 38, is the Independent Non-executive Director of the Company, the 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 11 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 and Theme International Holdings Limited (the securities of both companies are listed on the Main Board of the Stock Exchange) on 5 June 2009 and 5 November 2009 respectively. Mr. To was appointed as an independent non-executive director, member and chairman of the audit committee, and member of remuneration and nomination committee of Wai Chun Group Holdings Limited (the securities of which are listed on the Main Board of the Stock Exchange) on 29 September 2009. Mr. To is also an independent non-executive director, chairman of the audit committee and member of the remuneration committee of Aptus. Mr. To joined the Group in January 2006.

*PROFILE OF DIRECTORS AND SENIOR MANAGEMENT***SENIOR MANAGEMENT**

Mr. CHOW Chun Hong Ernest, aged 44, is the Chief Financial Officer of the Group, the Company Secretary of the Company and the director of various subsidiaries of the Group. He holds a Bachelor of Science honours degree in Physics and Mathematics from the University of Hong Kong and a Master of Business Administration degree from the Chinese University of Hong Kong. Mr. Chow 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. Mr. Chow has served various accounting and financial management roles in Hong Kong, China and Southeast Asia over the past 20 years. He has extensive knowledge and experience in accounting, financial management, taxation, auditing and financial control relating to Hong Kong and China business. Prior to joining the Company, he worked for the IT operating business of Jardine Matheson Group for 16 years. He held senior financial controller positions of several business operations during the period and the last position he held was the Company Director and Regional Financial Controller in China. Mr. Chow joined the Group in February 2010.

Mr. FUNG King Him Daniel, aged 40, is the Director of Corporate Development 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 and an authorized representative of Aptus. He joined the Group in February 2002.

Mr. YOUNG Russell, aged 47, is the 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 40, is the Chief Technical Officer of the Group and the director of various subsidiaries of the Group. He holds a degree from Macquarie University in Australia. He previously worked as a Technical Consultant in IBM Australia, as a Manager in Aeon Credit Services Co., Ltd. and as an IT Development Manager in EVI Services Ltd.. He joined the Group in April 2008.

Ms. HO Ping Ping, aged 61, is the Sales and Marketing Joint Director of the Group, the personal assistant to the Chairperson and the director of various subsidiaries 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.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Ms. KWOK Shuk Yi, aged 34, 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 11 years of experience in human resources and administration management. Prior to joining the Group, she worked in human resources managerial positions with a listed company and a sizeable investment company in the PRC. She joined the Group in July 2008.

Mr. WU Hui Jun, aged 47, is the General Manager of CCDDT Group. He holds a Master and Ph.D. degrees from Jilin University. He has over 20 years' of experience in senior management positions in the PRC. Prior to joining the Group, he served as an Executive of China Great Wall Asset Management Corporation, investment banking division and the General Manager of Beijing Ka Yu Investment Co. He joined the Group in May 2009.

Mr. ZHU Yao Qiang, aged 52, is the General Manager of Bozone Group. He has over 20 years' of experience in senior management positions in the PRC. Prior to joining the Group, he served as a director of Beijing Inward Technology Co. Ltd.; the General Manager of ZheJiang Lanfeng Machine Co. Ltd; and the General Manager of Beijing Chang Kong Industrial Co. Ltd.. He joined the Group in November 2009.

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 on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"), details of which are stated under the heading of "NON-EXECUTIVE DIRECTORS" below, the Company has complied all remaining provisions of the Code throughout Year 2010.

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 Year 2010.

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 as 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	13/15
Mr. Chan Tung Mei	12/15
Mr. Chan Ting	15/15
Ms. Chan Siu Sarah	13/15
Mr. Lau Hin Kun	14/15
Independent Non-executive Directors	
Mr. Tian He Nian	12/15
Mr. Zhang Xiu Fu	12/15
Mr. To Yan Ming Edmond	12/15

CORPORATE GOVERNANCE REPORT

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.

CHAIRPERSON AND CHIEF EXECUTIVE OFFICER

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

The posts of Chairperson and Chief Executive Officer are separated to ensure a clear division between the Chairperson'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.

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.

CORPORATE GOVERNANCE REPORT

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 2010, 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 2010.

AUDITORS' REMUNERATION

During the year, remuneration paid/payable to auditors for audit services and non-audit services are approximately HK\$960,000 (Year 2009: HK\$950,000) and HK\$997,000 (Year 2009: HK\$313,000) respectively. Non-audit services related to the issue of Accountancy Report included in a circular issued by the Company during the year ended 30 June 2010.

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 and is chaired by Mr. To Yan Ming Edmond.

CORPORATE GOVERNANCE REPORT

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 (<i>Chairman</i>)	4/4

The audit committee has reviewed the Group's audited results for the year ended 30 June 2010 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 34 to 35.

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 GEM 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.

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 2010.

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 statement of comprehensive income on page 36.

The Directors do not recommend the payment of any dividend for the year ended 30 June 2010.

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 32 and 33 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 40.

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 148 of the annual report.

DIRECTORS' 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"), Mr. Chan Tung Mei, Ms. Chan Siu Sarah and Mr. Zhang Xiu Fu will retire and, being eligible, offer themselves for re-election at the forthcoming AGM.

DIRECTORS' SERVICE CONTRACTS

All the Executive Directors except Mr. Lau Hin Kun have entered into a service contract with the Company with effect from the date of appointment and will continue thereafter unless and until terminated by either party by giving not less than six months' notice in writing served by either party on the other.

Mr. Lau Hin Kun has entered into a service contract with the Company with effect from the date of appointment and will continue thereafter unless and until terminated by either party by giving not less than three months' notice in writing served by either party on the other.

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 GEM Listing Rules for the year ended 30 June 2010 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.

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions are set out in note 42 to the consolidated financial statements.

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 2010, 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

Name of Directors	Company/ Name of associated corporation	Number of ordinary shares held			Total interest	Approximate percentage of shareholding
		Interest in controlled corporation	Beneficial owner	Family interest		
Cheung Kwai Lan	Company	1,939,457,322 (Note 1)	2,070,000 (Note 2)	-	1,941,527,322	60.45%
Chan Tung Mei	Company	-	-	1,941,527,322 (Notes 1 & 2)	1,941,527,322	60.45%
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	420,596,428 (Note 4)	-	-	420,596,428	10.16%
Chan Tung Mei	Aptus	-	-	420,596,428 (Note 4)	420,596,428	10.16%

DIRECTORS' REPORT

Notes:

1. The 1,939,457,322 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 respectively, 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 1,939,457,322 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 2010, Best Frontier is interested in approximately 60.38% 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, being the company directly holding 420,596,428 shares of Aptus of which, subsequent to 30 June 2010, the Group has pledged (i) 300,000,000 shares of Aptus to Tarascon on 26 July 2010 and (ii) 100,000,000 shares of Aptus to Evolution on 13 August 2010, as per the terms and conditions of the latest amendments and undertakings of the GPIL Bonds.

(2) Share option of the Company

Details of the share option schemes adopted by the Company are set out in note 33 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.

DIRECTORS' REPORT

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

For the year ended 30 June 2010, no share option had been granted or agreed to be granted under the Share Option Scheme.

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

Name of Directors	Date of grant	Exercise Price HK\$	Outstanding at 1 July 2009	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 30 June 2010	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	23/05/2007 – 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	23/05/2007 – 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	23/05/2007 – 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	23/05/2007 – 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	23/05/2007 – 17/10/2012
	23/11/2006	0.62	530,000	-	-	-	530,000	23/11/2007 – 17/10/2012

DIRECTORS' REPORT

Name of Directors	Date of grant	Exercise Price HK\$	Outstanding at 1 July 2009	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 30 June 2010	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	23/05/2007 – 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, being 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 2010, 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.

DIRECTORS' REPORT

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

As at 30 June 2010, 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	Beneficial Owner	1,939,457,322 (Note)	–	60.38%

Note:

The 1,939,457,322 shares are owned by Best Frontier which is owned as to 99.89% and 0.11% by Madam Cheung Kwai Lan and Mr. Chan Tung Mei respectively, who are spouse to each other.

Save as disclosed above, as at 30 June 2010, 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.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 30 June 2010, the Group made 95.4% of its entire sales to five customers and sales to the largest customer included therein amounted to approximately 42.5%.

Purchases from the Group's five largest suppliers accounted for approximately 68.2% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 65.9%. 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.

DIRECTORS' REPORT

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\$22,750 (Year 2009: HK\$48,000).

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

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 2010.

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 2010 has 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 2010.

*DIRECTORS' REPORT***INFORMATION OF COMPLIANCE OFFICER AND COMPANY SECRETARY**

The Compliance Officer of the Company is Mr. Chan Ting. Mr. Chan Ting is an Executive Director of the Company and the Chief Executive Officer of the Group. Biographical details of Mr. Chan Ting is set out on page 17 of this annual report.

The Company Secretary of the Company is Mr. Chow Chun Hong Ernest. Mr. Chow Chun Hong Ernest 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. Biographical details of Mr. Chow Chun Hong Ernest is set out on page 19 of this annual report.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 21 to 24 of this annual report.

EVENTS AFTER REPORTING PERIOD

Details of the significant events after reporting period of the Group are set out in note 46 to the financial statements.

AUDITORS

There was no change of auditor. 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

Chairperson and Executive Director

Hong Kong, 28 September 2010

INDEPENDENT AUDITORS' REPORT

鄧偉雄會計師事務所有限公司

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**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 36 to 147, which comprise the consolidated statement of financial position as at 30 June 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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.

INDEPENDENT AUDITORS' REPORT

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 auditors' 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 auditors consider 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 2010 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.

W.H. Tang & Partners CPA Limited

Certified Public Accountants

Tang Wai Hung

Practising Certificate Number P03525

Hong Kong, 28 September 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2010

	Notes	2010 HK\$'000	2009 HK\$'000 (Restated)
Continuing operations			
Revenue	8	97,510	66,787
Cost of sales		(34,261)	(22,227)
Gross profit		63,249	44,560
Other revenue	8	13,834	8,488
Selling and distribution costs		(9,896)	(8,095)
Administrative expenses		(92,744)	(70,633)
Impairment loss on goodwill		(956,159)	–
(Loss) gain on changes in fair value of derivative financial instruments		(37,150)	25,629
Finance costs	9	(11,181)	(23,674)
Loss before taxation	10	(1,030,047)	(23,725)
Income tax expenses	13	(2,280)	(1,149)
Loss for the year from continuing operations		(1,032,327)	(24,874)
Discontinued operations			
Profit (loss) for the year from discontinued operations	14	24,042	(70,392)
Loss for the year		(1,008,285)	(95,266)
Attributable to:			
Equity holders of the Company		(1,047,777)	(100,643)
Non-controlling interests		39,492	5,377
		(1,008,285)	(95,266)
Loss per share			
From continuing operations and discontinued operations			
Basic	17	(HK32.62 cents)	(HK3.12 cents)
From continuing operations			
Basic	17	(HK33.37 cents)	(HK0.94 cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2010

	2010 HK\$'000	2009 HK\$'000 (Restated)
Loss for the year	(1,008,285)	(95,266)
Other comprehensive income for the year		
Exchange differences on translation of financial statements of overseas operations	3,673	(835)
Total comprehensive loss for the year	(1,004,612)	(96,101)
Attributable to:		
Equity holders of the Company	(1,045,000)	(101,434)
Non-controlling interests	40,388	5,333
Total comprehensive loss for the year	(1,004,612)	(96,101)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2010

	Notes	2010 HK\$'000	2009 HK\$'000
Non-current assets			
Property, plant and equipment	18	42,472	54,670
Goodwill	19	1,154,768	2,215,971
Other intangible assets	20	11,381	8,677
Available-for-sales financial asset	22	63,780	63,780
		1,272,401	2,343,098
Current assets			
Inventories	25	3,897	2,423
Trade and other receivables and prepayments	26	24,337	56,040
Tax recoverable		50	–
Pledged bank deposits		5,128	5,110
Bank balances and cash	28	96,456	231,195
		129,868	294,768
Assets classified as held for sale	15	1,079,773	350,193
		1,209,641	644,961
Current liabilities			
Trade payables, accrued liabilities and other payable	29	29,707	58,081
Tax liabilities		539	1,163
Derivative financial instruments	31(b)	17,722	75,232
Bank and other borrowings	30	20,351	36,145
		68,319	170,621
Liabilities associated with assets classified as held for sale		375,041	123,825
		443,360	294,446
Net current assets		766,281	350,515
Total assets less current liabilities		2,038,682	2,693,613

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2010

	Notes	2010 HK\$'000	2009 HK\$'000
Non-current liabilities			
Convertible bonds	31(b)	63,089	522,739
Net assets			
		1,975,593	2,170,874
Capital and reserves			
Share capital	32	32,119	32,119
Reserves		1,474,454	2,102,684
Equity attributable to equity holders of the Company		1,506,573	2,134,803
Non-controlling interests		469,020	36,071
Total equity		1,975,593	2,170,874

The consolidated financial statements on pages 36 to 147 were approved and authorized for issue by the Board of Directors on 28 September 2010 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 2010

	Attributable to equity holders of the Company													Total HK\$'000
	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 reverse reserve HK\$'000	Capital reserve HK\$'000	Retained profits/ Accumulated losses HK\$'000	Discontinued operations HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	
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
Transfer to discontinued operations	-	-	-	-	-	-	(19,990)	-	-	-	19,990	-	-	-
Capital contribution from minority shareholder	-	-	-	-	-	-	-	-	-	-	-	-	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)
Total comprehensive income for the year	-	-	-	-	-	-	(791)	-	-	(100,643)	-	(101,434)	5,333	(96,101)
At 30 June 2009 and at 1 July 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
Redemption of convertible bonds reserve	-	-	-	(10,712)	-	-	-	-	-	10,712	-	-	-	-
Lapse of share options	-	-	-	-	-	(190)	-	-	-	190	-	-	-	-
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	2,042	2,042
Issue of convertible bonds	-	-	-	440,085	-	-	-	-	-	-	-	440,085	-	440,085
Exercise of convertible bonds issued by a subsidiary	-	-	-	(170,202)	-	-	-	-	-	-	-	(170,202)	-	(170,202)
Capital contribution from minority shareholders	-	-	-	-	-	-	-	-	-	-	-	-	409,594	409,594
Disposal of jointly controlled entities	-	-	-	-	-	-	-	-	-	-	(19,990)	(19,990)	-	(19,990)
Dilution of interest in a subsidiary	-	-	-	-	-	-	-	-	166,877	-	-	166,877	(19,075)	147,802
Transfer to discontinued operations	-	-	-	(269,883)	-	-	(4,430)	-	(166,877)	-	441,190	-	-	-
Total comprehensive income for the year	-	-	-	-	-	-	2,777	-	-	(1,047,777)	-	(1,045,000)	40,388	(1,004,612)
At 30 June 2010	32,119	2,155,574	234	-	35,572	11,092	12,661	(1)	-	(1,181,868)	441,190	1,506,573	469,020	1,975,593

Note:

- (i) The convertible bonds reserve represents the implied fair value of the conversion rights.
- (ii) The Employee share-based compensation reserve comprises the purchase consideration for issued shares of the Company acquired for the Share Option Plan for the purpose of satisfying the exercise of share options to be granted to eligible employees and participants.
- (iii) The share option reserve comprises the cumulative value of employee services received for the issue of share options.
- (iv) The translation reserve comprises:
 - (a) the foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries and associates whose functional currencies are different from the functional currency of the Company.
 - (b) the exchange differences on monetary items which form part of the Group's net investment in the foreign subsidiaries.
- (v) Capital reserve represents gain on dilution of interests in a subsidiary. Details is summarised as follows:

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2010

Summary of diluted interest of a subsidiary

During the year ended 30 June 2010, the Company's equity interest in Aptus Holdings Limited ("Aptus") has been changed. According to HKAS 27 "Consolidated and separate financial statements", gain or loss arising on partial or deemed disposal of part of its interest to non-controlling interests without loss of control is recorded as equity transactions.

Details of change in the Company's equity's interest in Aptus

	Exercise of share options	Placing of shares	Loan capitalization	Placing of shares	Disposal of shares	Placing of shares	Conversion of convertible bonds to shares	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Fair value of consideration received	-	-	-	77,137	2,911	67,754	-	147,802
Amount recognized as non-controlling interests	863	17,899	16,023	(13,465)	(536)	(14,337)	12,628	19,075
Positive (negative) movement in parent equity	863	17,899	16,023	63,672	2,375	53,417	12,628	166,877
Decrease in equity interest	0.57%	4.50%	2.96%	12.60%	0.54%	13.57%	7.95%	42.69%
	Note a	Note b	Note c	Note d	Note e	Note f	Note g	
Analysed for:								HK\$'000
Deemed disposal of equity interest in a subsidiary								47,413
Partial disposal of equity interest in a subsidiary								119,464
								166,877

Note:

- Being exercise of 18,670,000 share options in Aptus
- Being placing of 160,000,000 shares in Aptus on 2 November 2009
- Loan capitalization by subscription of 122,160,000 shares in Aptus on 1 December 2009
- Being placing of 120,000,000 and 140,000,000 shares in Aptus on 16 December 2009 and 25 February 2010 at a consideration of HK\$0.25 and HK\$0.28 per share respectively.
- Being disposal of 2,500,000, 1,000,000, 2,400,000, 3,150,000 and 2,100,000 shares in Aptus on 30&31 March 2010, 1 April 2010, 7 April 2010, 8 April 2010 and 9 April 2010 respectively.
- Being placing of 280,000,000 shares in Aptus on 13 April 2010 at HK\$0.28 per share respectively.
- Being conversion of HK\$330,000,000 convertible bonds into 1,320,000,000 shares in Aptus for a period from 31 May 2010 to 23 June 2010 at a conversion price of HK\$0.25 per share.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2010

	Note	2010 HK\$'000	2009 HK\$'000
OPERATING ACTIVITIES			
Profit (loss) before taxation			
Continuing operations		(1,030,047)	(23,725)
Discontinued operations		41,788	(68,907)
		(988,259)	(92,632)
Adjustment for:			
Interest income		(1,112)	(4,025)
Interest expenses		37,165	66,112
Depreciation of property, plant and equipment		15,859	34,343
Allowances for doubtful receivable		551	697
(Gain) loss on disposal of property, plant and equipment		(3,208)	334
Impairment loss on goodwill		1,061,203	31,761
Loss on disposal of an associate		–	(8)
Amortization of prepaid lease payments		–	466
Gain on disposal of jointly controlled entities		(197,707)	(1,158)
Gain on termination of oil field sharing right		(11,031)	–
Amortization of other intangible assets		765	1,326
Provision for obsolete inventories		–	37
Share of results of an associate		–	(124)
Loss (gain) on change in change in fair value for derivative financial instruments	31(b)	37,150	(25,629)
Reversal of allowances recognized in respect of doubtful receivable		–	(100)
Operating cash flows before movements in working capital		(48,624)	11,400
(Increase) decrease in inventories		(1,473)	2,738
(Increase) decrease in trade and other receivables and prepayments		(2,023)	48,099
(Decrease) increase in trade payables, accrued liabilities and other payables		(4,028)	3,779
Cash (used in) from operations		(56,148)	66,016
Tax (paid) refund		(20,711)	50
NET CASH (USED IN) FROM OPERATING ACTIVITIES		(76,859)	66,066

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2010

	2010 HK\$'000	2009 HK\$'000
INVESTING ACTIVITIES		
Interest received	1,112	4,025
Purchases of property, plant and equipment	(9,243)	(18,860)
Purchase of other intangible assets	(3,373)	(4,653)
Purchases of properties under development	(1,988)	(22,994)
Increase in pledged bank deposits	(18)	(77)
Proceeds from disposal of property, plant and equipment	8,622	286
Proceeds from disposal of associates	–	2,033
Disposal of a subsidiary held by a jointly controlled entity	–	1,351
Purchases of prepaid lease payments	–	(316)
Cash outflows on acquisition of a subsidiary	(84,982)	–
Disposal of jointly controlled entities	(39,297)	–
Proceeds from disposal of jointly controlled entities	403,205	–
Proceeds from termination of oil field sharing rights	45,270	–
Proceeds from partial disposal of interest in a subsidiary	147,802	–
NET CASH FROM (USED IN) INVESTING ACTIVITIES	467,110	(39,205)
FINANCING ACTIVITIES		
Interest paid	(30,007)	(11,835)
Issue of shares	–	22
Repayment of convertible bonds	(554,114)	–
Net repayment of borrowings	(23,564)	(35,716)
Capital contribution from non-controlling interests	41,829	10,052
Payment of shares buy-back	–	(11,410)
Increase in bank overdraft – secured	8,251	–
NET CASH USED IN FINANCING ACTIVITIES	(557,605)	(48,887)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(167,354)	(22,026)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	270,055	292,600
Effect of foreign exchange rate changes	2,685	(519)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	105,386	270,055
Represented by:		
Bank balances and cash	96,456	231,195
Cash and cash equivalents included in assets held for sale	8,930	38,860
	105,386	270,055

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

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 Company's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is located at Room 2201, 22/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

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 note 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 new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Hong Kong Accounting Standard ("HKAS") 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 3 (Revised)	Business Combinations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
HK(IFRIC) – Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Amendment to HKFRS 5 as part of improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Except as described below, the adoption of the new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

New and revised HKFRSs affecting presentation and disclosure only*HKAS 1 (Revised 2007) Presentation of Financial Statements*

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the consolidated financial statements) and changes in the format and content of the consolidated financial statements.

HKFRS 8 Operating Segments

HKFRS 8 requires the presentation of operating segments in a manner consistent with the internal reports that are regularly reviewed by the Group’s chief operating decision maker (see note 7 for details). HKFRS 8 replaces HKAS 14 Segment Reporting which required an entity to identify two sets of segments (business and geographical). The adoption of HKFRS 8 has not resulted in a redesignation of the Group’s operating segments.

*Improving Disclosures about Financial Instruments**(Amendments to HKFRS 7 Financial Instruments: Disclosures)*

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

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

HKFRSs (Amendments)	Improvements to HKFRSs 2009 ¹
HKFRSs (Amendments)	Improvements to HKFRSs 2010 ²
HKAS 24 (Revised)	Related Party Disclosures ³
HKAS 32 (Amendment)	Classification of Rights Issues ⁴
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters ⁵
HKFRS 1 (Amendment)	Limited Exemptions from Comparative HKFRS 7 Disclosures for First-time Adopters ⁶
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions ⁵
HKFRS 8 (Amendment)	Disclosure of information about segment assets ⁵
HKFRS 9	Financial Instruments ⁷
HK(IFRIC) — Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement ³
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments ⁶

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

New and revised HKFRSs affecting presentation and disclosure only – continued

- ¹ Amendments that are effective for annual periods beginning on or after 1 January 2010
- ² Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
- ³ Effective for annual periods beginning on or after 1 January 2011
- ⁴ Effective for annual periods beginning on or after 1 February 2010
- ⁵ Effective for annual periods beginning on or after 1 January 2010
- ⁶ Effective for annual periods beginning on or after 1 July 2010
- ⁷ Effective for annual periods beginning on or after 1 January 2013

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognized financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortized cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group’s financial assets.

In addition, as part of Improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 January 2010, with early application permitted. Before the amendments to HKAS 17, lessees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification and measurement of the Group’s leasehold land. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards and Interpretations issued by HKICPA, accounting principles general principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial information also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below.

Basis of preparation

The consolidated financial statements for the year ended 30 June 2010 comprise the Company, its subsidiaries, its jointly controlled entities and the Group's interest in associates.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except that the financial instruments are stated at their fair value as explained in the accounting polices set out below.

Assets of disposal group classified as held for sale is stated at lower of carrying amount and fair value less costs to sell.

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future accounting periods.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES – continued

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 of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income 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 inter-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein.

Accounting for acquisitions of non-controlling interests

From 1 July 2009, acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognized. Previously, goodwill arising on the acquisition of non-controlling interests in a subsidiary has been recognized, and represented the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of the transaction.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and loss of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 July 2009, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES – continued**Non-current assets held for sale**

- (a) Non-current assets and 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 concerned are deferred tax assets and financial assets (other than investments 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 their previous carry amount and fair value less costs to sell.

(b) Discontinued operations

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

Acquisitions on or after 1 July 2009

For acquisitions on or after 1 July 2009, the Group measures goodwill as the fair value of the consideration transferred (including the fair value of any previously-held equity interest in the acquiree) and the recognized amount of any non-controlling interests in the acquiree, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

The Group elects on a transaction-by-transaction basis whether to measure non-controlling interests at fair value, or at their proportionate share of the recognized amount of the identifiable net assets of the acquiree, at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Acquisitions prior to 1 July 2009

For acquisition prior to 1 July 2009, goodwill represented the excess of the cost of the acquisition over the Group's interest in the recognized amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognized immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalized as part of the cost of the acquisitions.

Interest in jointly controlled entities

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES – continued**Interest in jointly controlled entities – continued**

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

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.

Interests in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, interest in associates are initially recognized in consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment loss in the value of individual investments. 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. Additional are provided 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Goodwill

Goodwill represents the excess of the cost of a business combination or an investment in an associate or a jointly controlled entity over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. The Group has changed its accounting policy with respect to accounting for business combinations (Please refer to "Business combination").

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment. In respect of associates or jointly controlled entities, the carrying amount of goodwill is included in the carrying amount of the interest in the associate or jointly controlled entity and the investment as a whole is tested for impairment whenever there is objective evidence of impairment.

On disposal of a cash-generating unit, an associate or a jointly controlled entity during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

Capitalized goodwill arising on an acquisition business is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the Group's of cash-generating units ("CGU"), expected to benefit from the synergies of the combination. A CGU 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 combination in a financial year, the CGU to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the CGU 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 statement of comprehensive income. An impairment loss for goodwill is not reversed in subsequent periods.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES – continued**Revenue recognition – continued**

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

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

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.

Revenue from catering services are recognised when services are rendered.

Interest income from a financial asset (other than a financial assets at fair value through profit or loss) is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset’s net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment, comprising leasehold land and buildings, leasehold improvement, gas distribution network, gas storage equipment, furniture, fixtures and equipment, motor vehicles and computers 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 consolidated statement of comprehensive income 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
Gas distribution network	5%-10%
Gas storage equipment	5%-31%
Furniture, fixtures and equipment	7%-25%
Plant and machinery	3%-12%
Leasehold improvement	Over the lease term
Motor vehicles	6%-20%
Computer equipment	20%-25%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Property, plant and equipment – continued

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use 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 statement of comprehensive income in the year in which the item is derecognized.

Construction in progress

Construction in progress represents property, plant and equipment in the course of construction for production or for the Group's 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.

Properties under development

Properties under development for sale are stated at the lower of cost and net realizable value. Cost is determined by the total development cost. Net realizable value represents the estimated selling price in the ordinary course of business less estimated costs to completion and the estimated cost necessary to make the sale.

On completion, the amount will be transferred to properties held for sale.

Inventories

Inventories, including construction materials, gas and gas appliances for sales, are stated at the lower of cost and net realizable value. Cost is calculated using the weighted-average method. Net realizable value represents the estimated selling price in the ordinary course of business less estimated costs to completion and the estimated costs necessary to make the sales.

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 statement of comprehensive income 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 expenses on a straight-line basis over the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES – continued**Leasing – continued***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 purpose 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 accounted for as property, plant and equipment.

Impairment losses on assets other than goodwill

At each end of the reporting period, 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. 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 other 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Intangible assets – continued

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.

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 statement of financial position 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES – continued**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 profit as reported in the consolidated statement of comprehensive income 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 end of the reporting period.

Deferred tax is the tax expected to be payable or recoverable on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. 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 deferred tax assets and liabilities are not recognized if the temporary difference arises from 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.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries, associates and interest 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 end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured of the tax rates that are expected to apply in the period when the liability is settled or the asset is realized. Deferred tax is charged or credited in the consolidated statement of comprehensive income, except when it relates to items that are recognized in other comprehensive income or directly in equity, in which case the deferred tax is also recognized in other comprehensive income or directly in equity, respectively.

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 its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the exchange rate prevailing on the dates of the transactions. At each end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Foreign currencies – continued

Exchange differences arising on the settlement of monetary items, and on the retranslation 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 other comprehensive income in consolidated financial statements and will be reclassified from equity to profit or loss on disposal of the foreign operation. 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 exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using the exchange rates prevailing at the end of the reporting period, 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 in other comprehensive income and accumulation in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests as appropriate).

Goodwill and fair value adjustments on identifiable assets acquired arising on the acquisition of a foreign operation on or after 1 July 2005 are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognized in the foreign currency translation reserve.

Cash and cash equivalents

Cash and cash equivalents are carried in the consolidated statement of financial position at cost.

For the purpose of the consolidated statement of cash flows, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES – continued**Provisions**

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation. Provisions are measured at the directors' best estimate of the consideration required to settle the present obligation at the end of the reporting period, and taking into account the risk and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect is material).

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 consolidated statement of comprehensive income 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 consolidated statement of comprehensive income 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 participants 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Employee benefits – continued

(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.

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 as share option reserve.

At each end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss over the remaining vesting period, with a corresponding adjustment to 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.

The financial impact of the share options granted and fully vested before 1 July 2005 is not recorded in the Company's or the group's financial statements until such time as the options are exercised, and no charge is recognized in the consolidated income statement in respect of the value of options granted in the year. Upon the exercise of the share options, the resulting share issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess or the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES – continued**Borrowing costs**

Borrowing costs are directly attributable to the acquisition, construction or production of qualifying asset that necessarily take a substantial period of time to get ready for its intended use or sale are capitalized as part of the costs 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 consolidated statement of comprehensive income in the year in which they are incurred.

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 of 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.

Financial instruments

Financial assets and financial liabilities are recognized 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial assets

The Group's financial assets are classified into 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. Income is recognized on an effective interest basis for debt instruments (other than financial assets classified as FVTPL, of which interest income is included in net gains and losses).

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 end of the reporting period subsequent to initial recognition, loans and receivables including trade and other receivables and prepayments, deposits and other receivables 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 financial assets at FVTPL, loans and receivables or held-to-maturity investments. At each end of the reporting period 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 statement of comprehensive income.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each end of the reporting period. 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES – continued**Financial instruments – continued***Impairment of financial assets – continued*

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

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 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 to the net carrying amount on initial recognition. Interest expense is recognized on an effective interest basis.

Other financial liabilities

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

(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 that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Aptus's 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 (convertible bonds reserve).

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 conversion option to convert the liability component into ordinary shares of the Company, 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 share premium). Where the conversion option remains unexercised at the maturity 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 conversion option.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES – continued**Financial instruments – continued***(i) Convertible bonds that contains liability component and conversion option components – continued*

Transaction costs that related to the issue of the convertible bonds are allocated to the liability and conversion/redemption option component 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.

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

Convertible bonds absorbed 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 only when the contractual 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 or 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 other comprehensive income and accumulated in equity is recognized in profit or loss.

Financial liabilities are derecognized when and only when, the Group's 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.

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 end of the reporting period, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY – continued**Impairment of goodwill**

Determining whether goodwill is impaired requires an estimation of the value in use of the CGU 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 CGU 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 2010, the carrying amount of goodwill is approximately HK\$1,154,768,000 (2009: HK\$2,215,971,000) with impairment loss of approximately HK\$1,061,203,000 (2009: HK\$31,761,000) was recognized in consolidated statement of comprehensive income. Details of impairment test for goodwill are set out in note 19.

Income taxes

As at 30 June 2010, no deferred tax asset was recognized in the Group's consolidated statement of financial position in relation to the estimated unused tax losses of approximately HK\$96,181,000 (2009: HK\$66,399,000) due to the unpredictability of future profit streams. The reliability 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 consolidated statement of comprehensive income for the period in which such recognition takes place.

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.

Share option expenses

The share option expenses are 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 33 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 statement of comprehensive income and share option reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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.

Exclusive rights of Karaoke CMS services

In recognition of the acquisition of Karaoke CMS services business, exclusive rights of Karaoke CMS services has not been accounted for, as the management consider that:

- (a) the business is a new trend business and there is no comparative information to assess the exclusive rights;
- (b) Historical results of the Karaoke CMS services business is not available for consideration.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 in notes 30 and 31 respectively, and equity attributable to equity holders of the Company, comprising issued share capital disclosed in note 32, reserves and accumulated losses 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

	2010 HK\$'000	2009 HK\$'000
Financial assets		
Available-for-sales investments	63,780	63,780
Loans and receivables (including cash and cash equivalents)	117,670	292,345
Financial liabilities		
Amortized cost	104,898	616,965
Derivative financial liabilities	17,721	75,232

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade and other receivables and prepayments, bank balances and cash, trade payables, accrued liabilities and other payables, bank and other borrowings, convertible bonds. 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 prepayment and bank balances. At the end of the reporting period, 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 statement of financial position.

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 the end of the reporting period 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 the Hong Kong, Singapore and the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

At the end of reporting date, the Group has convertible bonds, certain bank balances and bank and other borrowings denominated in Singaporean dollars (“SG\$”), Hong Kong dollars (“HK\$”) and United State dollars (“US\$”), 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	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Singaporean dollar (“SG\$”)	187	200	46	18
HK\$	2,315,222	2,298,004	397,439	351,462
United States dollar (“US\$”)	1,118	136,292	80,810	294,830

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 2010 would have been increased/decreased by approximately HK\$716,000 as a result of foreign exchange losses/gains on translation of transactions denominated in Hong Kong dollars (2009: increased/decreased by approximately HK\$314,000).

Certain financial assets and liabilities of the Group are denominated in US\$. However, the exchange rate of US\$ against HK\$ 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 SG\$. In the opinion of the management, no sensitivity analysis has been presented on the currency risk because the amount involved is insignificant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

Interest rate risk

The Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. Management does not anticipate significant impact on interest-bearing assets resulted from the changes in interest rates because the interest rates of bank deposits are not expected to change significantly.

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 30.

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.

Sensitive analysis

At 30 June 2010, it is estimated that a general increase or decrease of 100 basis points in interest rates on HK\$ denominated borrowings, with all other variable held constant, would increase/decrease the Group's loss by approximately HK\$154,000 (2009: approximately HK\$1,947,000). The above sensitivity analysis has been determined assuming that the change in interest rates had occurred at the end of the reporting period 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 end of the reporting period. The analysis was performed on the same basis for 2009.

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

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued**Liquidity risk – continued**

The following tables analysis 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:

2010

	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 payable, accrued liabilities and other payables	29,707	29,707	29,707	-	-	-
Bank and other borrowings	20,351	20,351	20,351	-	-	-
Convertible bonds	80,811	93,701	40,000	53,701	-	-
	130,869	143,759	90,058	53,701	-	-

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 payable, accrued liabilities and other payables	58,081	58,081	58,081	-	-	-
Bank and other borrowings	36,145	37,853	16,500	21,353	-	-
Convertible bonds	597,971	730,595	75,232	-	655,363	-
	692,197	826,529	149,813	21,353	655,363	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued**Fair value disclosures**

The following presents the carrying value of financial instruments measured at fair value at 30 June 2010 across three levels of the fair value hierarchy defined in HKFRS 7, Financial Instruments : Disclosures, with the fair value of each financial instrument categorized in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows :

Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments;

Level 2: fair values measured using quoted prices in active market for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observed market data;

Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

Assets measured at fair value

	30 June 2010 HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
Available-for-sale financial asset	63,780	–	–	63,780

During the year ended 30 June 2010, there was movement between different level of fair value measurements.

Fair value estimation

All financial instruments are carried at amounts not materially different from their fair values as at 30 June 2010 and 2009.

Unlisted investments for which fair values cannot be reliably measured are stated at cost less impairment losses.

The fair value of derivatives financial instruments is determined based on the amount that the Group would pay to terminate the contracts with the independent counterparties.

The carrying amounts of cash and cash equivalents, trade and other receivables and prepayments and trade payables, accrued liabilities and other payables approximate the fair value due to the relatively short-term maturity of these financial assets and liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments with effect from 1 July 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (i.e. the board of directors) for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard (HKAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's segments as compared with the primary segments determined in accordance with HKAS 14. The factors that used to identify the Group's operating segments, including the basis of organization are mainly based on the types of products sold and services provided by the Group's operating divisions as follows:

Continuing operations

- (a) distribution of natural supplementary products
- (b) provision of lottery-related hardware and software systems
- (c) provision of Karaoke CMS services and licence fee collection business
- (d) Others included catering services and sales of animal feeds

Discontinued operations

- (a) Gas related
- (b) Profit sharing right on oil field
- (c) Trading of edible oil and mineral materials
- (d) Boxes for storage of deceased cremated ashes and other ancestral properties
- (e) Paper-offering business

Information regarding the above segments is reported below. Amounts reported for the prior year have been restated to conform to the requirements of HKFRS 8.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. SEGMENT INFORMATION – continued

(a) Segment revenue and results

The following is an analysis of the Group's revenue and results by operating segments :

2010

	Continuing operations					Discontinued operations					Total	Consolidated
	Karaoke CMS HK\$'000	Provision of lottery- related hardware and software system HK\$'000	Distribution of natural supplementary products HK\$'000	Others HK\$'000	Total HK\$'000	Gas related HK\$'000	Profit sharing on oil field HK\$'000	Trading of edible oil and mineral materials HK\$'000	Boxes for storage of decreased cremated ashes and other ancestral properties HK\$'000	Paper- offering business HK\$'000		
Segment revenue:												
Sales to external customers	41,415	52,777	504	2,814	97,510	18,323	-	3,780	-	-	22,103	119,613
Segment results	(960,232)	24,911	(1,468)	(2,858)	(939,647)	(95,174)	-	(8,931)	(5,917)	(45)	(110,067)	(1,049,714)
Unallocated income					10,553						1,207	11,760
Unallocated expenses					(89,772)						(32,106)	(121,878)
Finance costs					(11,181)						(25,984)	(37,165)
Gain on disposal of jointly controlled entities					-	197,707					197,707	197,707
Gain on termination of profit sharing arrangement					-		11,031				11,031	11,031
Loss before taxation					(1,030,047)						41,788	(988,259)
Income tax expenses					(2,280)						(17,746)	(20,026)
Loss for the year					(1,032,327)						24,042	(1,008,285)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. SEGMENT INFORMATION – continued**(a) Segment revenue and results – continued**

2009

(Restated)

	Continuing operations					Discontinued operations					Total	Consolidated
	Karaoke CMS HK\$'000	Provision of lottery-related hardware and software system HK\$'000	Distribution of natural supplementary products HK\$'000	Others HK\$'000	Total HK\$'000	Gas related HK\$'000	Profit sharing on oil field HK\$'000	Trading of edible oil and mineral materials HK\$'000	Boxes for storage of decreased cremated ashes and other ancestral properties HK\$'000	Paper-offering business HK\$'000		
Segment revenue :												
Sales to external customers	22,889	42,843	793	262	66,787	106,803	-	18,292	-	-	125,095	191,882
Segment results	(8,205)	15,933	(1,030)	(890)	5,808	10,438	(412)	11	-	-	10,037	15,845
Unallocated income					3,699						9	3,708
Unallocated expenses					(10,731)						(36,632)	(47,363)
Finance costs					(23,674)						(42,438)	(66,112)
Share of results of an associate					-						124	124
Gain on disposal of a subsidiary held by a jointly controlled entity					1,158						-	1,158
Gain (loss) on disposal of an associate					15						(7)	8
Loss before taxation					(23,725)						(68,907)	(92,632)
Income tax expenses					(1,149)						(1,485)	(2,634)
Loss for the year					(24,874)						(70,392)	(95,266)

The accounting policies of the operating segments are the same as the Group's accounting policies as described in note 3. Segment profit (loss) represents the profit earned or loss made by each segment without allocation of incomes or expenses which are not recurring in nature and unrelated to the Group's operating performance, bank interest income, central administration costs, directors' emoluments and finance costs. This is the measure reported to the chief operating decision maker that is the directors of the Company for the purposes of resource allocation and performance assessment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. SEGMENT INFORMATION – continued

(b) Segment assets

The following is an analysis of the Group's assets by operating segments :

2010

	Continuing operations					Discontinued operations					Total	Consolidated
	Karaoke CMS HK\$'000	Provision of lottery- related hardware and software system HK\$'000	Distribution of natural products supplementary HK\$'000	Others HK\$'000	Total HK\$'000	Gas related HK\$'000	Profit sharing on oil field HK\$'000	Trading of edible oil and mineral materials HK\$'000	Boxes for storage of decreased cremated ashes and other ancestral properties HK\$'000	Paper- offering business HK\$'000		
Assets												
Segment assets	67,810	76,416	2,305	5,275	151,806	-	-	1,266	1,071,830	414	1,073,510	1,225,316
Unallocated assets					1,250,463						6,263	1,256,726
Total assets					<u>1,402,269</u>						<u>1,079,773</u>	<u>2,482,042</u>
Liabilities												
Segment liabilities	14,048	10,424	352	1,437	26,261	-	-	46	31,090	5	31,141	57,402
Unallocated liabilities					12,237						4,023	16,260
Borrowings	-	-	-	-	12,100	-	-	-	87,205	-	87,205	99,305
Convertible bonds	-	-	-	-	80,810	-	-	-	252,672	-	252,672	333,482
					<u>131,408</u>						<u>375,041</u>	<u>506,449</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. SEGMENT INFORMATION – continued**(b) Segment assets – continued**

2009

(Restated)

	Continuing operations					Discontinued operations					Total	Consolidated
	Karaoke CMS HK\$'000	Provision of lottery-related hardware and software system HK\$'000	Distribution of natural supplementary products HK\$'000	Others HK\$'000	Total HK\$'000	Gas related HK\$'000	Profit sharing on oil field HK\$'000	Trading of edible oil and mineral materials HK\$'000	Boxes for storage of decreased cremated ashes and other ancestral properties HK\$'000	Paper-offering business HK\$'000		
Assets												
Segment assets	71,252	87,482	7,581	4,481	170,796	350,193	33,927	1,341	-	-	385,461	556,257
Unallocated assets					2,430,039						1,763	2,431,802
Total assets					<u>2,600,835</u>						<u>387,224</u>	<u>2,988,059</u>
Liabilities												
Segment liabilities	14,873	28,421	386	582	44,272	123,825	-	122	-	-	123,947	168,219
Unallocated liabilities					4,233						46,762	50,995
Convertible bonds					294,727						303,244	597,971
					<u>343,232</u>						<u>473,953</u>	<u>817,185</u>

For the purposes of monitoring segment performances and allocating resources between segments, all assets are allocated to operating segments other than, bank balances and cash and other corporate assets.

The chief operating decision maker mainly reviews the segment assets for the purposes of resource allocation and performance assessment. An analysis of the Group's liabilities is not regularly reviewed by the chief operating decision maker and hence, the relevant information is not presented accordingly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. SEGMENT INFORMATION – continued

(c) Other segment information

2010

	Continuing operations					Discontinued operations					Total HK\$'000
	Karaoke CMS HK\$'000	Provision of lottery- related hardware and software system HK\$'000	Distribution of natural supplementary products HK\$'000	Others HK\$'000	Total HK\$'000	Gas related HK\$'000	Profit sharing on oil field HK\$'000	Trading of edible oil and mineral materials HK\$'000	Boxes for storage of decreased cremated ashes and other ancestral properties HK\$'000	Paper- offering business HK\$'000	
Amount included in the measure of segment profit or loss or segment assets:											
Additions to property, plant and equipment	2,334	4,854	-	1,259	8,447	-	-	-	690	-	690
Properties under development	-	-	-	-	-	-	-	-	1,988	-	1,988
Gain (loss) on disposal of property, plant and equipment	(5)	3,213	-	-	3,208	-	-	-	-	-	-
Allowances for doubtful receivable	-	-	551	-	551	-	-	-	-	-	-
Impairment loss on goodwill	956,159	-	-	-	956,159	96,176	-	8,868	-	-	105,044
Depreciation and amortization	4,517	10,841	618	354	16,330	2,105	-	-	22	-	2,127

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. SEGMENT INFORMATION – continued

(c) Other segment information – continued

2009

(Restated)

	Continuing operation					Discontinued operation					Total
	Karaoke CMS HK\$'000	Provision of lottery- related hardware and software system HK\$'000	Distribution of natural supplementary products HK\$'000	Others HK\$'000	Total HK\$'000	Gas related on oil field HK\$'000	Profit sharing and mineral materials HK\$'000	Trading of edible oil and other ancestral properties HK\$'000	Boxes for storage of decreased cremated ashes and other Paper- offering business HK\$'000	Total HK\$'000	
Amount included in the measure of segment profit or loss or segment assets :											
Additions to property, plant and equipment	8,154	2,648	-	103	10,905	33,996	-	-	-	-	33,996
Depreciation and amortization	3,038	10,359	788	241	14,426	20,185	29	-	-	-	20,214
Loss on disposal of property, plant and equipment	29	-	302	-	331	3	-	-	-	-	3
Gain (loss) on disposal of associates	-	15	-	-	15	(7)	-	-	-	-	(7)
Gain on disposal of a subsidiary held by a jointly controlled entity	1,158	-	-	-	1,158	-	-	-	-	-	-
Provision for stock written-off	-	-	37	-	37	-	-	-	-	-	-
Allowances for doubtful receivable	-	-	697	-	697	-	-	-	-	-	-
Impairment loss on goodwill	-	-	-	-	-	31,761	-	-	-	-	31,761

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. SEGMENT INFORMATION – continued

(d) Geographical information

The Group's operations are mainly located in PRC and South East Asia. The following table provides an analysis of the Group's sales by geographical markets:

	Revenue from external customers Continuing operation		Revenue from external customers Discontinued operation		Consolidated	
	2010	2009	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
PRC	97,006	65,994	18,323	106,803	115,329	172,797
Hong Kong	504	793	–	–	504	793
South East Asia	–	–	3,780	18,292	3,780	18,292
	97,510	66,787	22,103	125,095	119,613	191,882

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment analyzed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment Capital expenditure	
	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
PRC	152,012	552,886	11,820	44,901
Hong Kong	2,328,764	2,433,832	2,784	974
South East Asia	1,266	1,341	–	–
	2,482,042	2,988,059	14,604	45,875

Revenue from major products and services

The Group's revenue from continuing and discontinued operations from its products were as follows :

	2010 HK\$'000	2009 HK\$'000
Distribution of natural supplementary products	504	793
Provision of lottery-related hardware and software systems	52,777	42,843
Karaoke CMS	41,415	22,889
Trading of edible oil and mineral materials	3,780	18,292
Gas related	18,323	106,803
Others (included catering services and sales of animal feeds)	2,814	262
	119,613	191,882

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. REVENUE AND OTHER REVENUE

The principal activities of the Group are (i) distribution of natural supplementary products, (ii) provision of lottery-related hardware and software systems, (iii) trading of edible oil and mineral materials, (iv) holding profit sharing right on 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 and (vii) Boxes for storage of deceased cremated ashes and paper offering business and (viii) Catering services.

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	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Revenue						
Distribution of natural supplementary products	504	793	-	-	504	793
Provision of lottery-related hardware and software systems	52,777	42,843	-	-	52,777	42,843
Trading of edible oil and mineral materials	-	-	3,780	18,292	3,780	18,292
Gas related	-	-	18,323	106,803	18,323	106,803
Provision of Karaoke CMS services and licence fee collection business	41,415	22,889	-	-	41,415	22,889
Sales of goods	153	262	-	-	153	262
Catering services	2,661	-	-	-	2,661	-
	97,510	66,787	22,103	125,095	119,613	191,882

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. REVENUE AND OTHER REVENUE – CONTINUED

	Continuing operations		Discontinued operations		Consolidated	
	2010	2009	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other revenue						
Interest income	587	3,414	525	611	1,112	4,025
Investment income	275	–	–	–	275	–
Others	12,972	5,074	705	592	13,677	5,666
	<u>13,834</u>	<u>8,488</u>	<u>1,230</u>	<u>1,203</u>	<u>15,064</u>	<u>9,691</u>

9. FINANCE COSTS

	Continuing operations		Discontinued operations		Consolidated	
	2010	2009	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on:						
– borrowings wholly repayable within five years	1,542	952	1,134	2,214	2,676	3,166
– borrowings wholly repayable after five years	–	–	1,015	5,454	1,015	5,454
– convertible bonds	9,639	22,722	22,923	34,770	32,562	57,492
– unsecured promissory note	–	–	912	–	912	–
	<u>11,181</u>	<u>23,674</u>	<u>25,984</u>	<u>42,438</u>	<u>37,165</u>	<u>66,112</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. LOSS BEFORE TAXATION

	Continuing operations		Discontinued operations		Consolidated	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Loss before taxation has been arrived at after charging:						
Staff costs (excluding Directors' emoluments – note 11):						
– Wages and salaries	23,878	17,951	3,915	8,558	27,793	26,509
– Retirement benefits scheme contributions	376	868	42	33	418	901
Total staff costs	24,254	18,819	3,957	8,591	28,211	27,410
Cost of inventories sold (Note a)	34,261	22,227	19,348	98,975	53,609	121,202
Auditors' remuneration						
– Provide for the year	1,994	1,081	2,741	520	4,735	1,601
– (Over) underprovision in prior year	(37)	182	(24)	86	(61)	268
Depreciation of property, plant and equipment (Note b)	15,817	14,578	2,083	19,765	17,900	34,343
Amortization of prepaid lease payments	–	–	64	466	64	466
Impairment loss on goodwill	956,159	–	105,044	31,761	1,061,203	31,761
Minimum lease payments under operating leases:						
– Land and buildings	6,085	4,368	246	410	6,331	4,778
(Gain) loss on disposal of property, plant and equipment	(3,208)	331	–	3	(3,208)	334
Allowances for doubtful receivable	551	697	–	–	551	697
(Gain) loss on disposal of associates	–	(15)	–	7	–	(8)
Amortisation of other intangible assets	765	1,326	–	–	765	1,326
Provision for obsolete inventories	–	37	–	–	–	37
(Gain) loss on changes in fair value of derivative financial instruments (Note c)	37,150	(25,629)	–	–	37,150	(25,629)
Bad debts written off	198	1,623	–	–	198	1,623
Inventories written off	7	191	–	–	7	191
Gain on disposal of a subsidiary held by a joint controlled entity	–	(1,158)	–	–	–	(1,158)
Exchange (gains) losses, net	(51)	238	33	(63)	(18)	175

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. LOSS BEFORE TAXATION – continued

Note a: For the year ended 30 June 2010, cost of inventories included approximately of HK\$1,931,000 (2009: HK\$16,499,000) 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\$17,900,000 (2009: HK\$34,343,000) was an amount of approximately HK\$1,931,000 (2009: HK\$16,499,000) capitalized in cost of inventories sold during the year. The amount of approximately HK\$1,931,000 (2009: HK\$16,499,000) was included in cost of inventories sold of approximately HK\$53,609,000 (2009: HK\$121,202,000).

Note c: Arising from convertible bonds, please refer to note 31.

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS**(a) Directors' emoluments**

Emoluments paid or payable to each of the 8 (2009: 9) directors of the Company during the year were as follows:

For the year ended 30 June 2010

	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	5,760	–	5,862
Chan Tung Mei	78	1,200	–	1,278
Chan Ting	102	3,000	15	3,117
Chan Siu Sarah	78	2,040	12	2,130
Lau Hin Kun	78	296	12	386
Independent Non-executive Directors:				
Tian He Nian	156	–	–	156
Zhang Xiu Fu	240	–	–	240
To Yan Ming Edmond	125	–	–	125
	959	12,296	39	13,294

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS – continued**(a) Directors' emoluments – continued**

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
	<u>1,115</u>	<u>10,549</u>	<u>37</u>	<u>11,701</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 three (2009: four) Directors whose emoluments are set out in the above. The emoluments payable to the remaining two (2009: one) individual during the year as follows:

	2010 HK\$'000	2009 HK\$'000
Salaries, allowances and other benefits	3,504	1,540
Contributions to retirement benefits scheme	24	12
	3,528	1,552

The emoluments fell with the following bands:

	2010 No. of individuals	2009 No. of individuals
Emoluments bands		
HK\$1,000,001 – HK\$2,000,000	1	1
HK\$2,000,001 – HK\$3,000,000	1	–

During the year ended 30 June 2010, no emoluments have been paid by the Group to the three Directors (2009: four Directors) or the two (2009: one) highest paid individuals as an inducement to join the Group, or as compensation for loss of office.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	Continuing operations		Discontinued operations		Consolidated	
	2010	2009	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Wages and salaries	36,840	29,245	4,208	8,928	41,048	38,173
Retirement benefits scheme contributions	413	904	44	34	457	938
Total staff costs	37,253	30,149	4,252	8,962	41,505	39,111

13. INCOME TAX EXPENSES

The amount of tax charged (credited) to the consolidated statement of comprehensive income represents:

	Continuing operations		Discontinued operations		Consolidated	
	2010	2009	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The charge comprises:						
Current year						
– Hong Kong Profits Tax	–	–	–	–	–	–
– Other jurisdictions	2,233	1,970	17,746	1,485	19,979	3,455
	2,233	1,970	17,746	1,485	19,979	3,455
Under (over) provision in prior years						
– Hong Kong Profits Tax	–	–	–	–	–	–
– Other jurisdictions	47	(821)	–	–	47	(821)
	47	(821)	–	–	47	(821)
Income tax expenses charged for the year	2,280	1,149	17,746	1,485	20,026	2,634

No provision for Hong Kong Profits Tax has been made in the consolidated 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. INCOME TAX EXPENSES – continued

Pursuant to the relevant laws and regulations in the PRC, certain PRC subsidiaries 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”).

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 statement of comprehensive income reconciled to the loss per consolidated statement of comprehensive income is as follows:

	2010 HK\$'000	2009 HK\$'000 (Restated)
Profit (Loss) before taxation:		
Continuing operations	(1,030,047)	(23,725)
Discontinued operations	41,788	(68,907)
	(988,259)	(92,632)
Tax at the Hong Kong Profits Tax rate	(163,062)	(15,284)
Tax effect of expenses that are not deductible for tax purposes	170,601	9,747
Tax effect of income that is not taxable for tax purposes	(18,585)	(7,613)
Tax effect of tax losses not recognized	14,125	20,960
Tax effect of utilization of tax losses previously not recognized	(877)	(284)
Effect of different tax rates of subsidiaries operating in other jurisdictions	17,777	(4,071)
Tax effect of under (over) provision in prior years	47	(821)
Income tax expenses	20,026	2,634

Note: The applicable tax rate for Hong Kong is 16.5% (2009: 16.5%) and applicable tax rate in the PRC is 20-25% (2009: 18-25%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. INCOME TAX EXPENSES – continued

At the end of the reporting period, the Group has unused tax losses of approximately HK\$96,181,000 (2009: HK\$66,399,000) 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\$25,114,000 (2009: HK\$19,270,000) 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 at the end of the reporting date are as follows:

	2010 HK\$'000	2009 HK\$'000
Deductible temporary differences:		
Unutilized tax losses	96,181	66,399
Other	17,718	8,121
Accelerated tax allowances	156	259
Taxable temporary differences:		
Accelerated tax allowances	–	–
	114,055	74,779

14. DISCONTINUED OPERATIONS

On 24 April 2009, the Group entered into agreements relating to the termination of the Profit Sharing Rights for returning 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.

By an announcement of the Company issued on 17 September 2010, the Directors of the Company has intention to dispose remaining equity interest of Aptus Holdings Limited (“Aptus”) and Aptus will ceased to be an indirect non-wholly owned subsidiary of the Company. In this regard, Aptus is considered to be a disposal group.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. DISCONTINUED OPERATIONS – continued

The combined results and cash flows of the discontinued operations (i.e.: the oilfield sharing right, the distribution of natural gas business and Aptus' business) included in the consolidated statement of comprehensive income and the consolidated statement of cash flows are set out below:

	2010 Total HK\$'000	2009 Total HK\$'000 (Restated)
Profit (loss) for the year from discontinued operations		
Revenue	23,333	126,235
Expenses	(85,239)	(163,381)
Impairment on goodwill	(87,298)	(31,761)
Gain on disposal of jointly controlled entities	180,888	–
Gain on termination of profit sharing right on oil field	10,104	–
	<hr/>	<hr/>
Profit (loss) before taxation	41,788	(68,907)
Income tax expenses	(17,746)	(1,485)
	<hr/>	<hr/>
Profit (loss) for the year from discontinued operations	24,042	(70,392)
	<hr/> <hr/>	<hr/> <hr/>
Cash flows from discontinued operations		
Net cash (outflows) inflows from operating activities	(58,503)	17,442
Net cash inflows (outflows) from investing activities	322,043	(27,681)
Net cash (outflows) inflows from financing activities	(296,668)	10,658
	<hr/>	<hr/>
Net cash (outflows) inflows	(33,128)	419
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. NON-CURRENT ASSETS HELD FOR SALE

	2010 HK\$'000	2009 HK\$'000
Assets classified as held for sale	1,079,773	350,193
Liabilities associated with assets classified as held for sales	375,041	123,825
Non-controlling interests	408,231	–
Net assets classified as held for sales	296,501	226,368
Reserve classified as held for sales	441,190	19,990
	(Note a)	(Note b)

Note a: At an announcement made by the Company on 17 September 2010, the Company has intention to dispose of its equity interest in Aptus Holdings Limited, a non-wholly owned subsidiary of the Company within the next twelve months.

The major classes of assets and liabilities comprising the operations classified as held for sale on 30 June 2010 are as follows:

	2010 HK\$'000
Property, plant and equipment	769
Goodwill	904,550
Prepaid lease payments	143,872
Properties under development	15,890
Trade and other receivables and prepayments	5,752
Bank balances and cash	8,930
Tax recoverable	10
Assets related to Aptus business classified as held for sale	1,079,773
Trade payables, accrued liabilities and other payables (note i)	35,164
Unsecured promissory note (note ii)	87,205
Convertible bonds (note iii)	252,672
Liabilities of Aptus business associated with assets classified as held sale	375,041
Non-controlling interests	408,231
Net assets of Aptus business classified as held for sale	296,501
Translation reserve	4,430
Convertible bonds reserve	269,883
Capital reserve	166,877
Reserve of Aptus business classified as held for sale	441,190

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. NON-CURRENT ASSETS HELD FOR SALE – continued

note i: Other payables included an amount of HK\$30,000,000 which represents deposits received for sales of boxes for storage of deceased cremated ashes and other ancestral properties. Aptus has a profit sharing arrangement with the customer in sharing not less than 50% profit from the sales of 3,000 unit of boxes after proportionally realizing the deposits received as revenue.

note ii: Unsecured promissory note of approximately HK\$87,205,000 is unsecured, repayable in a one lump sum on the date falling three years from its date of issue (27 May 2010) and bears no interest.

	Unsecured promissory note HK\$'000
Principal sum on date of issue	130,000
Fair value adjustment at the issuance date	(39,707)
At initial recognition	90,293
Imputed finance cost	912
Repayment	(4,000)
As at 30 June 2010	87,205
Effective interest rate	13.45%

note iii: Convertible bonds

On 27 May 2010, the subsidiary of the Company, Aptus issued convertible bonds with a principal amount of HK\$850 million as part of the consideration to acquire Casdon Management Limited (the "Casdon Bonds"). The Casdon Bonds were denominated in Hong Kong dollar, unsecured, transferable and did not carry interest. The Casdon Bonds entitled the holders thereof to convert the Casdon Bonds, in whole or in part, into ordinary shares of Aptus at a conversion price of HK\$0.25 per share during the period from the date of issue to 26 May 2016 (the "Maturity Date"). Aptus also has the option to redeem all or any of outstanding Casdon Bonds at any time prior to the Maturity Date, at par.

The Casdon Bonds contained 2 components, namely liability component and equity component. The effective interest-rate for the liability component is 13.45% per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. NON-CURRENT ASSETS HELD FOR SALE – continued*note iii:* Convertible bonds - continued

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

	2010 HK\$'000	2009 HK\$'000
Nominal value of convertible bonds issued	850,000	–
Equity component	(440,085)	–
Liability component at the issuance date	409,915	–
Conversion to ordinary shares in Aptus	(159,798)	–
Imputed finance costs	2,555	–
Non-current liability component as at the end of the reporting period	252,672	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. NON-CURRENT ASSETS HELD FOR SALE – continued

Note b: For the year ended 30 June 2009, the Group has entered into an agreement to dispose of its gas related business in two jointly controlled entities on 24 April 2009. The disposal was completed on 10 September 2009 and 11 September 2009 respectively.

The major classes of assets and liabilities comprising the operations classified as held for sale as at 30 June 2009 were as follows:

	2009 HK\$'000
Property, plant and equipment	231,819
Construction in progress	2,877
Goodwill	49,454
Prepaid lease payments	15,775
Prepayments, deposits and other receivables	8,513
Trade 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
Trade payables	4,713
Accrued liabilities and other payables	9,282
Tax liabilities	1,121
Bank and other borrowings	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
Exchange reserve	19,990
Reserve of the gas related business classified as held for sale	19,990

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. NON-CURRENT ASSETS HELD FOR SALE – continued

Note b: – continued

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 2010, nor has any dividend been proposed since the end of reporting date (2009: Nil).

17. LOSS PER SHARE

From continuing and discontinued operations

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

	2010 HK\$'000	2009 HK\$'000 (Restated)
Loss for the year attributable to the equity holders of the Company	(1,047,777)	(100,643)
Number of shares	'000	'000
Weighted average number of ordinary shares for the purpose of basic loss per share	3,211,894	3,220,582

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. LOSS PER SHARE – continued**From continuing operations**

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

	2010 HK\$'000	2009 HK\$'000 (Restated)
Loss for the year attribute to equity holders of the Company	(1,047,777)	(100,643)
Less: Profit (loss) for the year attributable to equity holder of the Company from discontinued operations	24,042	(70,392)
Loss for the purpose of basic loss per share from continuing operations	(1,071,819)	(30,251)

From discontinued operations

Earnings (loss) per share from discontinued operations is HK0.75 cents per share (2009: loss per share HK2.18 cents per share), based on the profit for the year from the discontinued operations of approximately HK\$24,042,000 (2009: loss of approximately HK\$70,392,000) and the denominators detailed above for basic loss per share.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Gas distribution network	Gas storage equipment	Furniture, fixtures and equipment	Plant and machinery	Leasehold improvement	Motor vehicles	Computer equipment	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
COST									
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 and 1 July 2009	8,316	-	-	17,129	48,882	2,359	6,911	4,776	88,373
Additions	-	-	-	4,167	2,245	1,252	1,396	183	9,243
Acquisition of a subsidiary	-	-	-	3	-	-	-	72	75
Disposal	(7,119)	-	-	(190)	-	-	-	-	(7,309)
Exchange realignment	100	-	-	203	587	10	57	53	1,010
Reclassified as held for sale	-	-	-	(85)	-	(62)	(540)	(344)	(1,031)
At 30 June 2010	1,297	-	-	21,227	51,714	3,559	7,824	4,740	90,361
DEPRECIATION									
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 and 1 July 2009	1,644	-	-	4,242	20,934	1,661	2,173	3,049	33,703
Charged for the year	273	-	-	3,805	8,694	703	1,434	950	15,859
Eliminated on disposals	(1,790)	-	-	(135)	-	-	-	-	(1,925)
Exchange realignment	23	-	-	82	333	10	23	43	514
Reclassified as held for sale	-	-	-	(49)	-	(4)	(14)	(195)	(262)
At 30 June 2010	150	-	-	7,945	29,961	2,370	3,616	3,847	47,889
NET BOOK VALUES									
At 30 June 2010	1,147	-	-	13,282	21,753	1,189	4,208	893	42,472
At 30 June 2009	6,672	-	-	12,887	27,948	698	4,738	1,727	54,670

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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\$Nil (2009: HK\$29,000) from discontinued operations expenses.

At 30 June 2010, none of the Group's property, plant and equipment was held under finance lease (2009: HK\$Nil).

19. GOODWILL

	HK\$'000
COST	
At 1 July 2008	2,300,692
Reclassified as held for sale	(49,454)
	<hr/>
At 30 June 2009 and at 1 July 2009	2,251,238
Acquisition of a subsidiary	904,550
Reclassified as held for sale	(1,009,739)
	<hr/>
At 30 June 2010	2,146,049
	<hr/>
IMPAIRMENT PROVISION	
At 1 July 2008	3,506
Impairment loss recognized for the year	31,761
	<hr/>
At 30 June 2009 and at 1 July 2009	35,267
Impairment loss recognized for the year	1,061,203
Reclassified as held for sale	(105,189)
	<hr/>
At 30 June 2010	991,281
	<hr/>
CARRYING VALUES	
At 30 June 2010	1,154,768
	<hr/> <hr/>
At 30 June 2009	2,215,971
	<hr/> <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. GOODWILL – continued

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

For the year ended 30 June 2010, addition of goodwill was arisen from acquisition of Casdon Management Limited amounted to approximately HK\$904,550,000.

For the year ended 30 June 2010, the Group recognized an impairment loss of HK\$1,061,203,000 (2009: HK\$31,761,000) in relation to goodwill arising on acquisition of subsidiaries, Aptus Holdings Limited and acquisition of Karaoke CMS services business 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 key assumption used for cash flow projections for the provision of Karaoke CMS Services and provision of lottery-related hardware and software systems are as follows:

(a) Provision of Karaoke CMS Services

	Year				
	2011	2012	2013	2014	2015
Growth rate	70%	100%	150%	60%	60%
Discount rate	18%	18%	18%	18%	18%

Cash flows beyond the five year period are extrapolated using the estimated growth rate of 20% from year 2016 to 2017 and 10% from year 2018 to year 2020 and thereafter the estimated growth rate is 2% per annum.

(b) Lottery-related hardware and software systems

	Year				
	2011	2012	2013	2014	2015
Growth rate	20%	20%	20%	20%	20%
Discount rate	10%	10%	10%	10%	10%

Cash flows beyond the five year period are extrapolated using the estimated growth rate of 10%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 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 and 1 July 2009	1,664	6,678	6,260	14,602
Additions	3,373	–	–	3,373
Exchange realignment	20	80	75	175
At 30 June 2010	5,057	6,758	6,335	18,150
AMORTIZATION				
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 and 1 July 2009	–	5,481	444	5,925
Charge for the year	–	122	643	765
Exchange realignment	–	67	12	79
At 30 June 2010	–	5,670	1,099	6,769
CARRYING VALUES				
At 30 June 2010	5,057	1,088	5,236	11,381
At 30 June 2009	1,664	1,197	5,816	8,677

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. INTEREST IN AN ASSOCIATE

	2010 HK\$'000	2009 HK\$'000
Cost of unlisted investment	–	2,127
Share of post-acquisition profits	–	124
Disposal	–	(2,251)
At 30 June	–	–

The Group had interest in the following associate:

Name of entity	Form of business structure	Place of registration/ incorporation	Principal place of operation	Class of capital	Proportion of nominal value of registered/ issued capital held by the Group		Principal activities
					2010 %	2009 %	
Shenzhen Bozone Technology Services Co. Ltd. 深圳市博眾技術服務有限公司 (Note a)	Limited liability Company	PRC	PRC	Registered	–	–	Provision of lottery-related Hardware and software systems
Linli Huayou Gas Co., Limited 臨澧華油燃氣有限公司 (Note b)	Limited liability company	PRC	PRC	Registered	–	–	Distribution of natural gas

Note a: Shenzhen Bozone Technology Services Co. Ltd. (“Bozone Technology”) was deregistered in year 2009.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. INTEREST IN AN ASSOCIATE – continued

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

	2010 HK\$'000	From 1 July 2008 to date of disposal HK\$'000
Total assets	–	10,115
Total liabilities	–	(979)
Net assets	–	9,136
The Group's share of an associate's net assets	–	2,291
Revenue	–	1,719
Profit for the year	–	526
The Group's share of result of an associate	–	124

In November 2008, Changde Joint Venture disposed of its equity interest in Linli, at a consideration of RMB4,145,000. Loss on disposal of an associate 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 during the year ended 30 June 2009. Gain on disposal of Bozone Technology of approximately HK\$15,000 was recorded by the Group in year 2009.

22. AVAILABLE-FOR-SALES FINANCIAL ASSET

	2010 HK\$'000	2009 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 2010, impairment loss had not been made. (2009: HK\$Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. PREPAID LEASE PAYMENTS

	2010 HK\$'000	2009 HK\$'000
At 1 July	–	15,954
Additions	–	316
Acquisition of a subsidiary (<i>Note 34a</i>)	143,872	–
Exchange realignment	–	(29)
	143,872	16,241
Less: Charged to consolidated statement of comprehensive income for the year	–	(466)
Reclassified to held for sale	(143,872)	(15,775)
At 30 June	–	–

The amount represented medium-term land use rights situated in Hong Kong (2009: land use rights situated in the PRC and premises under operating leases in the PRC).

24. CONSTRUCTION IN PROGRESS

	2010 HK\$'000	2009 HK\$'000
At 1 July	–	6,912
Additions	–	22,994
Transferred to property, plant and equipment	–	(27,015)
Exchange realignment	–	(14)
Reclassified to held for sale (<i>Note 15</i>)	–	(2,877)
At 30 June	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. INVENTORIES

	2010 HK\$'000	2009 HK\$'000
Raw materials and consumables	3,018	486
Finished goods	879	1,937
At 30 June	3,897	2,423

All inventories are stated at cost.

26. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2010 HK\$'000	2009 HK\$'000
Trade receivables	13,432	9,860
Other receivables and prepayments	17,023	51,697
Less: Allowances for doubtful receivable	(6,118)	(5,517)
At 30 June	24,337	56,040

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 end of reporting dates:

	2010 HK\$'000	2009 HK\$'000
0 to 30 days	6,469	5,061
31 to 60 days	1,573	737
61 to 365 days	4,258	3,298
Over 1 year	1,132	764
	13,432	9,860

The trade receivables with carrying amount of HK\$9,838,000 (2009: HK\$8,149,000) are neither past due nor impaired at the reporting date.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS – continued

During the year ended 30 June 2010, the Group made an allowance of HK\$551,000 (2009: HK\$344,000) 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 allowance for bad and doubtful debts:

	2010	2009
	HK\$'000	HK\$'000
Balance at the beginning of the year	5,517	5,848
Charged for the year – trade receivables	551	344
Amount written off as uncollectible	–	(172)
Amount recovered during the year – trade receivables	–	(100)
Charged for the year – other receivables	–	353
Exchange adjustments	50	46
Reclassified as parts of disposal group of asset held for sale	–	(802)
	<hr/>	<hr/>
Balance at the end of the year	6,118	5,517
	<hr/> <hr/>	<hr/> <hr/>

In determining the recoverability of the trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date. The trade receivables past due but not provided for were either subsequently settled as at the date of this report or no historical default of payments by the respective customers. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for bad and doubtful debts.

Included in the Group's trade receivables with a carrying amount of HK\$2,504,000 (2009: HK\$416,000) 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.

Included in prepayments, deposits and other receivables are prepayments for the drilling operation of Xin Jiang Oilfield in the PRC of approximately HK\$Nil (2009: HK\$34 million).

The fair value of the Group's trade receivables as at 30 June 2010 approximates to the corresponding carrying amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. PROPERTIES UNDER DEVELOPMENT

	2010 HK\$'000	2009 HK\$'000
Acquisition of a subsidiary (Note 34a)	13,902	–
Additions	1,988	–
Less: Reclassified as held for sale (Note 15)	(15,890)	–
At 30 June	<u>–</u>	<u>–</u>

28. BANK BALANCES AND CASH

	2010 HK\$'000	2009 HK\$'000
Cash and bank deposits denominated in:		
Hong Kong dollar	12,117	7,374
Renminbi	84,300	87,329
United States dollar	39	136,292
Singaporean dollar	–	200
At 30 June	<u>96,456</u>	<u>231,195</u>

Included in the balance was approximately HK\$84,300,000 (2009: approximately HK\$87,329,000), 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.

29. TRADE PAYABLES, ACCRUED LIABILITIES AND OTHER PAYABLES

	2010 HK\$'000	2009 HK\$'000
Trade payables	7,912	13,315
Accrued liabilities and other payables	21,795	44,766
At 30 June	<u>29,707</u>	<u>58,081</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. TRADE PAYABLES, ACCRUED LIABILITIES AND OTHER PAYABLES – continued

An aged analysis of the Group's trade payables at the end of the reporting period, based on the date of goods and services received, is as follows:

	2010 HK\$'000	2009 HK\$'000
0 to 30 days	2,412	76
31 to 120 days	1,925	3,776
121 to 180 days	2,680	9,358
181 to 365 days	647	105
Over 1 year	248	–
At 30 June	7,912	13,315

The fair value of the Group's trade payables, accrued liabilities and other payables as at 30 June 2010 approximates to the corresponding carrying amount.

30. BANK AND OTHER BORROWINGS

	2010 HK\$'000	2009 HK\$'000
Other loans, unsecured (Note a)	12,100	36,145
Bank overdraft – secured	8,251	–
Unsecured promissory note	87,205	–
Less: Reclassified as held for sale (Note 15)	(87,205)	–
At 30 June	20,351	36,145

Note:

- (a) Borrowings of HK\$Nil (2009: HK\$16,500,000) is interest bearing at 2-3% over prime rate, unsecured and repayable in next twelve months.

Borrowings of HK\$Nil (2009: HK\$19,645,000) is unsecured, bears interest at prime rate and repayable in next twelve months.

Borrowings of approximately HK\$7,100,000 (2009: HK\$Nil) is interest bearing at 4% over prime rate, unsecured and repayable in next twelve months.

Borrowings of approximately HK\$5,000,000 (2009: HK\$Nil) is non-interest bearing, unsecured and repayable in next twelve months.

- (b) Bank overdraft of approximately HK\$8,251,000 (2009: HK\$Nil) is interest charged at 6.75% per annum, secured by pledged bank deposit and corporate guarantee by the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. BANK AND OTHER BORROWINGS – continued

Borrowings are repayable as follows:

	2010 HK\$'000	2009 HK\$'000
On demand or within one year	20,351	36,145
Less: Amount shown under non-current liabilities	–	–
Amount shown under current liabilities	20,351	36,145

31. CONVERTIBLE BONDS**(a) Convertible bonds I**

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 Master Fund Ltd. SPC, Segregated Portfolio M (“Evolution”), 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. CONVERTIBLE BONDS – continued**(a) Convertible bonds I – continued**

On 15 January 2010, the sole beneficial owner issued a put exercise notice requiring full redemption of the convertible bonds in the outstanding principal and any unpaid and accrued interest.

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

	2010	2009
	HK\$'000	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)	(5,850)
Imputed finance costs	106,174	85,806
Early redemption	(323,612)	–
Non-current liability component as at the end of the reporting period	–	303,244

(Note b)

(b) Convertible bonds II

The Company assumed the convertible bonds by Grand Promise International Limited with a principal amount of US\$35 million. The convertible bonds are denominated in United States Dollar. 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. CONVERTIBLE BONDS – continued**(b) Convertible bonds II – continued**

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 2009	75,232	219,495
Imputed finance cost	–	9,639
Changes in fair value	37,150	–
Exchange difference	–	(195)
Early redemption	(94,660)	(165,850)
	<hr/>	<hr/>
At 30 June 2010	17,722	63,089
	<hr/> <hr/>	<hr/> <hr/>
	<i>(Note a)</i>	<i>(Note b)</i>

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

Note b: Total of approximately of HK\$63,089,000 (2009: approximately HK\$522,739,000) is recorded as non-current liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. SHARE CAPITAL

	Number of shares	HK\$'000
	'000	
Authorized:		
At 1 July 2008, 30 June 2009, 1 July 2009 and 30 June 2010 shares of HK\$0.01 each	20,000,000,000	200,000
Issued and fully paid:		
At 1 July 2008	3,235,282	32,353
Shares issued on exercise of warrants	17	–
Shares buy-back	(23,405)	(234)
At 30 June 2009, at 1 July 2009 and 30 June 2010	3,211,894	32,119

There was no movement in the share capital of the Company during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. SHARE-BASED PAYMENT TRANSACTIONS

Pre-IPO Share Option Scheme

As at 30 June 2010, all options granted under the Pre-IPO Share Option Scheme were either exercised.

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 2010.

There were 84,100,000 outstanding share options brought forward from 1 July 2009 and 1,050,000 options were lapsed for the year ended 30 June 2010, resulting in an outstanding share options of 83,050,000 as at 30 June 2010.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. SHARE-BASED PAYMENT TRANSACTIONS – continued**Share Option Scheme – continued****2010**

Categories of grantees	Date of grant	Exercise price HK\$	Number of share options at 1 July 2009 '000	Granted during the year '000	Exercised during the year '000	Lapsed during the year '000	Number of share options at 30 June 2010 '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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. SHARE-BASED PAYMENT TRANSACTIONS – continued**Share Option Scheme – continued****2010 – continued**

Categories of grantees	Date of grant	Exercise price HK\$	Number of share options at 1 July 2009 '000	Granted during the year '000	Exercised during the year '000	Lapsed during the year '000	Number of share options at 30 June 2010 '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
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	–	–	(1,050)	32,330	23/11/2006 – 17/10/2012
Total			84,100	–	–	(1,050)	83,050	

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 83,050,000 additional ordinary shares of the Company at additional share capital of HK\$830,500 and share premium of HK\$45,160,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. SHARE-BASED PAYMENT TRANSACTIONS – continued**Share Option Scheme – continued**

At 30 June 2010, the number of the shares in respect of which option had been granted and remained outstanding under the scheme was 2.59% (2009: 2.62%) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. 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
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
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	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. 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:

	22 March 2006	Share option grant date 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 behavioral considerations.

The Group recognized the total expenses of HK\$Nil for the year ended 30 June 2010 (2009: HK\$Nil) in relation to share options granted by the Company.

In addition, the Group recognized share option expenses of its subsidiary, Aptus Holdings Limited of HK\$Nil (2009: HK\$Nil) into the consolidated statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS**(a) Acquisition of a subsidiary**

For the year ended 30 June 2010, the Group acquired 100% equity interest in Casdon Management Limited ("Casdon") at a consideration of approximately HK\$1,045,293,000.

Set out below is the details of Casdon upon completion of the acquisition and goodwill of approximately HK\$904,550,000 was recorded in these transactions respectively.

	Fair value
	HK\$'000
NET ASSETS ACQUIRED	
Property, plant and equipment	75
Prepaid lease payments	143,872
Properties under development	13,902
Trade and other receivables and prepayments	16,121
Bank balances and cash	18
Trade payables, accrued liabilities and other payables	(30,843)
Non-controlling interests	(2,402)
	<hr/>
	140,743
Goodwill arising on acquisition	904,550
	<hr/>
Total consideration	1,045,293
	<hr/> <hr/>
Satisfied by:	
Cash	85,000
Fair value of secured promissory note	20,000
Fair value of unsecured promissory note	90,293
Issuance of convertible bonds	850,000
	<hr/>
	1,045,293
	<hr/> <hr/>
Net cash outflow arising on acquisition:	
Cash consideration	85,000
Bank balances and cash acquired	(18)
	<hr/>
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	84,982
	<hr/> <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS – continued**(b) Disposal of jointly controlled entities**

For the year ended 30 June 2010, the Company disposed investments in jointly controlled entities, Changde Hauyou Gas Co., Limited (“Changde Hauyou”) and Hunan Huayou Natural Gas Transportation and Distribution Company Limited (“Hunan Hauyou”). Details of the disposal was summarized as follows:

	Changde Hauyou	Hunan Hauyou	Total
	HK\$'000	HK\$'000	HK\$'000
NET ASSETS DISPOSED			
Property, plant and equipment	111,868	116,864	228,732
Goodwill	26,227	23,227	49,454
Construction in progress	3,886	–	3,886
Prepaid lease payments	13,513	2,199	15,712
Inventories	1,504	576	2,080
Trade receivables, deposits, prepayments and other receivables	9,779	317	10,096
Bank balances and cash	35,459	3,838	39,297
Trade payables, accrued liabilities and other payables	(11,987)	(3,674)	(15,661)
Tax liabilities	(1,162)	(41)	(1,203)
Bank and other borrowings	(15,114)	(91,791)	(106,905)
Net assets	173,973	51,515	225,488
Less: Release of translation reserve	(14,220)	(5,770)	(19,990)
Gain on disposal	129,756	67,951	197,707
Total consideration	<u>289,509</u>	<u>113,696</u>	<u>403,205</u>
Net cash inflow arising on disposal:			
Cash consideration	289,509	113,696	403,205
Bank balances and cash	(35,459)	(3,838)	(39,297)
	<u>254,050</u>	<u>109,858</u>	<u>363,908</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS – continued**(c) 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)
	<hr/>
Net assets	513
Gain on disposal	1,158
	<hr/>
Total consideration	1,671
	<hr/> <hr/>
Satisfied by:	
Cash	1,671
	<hr/> <hr/>
Net cash inflow arising on disposal:	
Cash consideration	1,671
Bank balances and cash disposal of	(320)
	<hr/>
	1,351
	<hr/> <hr/>

Major non-cash transactions

- (a) During the year, the Group incurred imputed interest on convertible bonds and unsecured promissory note of approximately HK\$32,562,000 and HK\$912,000 respectively (2009: HK\$57,492,000 and HK\$Nil).
- (b) During the year, impairment loss on goodwill of approximately HK\$1,061,203,000 (2009: HK\$31,761,000) was provided in the consolidated statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35. CONTINGENT LIABILITIES

The Company provided corporate guarantees to the extent of approximately HK\$10,000,000 (2009: HK\$10,000,000) to a bank to secure general banking facilities granted to a subsidiary.

The Company provided corporate guarantees to the extent of HK\$Nil (2009: HK\$16,500,000) to secure other loan granted to a subsidiary.

The total facilities utilized by the Group at 30 June 2010 amounted to approximately HK\$8,251,000 (2009: HK\$16,500,000).

36. OPERATING LEASE COMMITMENTS**The Group as lessee**

As at 30 June 2010, the Group had commitments for future minimum lease payments in respect of rented premises under non-cancellable operating leases which fall due as follows:

	2010 HK\$'000	2009 HK\$'000
Continuing operations		
Within one year	5,185	4,292
In the second to fifth years inclusive	8,337	2,290
	13,522	6,582
Discontinued operations		
Within one year	531	41
In the second to fifth years inclusive	609	14
Over five years	–	3
	1,140	58

Operating lease payments represent rental payable by the Group for certain of its office properties from continuing operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36. OPERATING LEASE COMMITMENTS – continued**The Group as lessor**

As at 30 June 2010, 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:

	2010 HK\$'000	2009 HK\$'000
Discontinued operations		
Within one year	–	520
In the second to fifth years inclusive	–	1,631
Over five years	–	2,106
	<u>–</u>	<u>4,257</u>
	<u><u>–</u></u>	<u><u>4,257</u></u>

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

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

37. CAPITAL COMMITMENTS

	2010 HK\$'000	2009 HK\$'000
Discontinued operations		
Capital expenditure in respect of the investment in a subsidiary authorized but not contracted for	44,667	44,137
Capital expenditure in respect of the properties under development	23,052	–
Capital expenditure in respect of the sole distribution right of the paper-offering business	414	–
	<u>68,133</u>	<u>44,137</u>
	<u><u>68,133</u></u>	<u><u>44,137</u></u>

The Group did not have any capital commitments from continuing operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38. 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 statement of comprehensive income represents contributions payable to the MPF Scheme by the Group at rates specified in the rules of the MPF Scheme.

The total costs charged to the consolidated statement of comprehensive incomes of approximately HK\$457,000 (2009: HK\$938,000) represent contributions payable to the MPF Scheme in respect of the current accounting period.

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 only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

39. 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.

No significant provision for long service payments was made on 30 June 2010 (2009: Nil).

40. PLEDGE OF ASSETS

As at 30 June 2010, the Group has pledged all the issued and outstanding shares of Birdview Group Limited (a wholly-owned subsidiary of Grand Promise International Limited ("Grand Promise")) together with all proceeds in favour 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.

As at 30 June 2010, the Group has pledged its bank deposits of approximately HK\$5,128,000 (2009: approximately of HK\$5,110,000) as securities for the general banking facilities granted to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41. 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 2010 (2009: 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.

42. RELATED PARTY TRANSACTIONS**Compensation of directors and key management personnel**

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

	2010 HK\$'000	2009 HK\$'000
Short-term benefits	19,621	16,472
Post-employment benefits	116	120
Termination benefits	400	–
	20,137	16,592

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the Company's principal subsidiaries as at 30 June 2010 are as follows:

Name	Place of incorporation and operations	Nominal value of issued and paid-up share	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Precise Result Profits Limited	British Virgin Islands	Ordinary share US\$1	–	100%	Investment holding
Aptus Holdings Limited (Note)	Cayman Islands	Ordinary shares HK\$3,383,671,428	–	12.43%	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

Note: Aptus Holdings Limited ("Aptus") is still a non-wholly owned subsidiary of the Company as the Company control the financial and operating activities of Aptus.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – continued

Particulars of the Company's principal subsidiaries as at 30 June 2010 are as follows: – continued

Name	Place of incorporation and operations	Nominal value of issued and paid-up share	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
雙遼市步得稭釋科技有限公司# (Shuang Liao City Step Gain Technology Limited [†])	PRC	Registered capital HK\$3,400,000	–	100%	Animal feed (玉米稭釋飼料)
Greatest Luck Limited	British Virgin Islands	Ordinary share US\$1	–	100%	Investment holding
深圳生港科技有限公司# (B & B (Shenzhen) Limited [†])	PRC	Registered capital US\$10,000,000	100%	–	Investment holding
深圳生港餐飲管理有限公司#	PRC	Registered capital RMB100,000	–	100%	Food and catering services
Ace Bingo Group Limited	British Virgin Islands	Ordinary shares 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – continued

Particulars of the Company's principal subsidiaries as at 30 June 2010 are as follows: – continued

Name	Place of incorporation and operations	Nominal value of issued and paid-up share	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
黑龍江省博眾信息技術有限公司 (Heilongjiang Bozone IT 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
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	–	12.43%	Investment holding
Top Entrepreneur Profits Limited	British Virgin Islands	Ordinary shares US\$200	–	9.32%	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – continued

Particulars of the Company's principal subsidiaries as at 30 June 2010 are as follows: – continued

Name	Place of incorporation and operations	Nominal value of issued and paid-up share	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
B & B Natural Products (BVI) Limited	British Virgin Islands	Ordinary share US\$1	–	9.32%	Investment holding
Rapid Progress Profits Limited	British Virgin Islands	Ordinary shares US\$8	–	6.99%	Investment holding
Hsing Long Trading Co. Pte. Ltd.	Singapore	Ordinary shares SGD100,000	–	8.74%	Trading of edible oil and mineral materials
CNPC Huayou Cu Energy Investment Co., Limited [#]	PRC	Registered capital RMB100,000,000	–	8.70%	Investment holding
Sea Marvel Limited	British Virgin Islands	Ordinary share US\$1	–	12.43%	Investment holding
Cosmos Will Limited	British Virgin Islands	Ordinary share US\$1	–	12.43%	Investment holding
Casdon Management Limited	British Virgin Islands	Ordinary share US\$1	–	12.43%	Investment holding
Sharp Keen Investments Limited	British Virgin Islands	Ordinary share US\$1	–	12.43%	Investment holding
Wealth Concept Holdings Limited	British Virgin Islands	Ordinary share US\$1	–	12.43%	Investment holding
The Shrine of Hong Kong Limited	Hong Kong	Ordinary share HK\$1	–	12.43%	Trading, retailing and wholesaling

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – continued

Particulars of the Company's principal subsidiaries as at 30 June 2010 are as follows: – continued

Name	Place of incorporation and operations	Nominal value of issued and paid-up share	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Start Well Corporation Limited	Hong Kong	Ordinary shares HK\$2	–	12.43%	Investment holding
Hong Kong Life Group Holdings Limited (Formerly known as Fully Concept Limited)	Hong Kong	Ordinary shares HK\$2	–	12.43%	Investment holding
Merit Capital Investment Limited	Hong Kong	Ordinary shares HK\$2	–	12.43%	Investment holding
Allied Effort Limited	Hong Kong	Ordinary shares HK\$95	–	11.81%	Property development, management, trading, leasing, consultancy
Loyal Truth Corporation Limited	Hong Kong	Ordinary shares HK\$90	–	11.19%	Properties investment
Blissful Year Limited	Hong Kong	Ordinary shares HK\$90	–	11.19%	Properties investment
Ascent Hill Limited	Hong Kong	Ordinary shares HK\$200,000	–	12.43%	Provision of management services
Hong Kong Life Group Limited	Samoa Islands	Ordinary shares US\$1	–	12.43%	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – continued

Particulars of the Company's principal subsidiaries as at 30 June 2010 are as follows: – continued

Name	Place of incorporation and operations	Nominal value of issued and paid-up share	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
882HK Limited	Hong Kong	Ordinary shares HK\$90	–	11.19%	Properties investment
Cheerful Year Limited	Hong Kong	Ordinary shares HK\$90	–	11.19%	Properties investment
Civic Limited	Hong Kong	Ordinary shares HK\$178	–	11.17%	Properties investment
Good Day Limited	Hong Kong	Ordinary shares HK\$90	–	11.19%	Properties investment
Hero Limited	Hong Kong	Ordinary shares HK\$90	–	11.19%	Properties investment
Happy Dragon Limited	Hong Kong	Ordinary shares HK\$90	–	11.19%	Properties investment
Fully Kingdom Limited	Hong Kong	Ordinary shares HK\$90	–	11.19%	Properties investment
Rich Wealthy Limited	Hong Kong	Ordinary shares HK\$90	–	11.19%	Properties investment
HK 126 Limited	Hong Kong	Ordinary shares HK\$178	–	11.12%	Properties investment

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

† For identification only

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

The Group had interests in the following significant jointly controlled entities at 30 June 2010:

Name	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
北京中文發數字科技 有限公司# (China Culture Development Digital Technology Co., Limited ¹)	Sino-foreign equity joint venture	PRC	Registered	49%	Research and development of software and information technology products; system integrations; technology consultancy and other services
重慶禮光博軟科技發展 有限公司# (Chongqing Li Jiang Development Co., Limited ²)	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 ³) (Formerly known as 北京天合文化有限公司 (Beijing Tian He Culture Co., Limited ⁴))	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES – continued

The Group had interests in the following significant jointly controlled entities at 30 June 2010: – continued

Name	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES – continued

The Group had interests in the following significant jointly controlled entities at 30 June 2010: – continued

Name	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
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
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES – continued

The Group had interests in the following significant jointly controlled entities at 30 June 2010: – continued

Name	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
北京天合新紀元文化有限公司# (Beijing Tian He New Century Culture Co., Limited ¹)	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 ¹)	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
上海天合文化傳播有限公司* (Shanghai Tian He Culture Co., Limited ¹)	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES – continued

The Group had interests in the following significant jointly controlled entities at 30 June 2010: – continued

Name	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES – continued

The Group had interests in the following significant jointly controlled entities at 30 June 2010: – continued

Name	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES – continued

The Group had interests in the following significant jointly controlled entities at 30 June 2010: – continued

Name	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
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
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	21.83%	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES – continued

The Group had interests in the following significant jointly controlled entities at 30 June 2010: – continued

Name	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
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
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES – continued

The Group had interests in the following significant jointly controlled entities at 30 June 2010: – continued

Name	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
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES – continued

The Group had interests in the following significant jointly controlled entities at 30 June 2010: – continued

Name	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES – continued

The Group had interests in the following significant jointly controlled entities at 30 June 2010: – continued

Name	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
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
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES – continued

The Group had interests in the following significant jointly controlled entities at 30 June 2010: – continued

Name	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
廣西天合文化有限公司# (Guangxi 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

[†] For identification only

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 statement of financial position and consolidated statement of comprehensive income as a result of proportionate consolidation:

	2010 HK\$'000	2009 HK\$'000
Current assets	44,784	350,361
Non-current assets	23,026	21,630
Current liabilities	14,048	138,698
Non-current liabilities	–	–
Non-controlling interests	7,725	7,033
	2010 HK\$'000	2009 HK\$'000
Revenue	42,298	130,025
Expenses	(46,436)	(132,449)
Non-controlling interests	273	(1,164)
Loss for the year	<u>(3,865)</u>	<u>(3,588)</u>

45. SUMMARISED STATEMENT OF FINANCIAL INFORMATION OF THE COMPANY**(a) Statement of Financial Position**

	2010 HK\$'000	2009 HK\$'000
Property, plant and equipment	395	379
Interest in subsidiaries	2,105,162	2,404,211
Deposits, prepayments and other receivables	376	296
Bank balances and cash	11,427	9,647
Trade and other payables	(5,333)	(3,069)
Borrowings	(12,100)	–
Derivative financial instruments	(17,722)	(75,232)
Convertible bonds	(63,089)	(219,495)
Net assets	<u>2,019,116</u>	<u>2,116,737</u>
Share capital	32,119	32,119
Reserves	1,986,997	2,084,618
Total equity	<u>2,019,116</u>	<u>2,116,737</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

45. SUMMARISED STATEMENT OF FINANCIAL INFORMATION OF THE COMPANY – continued**(b) Reserve of the Company**

	Share capital	Share premium	Capital redemption reserve	Employee share-based redemption reserve	Share option reserve	Special reserve	Retained profits (Accumulated losses)	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2008	32,353	2,166,728	-	35,572	11,282	2,569	(94,889)	2,153,615
Shares issued on exercise of warrants	-	22	-	-	-	-	-	22
Repurchase of shares	(234)	(11,176)	234	-	-	-	(234)	(11,410)
Total comprehensive loss for the year	-	-	-	-	-	-	(25,490)	(25,490)
At 30 June 2009 and 1 July 2009	32,119	2,155,574	234	35,572	11,282	2,569	(120,613)	2,116,737
Lapse of share options	-	-	-	-	(190)	-	190	-
Total comprehensive loss for the year	-	-	-	-	-	-	(97,621)	(97,621)
At 30 June 2010	32,119	2,155,574	234	35,572	11,092	2,569	(218,044)	2,019,116

46. EVENTS AFTER REPORTING PERIOD

- (a) On 26 July 2010 and 13 August 2010, the Company entered into an agreement with the convertible bond holders to pledge 300,000,000 and 100,000,000 shares of Aptus Holdings Limited as security.
- (b) On 13 August 2010 and 14 August 2010, the Company issued 30,000,000 and 10,000,000 warrants at a exercise price of HK\$0.168 per share.
- (c) At an announcement of the Company dated 17 September 2010, the Company announced to dispose of all remaining equity interest in Aptus Holdings Limited within the next twelve months.

47. COMPARATIVE FIGURES

As a result of the application of HKAS1 (revised 2007), Presentation of Financial Statements and HKFRS8, Operating Segments, certain comparative figures have been adjusted to conform to current years presentation and to provide comparative amounts in respect of items disclosed for the first time in 2010. Further details of these developments are disclosed in note 2.

FINANCIAL SUMMARY

For the year ended 30 June 2010

RESULTS

	2010 HK\$'000	For the year ended 30 June			
		2009 HK\$'000 (Restated)	2008 HK\$'000	2007 HK\$'000	2006 HK\$'000
Revenue	119,613	191,882	144,085	91,461	81,608
Cost of sales	(53,609)	(121,202)	(94,367)	(64,471)	(55,284)
Gross profit	66,004	70,680	49,718	26,990	26,324
Other revenue	15,064	9,691	5,612	5,911	34,282
Gain (loss) on changes in fair value for derivative financial instruments	(37,150)	25,629	(13,347)	–	–
Selling and distribution costs	(11,093)	(20,161)	(16,255)	(4,993)	(3,718)
Administrative expenses	(983,919)	(113,649)	(94,930)	(136,045)	(111,252)
Gain (loss) on disposal of subsidiaries and associates	–	1,166	–	30,635	(13,106)
Loss on deemed disposal of a subsidiary held by a jointly controlled entity	–	–	(7)	–	–
Finance costs	(37,165)	(66,112)	(41,874)	(24,537)	(3,005)
Share of results of associates	–	124	(40)	–	18,830
Loss before taxation	(988,259)	(92,632)	(111,123)	(102,039)	(51,645)
Income tax expenses	(20,026)	(2,634)	(1,891)	(1,442)	(6,717)
Loss for the year	(1,008,285)	(95,266)	(113,014)	(103,481)	(58,362)

ASSETS AND LIABILITIES

	2010 HK\$'000	2009 HK\$'000	2008 HK\$'000	2007 HK\$'000	2006 HK\$'000
Total assets	2,482,042	2,988,059	3,087,897	852,021	519,414
Total liabilities	(506,449)	(817,185)	(819,586)	(413,816)	(65,563)
Net assets	1,975,593	2,170,874	2,268,311	438,205	453,851
Equity attributable to equity holders of the Company	1,506,573	2,134,803	2,247,625	425,697	397,958
Non-controlling interests	469,020	36,071	20,686	12,508	55,893
Total equity	1,975,593	2,170,874	2,268,311	438,205	453,851