眾彩科技股份有限公司*

CHINA VANGUARD GROUP LTD.

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8156)

ANNUAL REPORT

2011

*For identification purposes only

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Madam CHEUNG Kwai Lan *(Chairperson)*
Mr. CHAN Ting *(Chief Executive Officer)*
Ms. CHAN Siu Sarah
Mr. CHAN Tung Mei
Mr. LAU Hin Kun

Independent Non-executive Directors

Mr. ZHANG Xiu Fu
Mr. TIAN He Nian
Mr. YANG Qing Cai *(appointed on 7 April 2011)*
Mr. TO Yan Ming Edmond

AUDIT COMMITTEE

Mr. TO Yan Ming Edmond *(Chairman)*
Mr. ZHANG Xiu Fu
Mr. TIAN He Nian
Mr. YANG Qing Cai

REMUNERATION COMMITTEE

Mr. CHAN Ting *(Chairman)*
Mr. ZHANG Xiu Fu
Mr. YANG Qing Cai
Mr. TO Yan Ming Edmond

AUTHORIZED REPRESENTATIVES

Mr. CHAN Ting
Ms. CHAN Siu Sarah

COMPLIANCE OFFICER

Mr. CHAN Ting

COMPANY SECRETARY

Mr. CHOW Chun Hong Ernest

COMPANY WEBSITE

www.cvg.com.hk

STOCK CODE

08156

PRINCIPAL BANKERS

Nanyang Commercial Bank, Limited
The Hongkong and Shanghai Banking Corporation Ltd.
Bank of East Asia, Limited

AUDITORS

W.H. Tang & Partners CPA Limited

LEGAL ADVISER

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

Highlights of the Year

July 2010	Launched first of its kind VOD equipment that is VAS and lottery capable

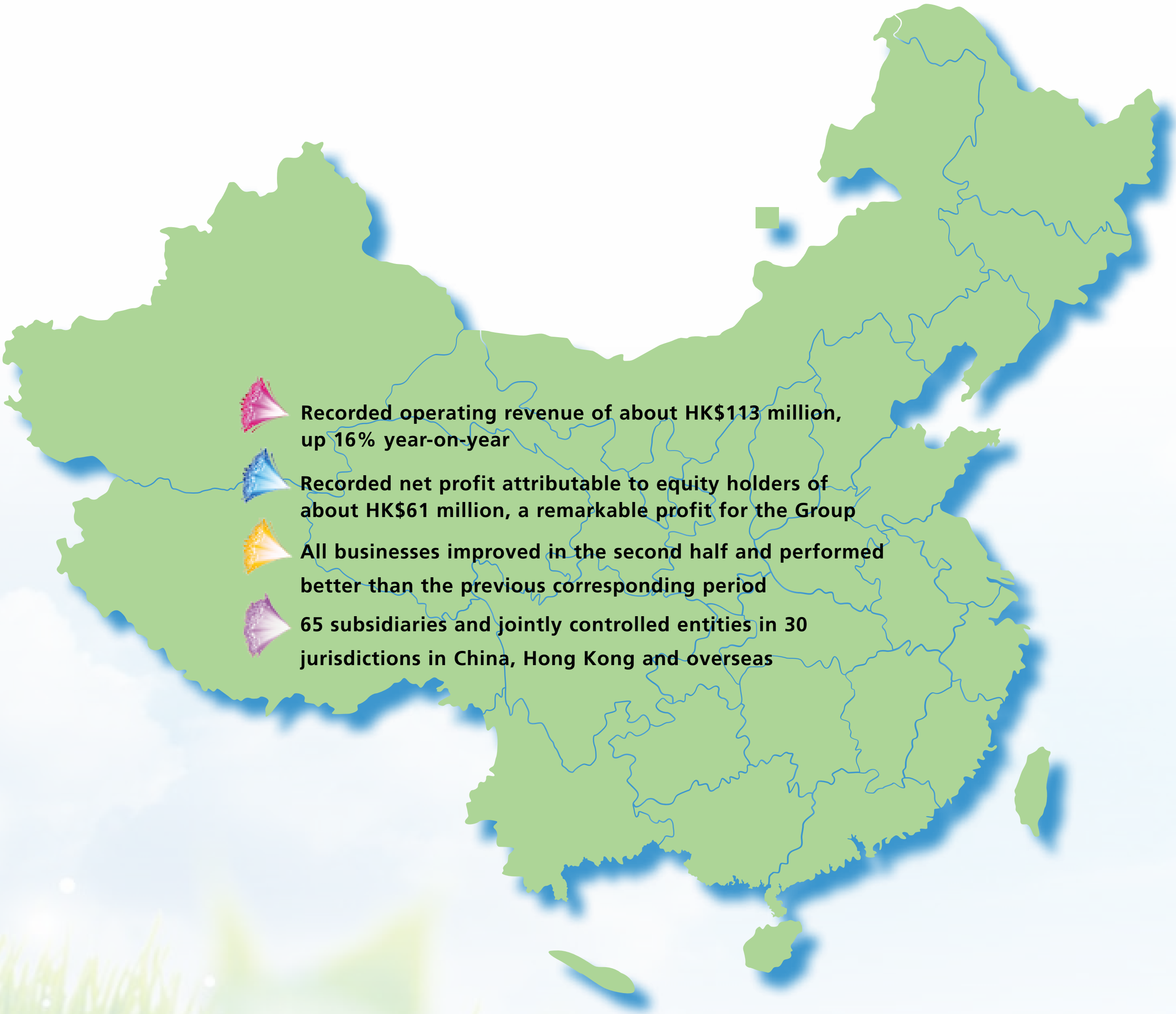
September 2010	Deconsolidation of Hong Kong Life Group Holdings Limited

November 2010	Bozone was accredited the ISO/IEC 27001:2005

November 2010	Approval being granted from Chongqing Welfare Lottery Issuing Centre to sell welfare lotteries in karaoke venues
March 2011	Agreed to purchase an aggregrate of 30% equity interest in CCD which would increase the Group's effective interest in CCDDT from about 54% to 69%.

April 2011	Chongqing Welfare Lottery Issuing Centre officially lauched "OK Lottery Bar"
April 2011	Agreed to purchase remaining 49% effective interest in Bozone
JUNE 2011	Became member of the World Lottery Association

Company Snapshot



- Recorded operating revenue of about HK$113 million, up 16% year-on-year
- Recorded net profit attributable to equity holders of about HK$61 million, a remarkable profit for the Group
- All businesses improved in the second half and performed better than the previous corresponding period
- 65 subsidiaries and jointly controlled entities in 30 jurisdictions in China, Hong Kong and overseas

Chairperson's Statement

"A year of notable achievements... "

Dear Shareholders,

On behalf of the board of directors of China Vanguard Group Limited (the "Company" or "China Vanguard"), I herein present the results of the Company, its subsidiaries and jointly controlled entities (collectively the "Group") for the financial year ended 30 June 2011 ("Year 2011").

I would like to take this opportunity to say that Year 2011 has been one of notable achievements and the Group recorded a remarkable profit. We have made significant advancements across our operations, which now employ about 770 people in 65 subsidiaries and jointly controlled entities in 30 jurisdictions in China, in Hong Kong and overseas. Post Year 2011, we completed the increase of our stake from 51% to 100% in Shenzhen Bozone I.T.Co., Ltd., ("Bozone"), our traditional lottery-related operations, which achieved operating net profit of about HK$24 million in Year 2011.

DISCUSSION

We are pleased to report a net profit attributable to equity holders of about HK$61 million for Year 2011 against a loss of about HK$1 billion in the previous corresponding year ("Year 2010"). This is a significant turnaround given the magnitude that we have expanded our Group companies, from just about 105 staff in 4 jurisdictions in January 2008 to the scale we have today. We believe we are now achieving operational critical mass with a presence in almost every jurisdiction in China providing an extensive base from which to rapidly expand our revenues and profits.

Our business is split between the provision of lottery-related software, equipment and services to the Welfare Lottery Issuing Centres in China and also the provision of value added services ("VAS"), such as royalty collection and equipment supply (amongst others), to the entertainment industry in China.

Chairperson's Statement

This year has seen significant advances in the realization of our strategy with regard our operations to: (i) improve and expand our lottery-related business; (ii) create synergies between our existing operations; (iii) expand our portfolio of VAS services to the entertainment industry; and (iv) add new markets for our portfolio of services.

With regards advancement of the lottery-related operations, enhancement was made to the system in order to provide greater flexibility for the Welfare Lottery Issuing Centres in Shenzhen, Heilongjiang and Zhejiang. Also, we are working for the introduction of new games in the jurisdictions in which we operate our traditional lottery-related business.

With regards creating cross-operational synergies and the introduction of more VAS services on the entertainment side, we have developed China's first VAS in-room song selection system for karaoke venues which also is lottery compatible. This system provides us with an exclusive integrated technology platform to turn karaoke rooms into lottery point of sales. In November 2010, we gained Chongqing Welfare Lottery Issuing Centre's approval, using this system, to offer Welfare Lottery games in karaoke venues in Chongqing on an exclusive basis. This is enabling our lottery-related operations to move downstream into distribution, working with karaoke venues to establish them as lottery point of sales. We are working to replicate the success in Chongqing and hope to gain similar exclusive approvals in other jurisdictions to expand this throughout China.

With all the developments, only some of which are highlighted above, we are optimistic over the outlook for our operations, and believe that the significant work which we have put in will result in rising revenues and an enhancement of shareholders' wealth. Please find more details of each of our divisions and also the outlook of the Group in following sections.

APPRECIATION

On behalf of the Board, I would like to thank all our valued shareholders for their continued support and ensure that we will continue to do our utmost to enhance shareholder value, transparency and investor relations. Meanwhile, to our customers, business associates, advisors, management and staff, we would like to thank you for your invaluable assistance and support during this challenging and highly productive year.

Madam Cheung Kwai Lan
Chairperson and Executive Director

Hong Kong, 27 September 2011

CEO's Statement

"One step closer to greater success..."

The corporate structure and statement of financial position are now much cleaner after the deconsolidation of Hong Kong Life Group Holdings Limited (formerly known as Aptus Holdings Limited) in September 2010. This allowed the Group to concentrate even more on its core businesses and has enabled the Group to further reduce our debt. Our debt equity ratio and finance costs have been significantly reduced from 5.0% and about HK$11 million at the end of Year 2010 to 0.7% and about HK$4 million at the end of Year 2011 respectively. The Group is now in a stronger financial position. Further, whilst Year 2011 has not been without its challenges, the Group has made successful turnaround and recorded a net profit attributable to equity holders of about HK$61 million. All businesses improved in the second half of the year and performed better than the previous corresponding period.

LOTTERY-RELATED OPERATIONS

Our traditional lottery-related operations, which offer lottery-related software, equipment and services to the Welfare Lottery Issuing Centres in China continued to make good progress. Growth in revenues of our traditional lottery-related operations was robust and achieved revenue of about HK$60 million, a year on year increase of about 14%.

We continued to improve and enhance the capabilities of our platform. Our traditional lottery-related operations gained an ISO/IEC 27001:2005 accreditation in November 2010, and in June 2011 China Vanguard was admitted as an official associate member of the World Lottery Association. We view the latter as a further step towards gaining further international recognition and as an additional avenue for the Group to form strategic alliances with other world-class players to expand its business internationally.

During the year, we developed a new game "Happy Ten", a quick and exciting game which is expected to be drawn every 10 to 15 minutes and can be offered in traditional welfare lottery points of sales as well as specialist outlets. We are working for the introduction of this new game in Zhejiang, as well as other jurisdictions.

In a major development, we are now moving into the establishment of distribution channels for lottery sales headed up by our subsidiary Shenzhen Sheng-Gang Technology Co. Ltd ("Sheng-Gang"). This is made possible by the groundbreaking song selection system developed by our entertainment VAS operations which can enable karaoke venues in China to offer specially tailored lottery games to their patrons.

CEO's Statement

ENTERTAINMENT VAS OPERATIONS

In April 2008, China Vanguard completed the acquisition of a 49% stake in China Culture Development Digital Technology Co., Ltd ("CCDDT"), since then we have increased our effective stake in it to circa 54% and in March of 2011, we announced that we will increase our effective stake to about 69% by way of acquisition. At the time of the initial stake acquisition, it was always the Group's intent to establish itself as a provider of comprehensive VAS services to the karaoke industry and to the broader entertainment industry. Back then, however, the Group's operations were more embryonic and less developed and they comprised mainly royalty collection from karaoke venues on behalf of music video copyright owners. Since then, the royalty collection operations have been expanded considerably, Chongqing Lightsoft Technology Development Co., Ltd., ("Lightsoft"), a video-on-demand ("VOD") equipment supplier, was added to the fold and a major development program initiated. In Year 2011, the fruits of our labour have started to emerge with the successful launch of our VAS and lottery capable set top box based in-room song selection system ("LS VOD"), exclusive approval by the Chongqing Welfare Lottery Issuing Centre ("CWLIC") to offer tailored lottery games via LS VOD in karaoke venues in Chongqing and tangible progress on other entertainment VAS. For Year 2011, the Entertainment VAS operations achieved revenue of about HK$46 million, a year on year increase of 11% over Year 2010.

VAS OPERATIONS – VOD EQUIPMENT

We are at the forefront of the karaoke equipment supply industry. We have successfully developed the industry's first VAS and lottery capable set top box based in-room song selection system. Not only is the system state of the art in terms of song selection, audio and video output, special effects and drinks and food ordering, it is also capable of linking to the Welfare Lottery Issuing Centre (in approved areas) for lottery game play and it is also capable of running advertising in multiple advertising formats on the song selection screen, the screen where the songs are being displayed or another totally dedicated screen for advertising.

The system is touch-screen based and is designed for easy intuitive use.
The home screen has multiple icons for each function and VAS. The system is highly flexible and is easily upgradable. Adding an additional VAS requires the application to be loaded onto the system after which an additional icon would appear indicating it is ready for use, pretty much like an adding an application on a smartphone.

The Group believes that this system, which would be placed in each room of a karaoke venue, is much more than a song selection system, but will become a room's lottery, video game and multimedia entertainment hub to revolutionize and enrich the experience of karaoke patrons whilst enhancing the revenue of venue owners and the Group, which will also share in the VAS revenues.

The system was launched in the first quarter of Year 2011 and the response by the market has been very positive. The VOD industry has seen significant rationalisation over the past two years, in large part due to the set top box based in-room song selection systems supplanting traditional PC based systems. The number of industry players has declined significantly and a large proportion of the remaining players are in discussions with us to use our hardware and software development kits as the basis of their systems. Thus, it could be likely in future that whilst there may be multiple brands of VOD systems in the market, a large proportion could effectively be our rebranded systems. Therefore, in future a large part of karaoke venues could be VAS and lottery capable and able to receive our VAS.

CEO's Statement

VAS OPERATIONS – LOTTERY

In November 2010 the Group received exclusive approval by the CWLIC to offer tailored lottery games via LS VOD in karaoke venues in Chongqing. These tailored games are based upon existing games offered by the CWLIC and, the game interfaces have been redesigned to be more attractive and game play has been tailored and maximized for touch screen functionality. Further, in order to make it more attractive and conducive in the fast paced karaoke environment, after 10pm each of these lotteries are drawn more frequently.

We are rolling out multiple formats in karaoke venues with systems placed in the lobby, in each room and in specially devoted rooms of the karaoke venue.

VAS OPERATIONS - ROYALTY COLLECTION

The copyright fee settlement and collection arm of CCDDT has established operational subsidiaries in 30 provinces and jurisdictions in China and collected copyright fees in 26 of them, including major jurisdictions such as Beijing, Shanghai, Guangdong and Chongqing.

On 10th January 2011, an opinion was issued by The Supreme People's Court of China, Supreme People's Procuratorate of China, Ministry of Public Security of China and Ministry of Justice, reference code: Law [2011] No. 3, with regards "Unauthorized use of copyrighted materials". It stipulates that such unauthorized use is a criminal offence and that infringement can result in fines and in serious offences could result in incarceration. We expect this to facilitate copyright collection in the future.

FUTURE OUTLOOK AND PROSPECTS

We are optimistic about the outlook of our operations. Consequently we have increased our stake in Bozone, our traditional lottery-related operation arm which generated underlying net profit of about HK$24 million in Year 2011, from 51% to 100% for consideration of about HK$27.2 million. In addition to Bozone's net profit contribution to the Group almost doubling in Year 2012 due to the increase in shareholding, there continues to be strong organic growth in the jurisdictions it operates. Further, the introduction of the newly developed Happy Ten game by Bozone will act as a further facilitator to growth. Meanwhile, we will continue to work to expand the territories for our traditional lottery-related operation and solutions offered to the welfare lottery industry.

The Group will continue to develop attractive and exciting games for sale in karaoke venues. Aggressive rollout to karaoke venues in Chongqing is planned for year 2012. Meanwhile, we are working hard to gain similar approvals with Welfare Lottery Issuing Centres in a number of jurisdictions in China.

With the clarification of the law regarding copyright infringement as a criminal offence, the Group believes this will greatly facilitate the royalty collection efforts thereby enhance this segment's performance.

Chan Ting
Executive Director and Chief Executive Officer

Hong Kong, 27 September 2011

Management Discussion and Analysis

FINANCIAL REVIEW

Results

The Group achieved operating revenue of HK$113 million, a year-on-year increase of 16% from Year 2010. Profit attributable to equity holders for Year 2011 was HK$61 million, representing a significant turnaround and improvement as compared with the loss of HK$1 billion in Year 2010. Profit for the year was mainly contributed by the operating profits from the lottery-related operations and the net gain recognized from the disposal of investment in Hong Kong Life Group Holdings Limited, partially offset by the non-recurring expenses of HK$86 million including impairment losses on goodwill and intangible assets.

Net Profit	**2011 HK'000**	2010 HK'000	Improved HK'000
Profit (loss) attributable to equity holders	**61,439**	(1,047,777)	1,109,216

The Group's operating revenue from continuing operations increased by 16% in Year 2011 to HK$113 million, 53% of the Group's revenue was derived from the lottery-related business which increased by 14% to HK$ 60 million as compared to Year 2010.

Entertainment VAS operations contributed to another 41% of the Group's operating revenue and increased by 11% to HK$46 million in Year 2011.

Revenue	**2011 HK'000**	2010 HK'000	Change
Lottery-related	**60,054**	52,777	14%
Entertainment VAS	**45,874**	41,415	11%
Others	**6,806**	3,318	105%
	112,734	97,510	16%

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

	2011		2010		Change	
Gross Profit	**Gross Profit HK'000**	**Gross Profit Ratio**	Gross Profit HK'000	Gross Profit Ratio	Gross Profit	Gross Profit Ratio
Lottery-related	**54,913**	**91%**	48,218	91%	14%	–
Entertainment VAS	**17,477**	**38%**	15,057	36%	16%	2%
Others	**880**	**13%**	(26)	n/a	n/a	n/a
	73,270	**65%**	63,249	65%	16%	–

The Group's gross profit increased by 16% in Year 2011 to HK$73 million. The Group's gross profit ratio remained at 65%.

The Group's operating costs from continuing operations, comprising selling and distribution costs and administrative expenses, increased by 6% to HK$109 million.

Management Discussion and Analysis

In addition, the Group recorded impairment loss of goodwill of HK$64 million in Year 2011 (2010 : HK$956 million) in relation to goodwill arising from the acquisition of GPIL and other impairment loss of HK$22 million (2010: nil). Details are set out in note 19, note 20 and note 21 to the consolidated financial statements respectively.

Having paid down the outstanding convertible bonds down to about HK$8 million from HK$81 million, the finance costs for Year 2011 reduced significantly by 67% to HK$4 million from HK$11 million recorded in Year 2010.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

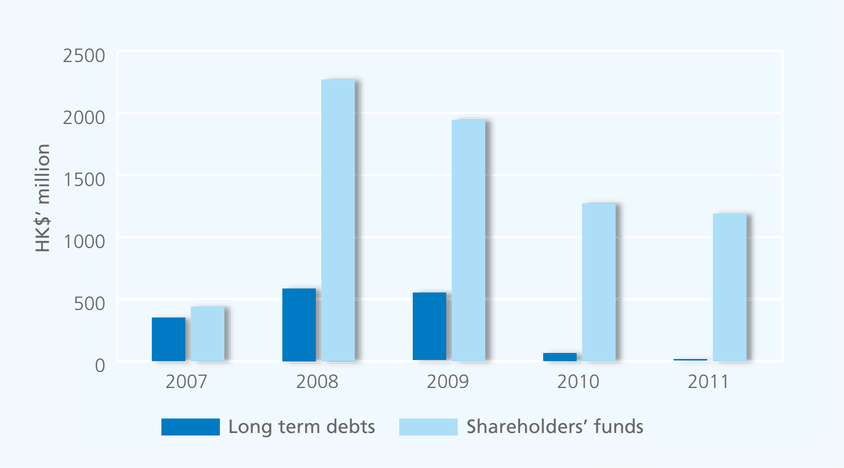
As at 30 June 2011, shareholders' funds excluding assets and liabilities classified as held for sale amounted to HK$1.2 billion (2010: HK$1.3 billion). Current assets excluding assets classified as held for sale amounted to HK$108 million (2010: HK$130 million), mainly comprising of bank balances and cash, trade and other receivables and prepayments.

The Group had current liabilities excluding liabilities classified as held for sale amounting to HK$93 million (2010: HK$68 million) mainly comprising of its trade and other payables, derivative financial instruments bank and other borrowings. In particular, the Group has bank borrowings of about HK$15 million (2010: HK$8 million).

The Group financed its operations primarily with internally generated cash flows, and banking facilities granted by banks.

The net asset value per share of the Group excluding assets and liabilities classified as held for sale was about HK$0.4 (2010: about HK$0.4).

The gearing ratio of the Group was 0.7% (2010: 5.0%) on the basis of non-current liabilities divided by shareholders' funds excluding assets and liabilities classified as held for sale.



	2011	2010	2009	2008	2007
Gearing Ratio	**0.7%**	5.0%	27.9%	25.8%	79.7%

Management Discussion and Analysis

CONVERTIBLE BONDS

During Year 2011, the Company and the holders of the convertible bonds, from time to time, issued by Grand Promise International Limited ("GPIL Bonds" and "GPIL" respectively), a wholly-owned subsidiary of the Group, entered into various amendment and undertaking agreements for the repayment and restructuring of the amount payable under the GPIL Bonds. A total of HK$74 million was repaid during Year 2011 and the outstanding principal amount of the GPIL Bonds as at 30 June 2011 were US$ 925,000.

CONTINGENT LIABILITIES

As at 30 June 2011, the Group had no contingent liabilities (as at 30 June 2010: nil).

CHARGES ON GROUP ASSETS

As at 30 June 2011, the Group has pledged all of the issued and outstanding shares of Birdview Group Limited together with all proceeds in favour of the holders of the GPIL Bonds.

As at 30 June 2011, the Group has pledged its bank deposits of about HK$5 million (30 June 2010: HK$5 million) to a bank to secure the general banking facilities granted to the Group.

WARRANTS

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 then holders of the GPIL Bonds expiring on 26 August 2011, which were exercised in full subsequent to Year 2011 in August 2011.

On 11 January 2011 the Company issued 30,000,000 warrants at the exercise price of HK$0.168 per share to the then holder of the GPIL Bonds expiring on 11 January 2012. During the year, 10,000,000 warrants have been exercised.

CAPITAL STRUCTURE

During the year ended 30 June 2011, 10,000,000 shares were issued due to the exercise of warrants and nil share was cancelled due to repurchase of shares by the Company. As of 30 June 2011 the Company has in issue a total of 3,221,893,839 ordinary shares with a par value of HK$0.01 each (2010: 3,211,893,839 ordinary shares).

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 ("HKD"), Renminbi ("RMB") or United States dollar ("USD"). The Group's major investment and financing strategies are to invest in domestic projects in the PRC by RMB, 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.

SIGNIFICANT INVESTMENTS

For the year ended 30 June 2011, the Group did not have any significant investments.

Management Discussion and Analysis

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

On 17 September 2010 the Group announced that it was seeking approval from the shareholders to dispose up to 420,596,428 shares of Hong Kong Life Group Holdings Limited ("HKLG", formerly known as Aptus Holdings Limited), representing the entire interest of the Group in HKLG. As a result of such, the Group also announced that with effect from 17 September 2010, HKLG ceased to be an indirect non wholly-owned subsidiary of the Group.

On 15 March 2011 the Group announced the acquisition of an effective 30% equity interest in China Culture Development Co., Ltd., for an aggregate consideration of HK$ 240 million. As of the date of the report the transaction has not been completed.

On 15 April 2011 the Group announced the acquisition of the remaining 49% in Cheerfull Group Holdings Limited for a total consideration of HK$27.2 million. Further, Shenzhen Bozone I.T. Co. Ltd. agreed to purchase 1% equity interest of Shenzhen Longjiang Feng Cai I.T. Co. Ltd. for a consideration of HK$300,000. The transactions were completed in July 2011.

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 2011.

EMPLOYMENT AND REMUNERATION POLICIES

As at 30 June 2011, the Company and its subsidiaries employed 30 staff in Hong Kong (2010: 30), and 176 staff in the PRC (2010: 148); and the Group's jointly controlled entities employed 564 staff in the PRC (2010: 515). Staff costs from continuing operations excluding directors' remuneration amounted to about HK$31 million (2010: about HK$24 million). 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.

Profile of Directors and Senior Management

DIRECTORS

Executive Directors

Madam Cheung Kwai Lan

Madam CHEUNG Kwai Lan, aged 73, is the Chairperson, one of the founders of the Group and an Executive Director of the Company. She has served the Group for more than 11 years and is the director of various subsidiaries of the Group. Madam Cheung is responsible for business development, strategic planning and marketing for the Group. She is the 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 Hong Kong Life Group Holdings Limited ("HKLG") 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 Ting

Mr. CHAN Ting, aged 41, 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 10 years and is the director of various subsidiaries of the Group. He is responsible for the marketing, business development and operations of the Group. He was awarded a degree in Economics from Macquarie University in Australia in 1993. Mr. Chan has over 18 years of solid working experience in establishing and managing companies in the PRC. He was an executive director and chief executive officer of HKLG 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

Ms. CHAN Siu Sarah, aged 46, is an Executive Director, an Authorized Representative 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 has been an executive director of Avon Products Co., Ltd. which is listed on the JASDAQ Securities Exchange, Inc. for the period from March 2006 to December 2007. Ms. Chan is the daughter of Madam Cheung Kwai Lan and Mr. Chan Tung Mei, and the sister of Mr. Chan Ting, all being Executive Directors of the Company. She joined the Group in May 2008.

Profile of Directors and Senior Management

Mr. Chan Tung Mei

Mr. CHAN Tung Mei, aged 75, is one of the founders of the Group and an Executive Director. He has served the Group for more than 11 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 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. Lau Hin Kun

Mr. LAU Hin Kun, aged 52, is an Executive Director of the Company. He has served the Group for more than 10 years and is the director of certain 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 71, 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 HKLG for the period from 30 September 2004 to 18 June 2010. He joined the Group in November 2004.

Mr. ZHANG Xiu Fu, aged 77, 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 HKLG for the period from 25 January 2008 to 23 June 2010. He joined the Group in January 2008.

Profile of Directors and Senior Management

Mr. YANG Qing Cai, aged 64, is an Independent Non-executive Director of the Company and member of each of the audit committee and remuneration committee. He was formerly the Vice Governor of the Jilin Province. He had also served as the Deputy Director of the Rural Affairs Department of the Jilin Provincial Committee, the Deputy Secretary General of the Government of the Jilin Province, and the Vice Director of the Standing Committee of the National People's Congress of Jilin Province. He joined the Group in April 2011.

Mr. TO Yan Ming Edmond, aged 39, is the Independent Non-executive Director of the Company, 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 Edmond To CPA Limited and Zhonglei (HK) CPA Company Limited. He is a member of both the CPA Australia and Hong Kong Institute of Certified Public Accountants. He worked for one of the international accounting firms, Deloitte Touche Tohmatsu and has over 10 years of experience in auditing, accounting, floatation and taxation matters. Mr. To was appointed as an independent non-executive director and members of the audit and remuneration committee of BEP International Holdings and Theme International Holdings Limited (both companies 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 (a company that is listed on the Main Board of the Stock Exchange) on 29 September 2009. Mr. To was previously an independent non-executive director, chairman of the audit committee and member of the remuneration committee of HKLG for the period from 11 January 2006 to 26 October 2010. Mr. To joined the Group in January 2006.

SENIOR MANAGEMENT


Mr. Chow Chun Hong Ernest

Mr. CHOW Chun Hong Ernest, aged 45, is the Group's Chief Financial Officer and Company Secretary. He is also the director of various subsidiaries of the Group. He graduated from the University of Hong Kong with a Bachelor of Science (Honours) degree in Physics and Mathematics in 1989. He obtained his MBA degree from the Chinese University of Hong Kong in 2000. Mr. Chow is also a member of the Institute of Chartered Accountants in England and Wales, a fellow of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. 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 and held senior financial controller positions of several business operations during the period. Mr. Chow joined the Group in February 2010.

Profile of Directors and Senior Management

Mr. Fung King Him Daniel

Mr. FUNG King Him Daniel, aged 41, 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 was an executive director of HKLG for the period from 27 August 2004 to 30 December 2010. He joined the Group in February 2002.

Mr. Russell Young

Mr. YOUNG Russell, aged 48, 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. Zhao Peng

Mr. ZHAO Peng, aged 33, is the Chief Technical Officer of the Group, the Deputy General Manager and director of Shenzhen Bozone I.T. Co. Ltd.. Mr. Zhao holds a degree in Computer Science from The University of Heilongjiang. Mr. Zhao started his career in 2000 and has worked in the Technology Department of the Welfare Lottery Center in Heilongjiang and the Development Department of China Welfare Lottery Issuing and Administration Center ("CWLIAC"). He has been directly involved in the game development of national "double color ball" while he was with the CWLIAC. Mr. Zhao joined Bozone in 2003 and has extensive working experience in development and management, with in-depth knowledge and insight of the lottery industry. He also provided technical support to the implementation and operation of various large scale lottery systems at provincial and national level and possesses extensive experience in system design, maintenance and management.

Profile of Directors and Senior Management


Ms. Ho Ping Ping

Ms. HO Ping Ping, aged 62, is the Personal Assistant to the Chairperson of the Group 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 department manager of Anhui Import and Export Group. She joined the Group in July 2001.


Mr. Cheng Lau Fong Albert

Mr. CHENG Lau Fong Albert, aged 52, is the Assistant to the Chief Executive Officer of the Group and the Executive Vice President of Shenzhen Sheng-Gang Technology Co., Ltd.. Mr. Cheng holds a Bachelor's Degree in Social Sciences from the University of Hong Kong and has 20 years' managerial experience, particularly in the technology, media and telecommunication sector (TMT) in China. He has a proven track record in helping SMEs in the TMT sector to raise capital and grow their business. Before joining the Group, Mr. Cheng was Incubation Centre Manager of Hong Kong Cyberport Management Co Ltd. Mr. Cheng's previous roles included Vice President – China of Cherrypicks Group, one of Asia's leading mobile and Internet solution and service providers; Vice-President of A8 Digital Music Group, where he played a key role in the company's expansion from an SME to a listed company, and Senior Manager – Direct investment and Business Development of World-Wide (Holdings) Ltd, the private investment arm of late Sir Y K Pao's family. Mr. Cheng joined the Group in March 2011.


Mr. Ho Wai Keung Denis

Mr. HO Wai Keung Denis, aged 38, is the Assistant to the Chief Executive Officer of the Group and the Assistant to the General Manager of Shenzhen Bozone IT Co. Ltd. Mr. Ho is responsible for the business development of Group's lottery-related business. He holds a MBA from the University of Birmingham, UK and the MSc. of E-commerce and Internet Computing from the University of Hong Kong. Mr. Ho is an ordinary member of Hong Kong Security Institute. Prior to joining the Group, he worked for the Hong Kong-listed company, China National Aviation Corporation Group and its affiliated company specializing in formulating the new Joint-ventures with foreign partners and grooming JVs sustainability in Hong Kong and China. In the I.T industry, he worked for 3M/Imation (NYSE-listed, he secured the Top Performance Award in 2000) and Jardine OneSolution engaged in the position of Sales and Project Manager. Mr. Ho joined the Group in August 2010.

Profile of Directors and Senior Management


Ms. Kwok Shuk Yi Angel

Ms. KWOK Shuk Yi Angel, aged 35, is the Human Resources Senior Manager of the Group. She holds a bachelor degree of Human Resources Management from The Royal Melbourne Institute of Technology University in Australia and graduated with Distinction. She has over 10 years of experience in human resources and administration management. Prior to joining the Group in July 2008, she worked as human resources managerial positions with a listed company and a sizeable investment company.


Mr. Lv Jie

Mr. LV Jie, aged 34, is the General Manager of Shenzhen Longjiang Feng Cai ("SZLFC") and the director of a subsidiary. He graduated from Harbin Engineering University (majoring in computer) and completed the EMBA program of Zhejiang University City College. Mr. Lv has led various teams in the development of software and hardware system and is responsible for the operation of SZLFC. He accumulated extensive lottery operations and management experience. He joined the Bozone Group in March 2002.


Mr. Jia Xi Chun

Mr. JIA Xi Chun, aged 36, is the General Manager of Heilongjiang Bozone I.T. Co. Ltd. ("HLJB") Mr. Jia graduated from the Mudanjiang Normal University with major in Computer Education. He was part the development team of the hotline sales system of "Longjiang Fengcai". He is responsible for the sales, implementation and maintenance of computer network for the sales system. He joined the Bozone Group in March 2002.


Mr. Wu Hui Jun

Mr. WU Hui Jun, aged 48, is the General Manager of CCDDT Group. He holds a Master and Ph.D. degrees from Jilin University; Master degree from Changchun University of Science and Technology and a Ph.D. degree from Inter American 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 CCDDT Group in May 2009.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICE

The Company is committed to maintaining high standard corporate governance practices. 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.

The Company has met all the code provisions in 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") in the year ended 30 June 2011 ("Year 2011") except that the non-executive directors were not appointed for a specific term but are subject to retirement by rotation in annual general meeting of the Company at least once every three (3) years in accordance with the articles of association ("Articles") of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

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

BOARD OF DIRECTORS

The directors of the Company (the "Directors") are collectively responsible for the oversight of the management of business and affairs of the Group of the best interest of the shareholders of the Company. The board of directors (the "Board") currently comprises nine Directors, of whom five are Executive Directors and four are Independent Non-executive Directors. The biographical details of the Directors are set out in pages 14 to 16.

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.

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

The Board is collectively responsible for the formulating of the Group's overall strategy, reviewing and monitoring the business performance of the Group, preparing and approving financial statements, recommendation of the Directors' appointment or re-appointment, considering and approving material contracts and transactions as well as other significant policy and financial matters. The Board also gives clear directions as to the powers delegated to the management for the day-to-day operation and administration functions of the Group.

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.

Corporate Governance Report

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 but are subject to retirement by rotation and re-election at the Company's general meetings at least once every three (3) years in accordance to the Articles. 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 four (4) members comprising Mr. Chan Ting, Mr. Zhang Xiu Fu, Mr. Yang Qing Cai 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.

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. 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.

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 one new appointment of Director during Year 2011.

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 four Independent Non-executive Directors of the Company, namely, Mr. Zhang Xiu Fu, Mr. Tian He Nian, Mr. Yang Qing Cai and Mr. To Yan Ming Edmond.

Corporate Governance Report

The audit committee reviewed the Group's audited results for the year ended 30 June 2011 with management and the Company's external auditors and recommended its adoption by the Board.

DIRECTORS' ATTENDANCE RECORD

The table below shows each Director's attendance at meetings of the Board, Remuneration Committee and Audit Committee during Year 2011.

Attendance record

	Meetings attended in Year 2011		
	Board	**Remuneration Committee**	**Audit Committee**
Number of meeting held	**19**	**2**	**4**
Executive Directors			
Madam Cheung Kwai Lan	18	n/a	n/a
Mr. Chan Ting	19	2	n/a
Ms. Chan Siu Sarah	18	n/a	n/a
Mr. Chan Tung Mei	16	n/a	n/a
Mr. Lau Hin Kun	16	n/a	n/a
Independent Non-executive Directors			
Mr. Zhang Xiu Fu	15	2	4
Mr. Tian He Nian	14	n/a	4
Mr. Yang Qing Cai[1]	2	1	1
Mr. To Yan Ming Edmond	15	2	4

1. Appointed a Director on 7 April 2011 – eligible to attend 3 Board meetings, 1 Remuneration Committee meeting and 1 Audit Committee meeting.

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 being Executive Directors of the Company.

AUDITORS' REMUNERATION

During Year 2011, remuneration paid/payable to auditors for audit services and non-audit services are approximately HK$1,069,000 (Year 2010: HK$960,000) and HK$700,000 (Year 2010: HK$ 997,000) respectively. Non-audit services related to the issue of Accountancy Report included in a circular issued by the Company during Year 2011.

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 33 to 34.

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 of the Company and the Directors always make efforts to fully address any questions raised by the shareholders at the annual general meeting.

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 2011 ("Year 2011").

PRINCIPAL ACTIVITIES AND ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are set out in note 40 to the consolidated financial statements.

An analysis of the Group's performance for Year 2011 by business is set out in note 7 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for Year 2011 are set out in the consolidated statement of comprehensive income on page 35 and 36.

The Directors do not recommend the payment of any dividend for the year ended 30 June 2011.

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 28 and 29 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 39.

DISTRIBUTABLE RESERVES

The Group's reserves available for distribution to shareholders as at 30 June 2011 amounted to approximately HK$1,036,959,000 (2010: 973,940,000). Under the Companies Law (2001 Second Revision) of the Cayman Islands, the Company's share premium account and capital reserve account may be distributed to the shareholders, provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The share premium account may also be distributed in the form of fully paid bonus shares.

FIVE YEAR 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 130 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 Ting
Ms. Chan Siu Sarah
Mr. Chan Tung Mei
Mr. Lau Hin Kun

Independent Non-executive Directors

Mr. Zhang Xiu Fu
Mr. Tian He Nian
Mr. Yang Qing Cai *(appointed on 7 April 2011)*
Mr. To Yan Ming Edmond

In accordance with Article 116 of the articles of association of the Company (the "Articles"), Mr. Chan Ting, Mr. Lau Hin Kun and Mr. To Yan Ming Edmond will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting ("AGM").

In accordance with Article 99 of the Articles, Mr. Yang Qing Cai will retire and, being eligible, offer himself 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 (6) 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 (3) 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 Year 2011 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 to note 38 to the consolidated financial statements.

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 2011, 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

		Number of ordinary shares held				
Name of Directors	Company/ Name of associated corporation	Interest in controlled corporation	Beneficial owner	Family interest	Total interest	Approximate percentage of shareholding
Cheung Kwai Lan	Company	1,823,457,322 *(Note 1)*	2,070,000 *(Note 2)*	–	1,825,527,322	56.66%
Chan Tung Mei	Company	–	–	1,825,527,322 *(Notes 1& 2)*	1,825,527,322	56.66%
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	–

Notes:

1. The 1,823,457,322 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 1,823,457,322 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.

Directors' Report

(2) Share option of the Company

Details of the share option schemes adopted by the Company are set out in note 29 to the consolidated financial statements.

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

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

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

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

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

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

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

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

For the year ended 30 June 2011, no share option had been granted or agreed to be granted under the Share Option Scheme.

Directors' Report

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

Name of Directors	Date of grant	Exercise Price HK$	Outstanding at 1 July 2010	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 30 June 2011	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

Name of Directors	Date of grant	Exercise Price HK$	Outstanding at 1 July 2010	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 30 June 2011	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 2011, none of the Directors or chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

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

As at 30 June 2011, 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	1,823,457,322 *(Note)*	–	56.66%

Note:

The 1,823,457,322 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 2011, 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.

CONNECTED TRANSACTION

During the year, the following transaction between certain connected parties (as defined in the GEM Listing Rules) and the Company have been entered into and/or are on-going for which relevant announcements, if necessary, have been made by the Company in accordance with the requirements of the GEM Listing Rules:

On 15 April 2011, Ace Bingo Group Limited ("Ace Bingo") a subsidiary of the Company entered into a conditional sale and purchase agreement ("SPA") whereby Ace Bingo agreed to purchase and the Vendors (as defined in the Company's announcement dated 15 April 2011) conditionally agreed to sell 49% equity interest of Cheerfull Group Holdings Limited at a consideration of HK$27,200,000, which shall be satisfied fully in cash. Further, pursuant to the SPA, Shenzhen Bozone I.T. Co. Ltd., a subsidiary of the Group, has agreed to purchase and Ms. Liu (as defined in the Company's announcement dated 15 April 2011) has agreed sell the LF Sale Share (as defined in the Company's announcement dated 15 April 2011), representing 1% of the equity interest in Longjiang Feng Cai, for the consideration of HK$300,000 (equivalent to approximately RMB 252,100), which shall be satisfied fully in cash. As four of the Vendors in the SPA are connected persons of the Company (either in the capacity of director or a person holding more than 10% shareholding interest in a subsidiary of the Group) and that the relevant applicable percentage ratio of the SPA pursuant to Rule 19.07 of the GEM Listing Rules exceeded 25%, the SPA constituted a major acquisition and connected transaction of the Company under the GEM Listing Rules and the Company was subjected to the requirements of reporting, announcement and approval by independent shareholders (by way of poll) at an extraordinary general meeting under the GEM Listing Rules. At an extraordinary general meeting of the Company held on 23 June 2011, the SPA and the transaction contemplated therein were approved by independent shareholders of the Company. Completion of the SPA and the transactions contemplated therein were completed post Year 2011.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 30 June 2011, the Group made 83.0% of its entire sales to five customers and sales to the largest customer included therein amounted to approximately 33.2%.

Purchases from the Group's five largest suppliers accounted for approximately 45.3% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 42.7%. None of the Directors of the Company, or any of their associates or any other shareholders, which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital, had any beneficial interest in the Group's five customers or five largest suppliers during the year.

PRE-EMPTIVE RIGHTS

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

DONATIONS

During the year, the Group made donations amounting to approximately HK$239,000 (Year 2010: HK$22,750).

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

Neither the Company, nor any its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 30 June 2011.

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.

Directors' Report

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 four Independent Non-executive Directors, namely Mr. Zhang Xiu Fu, Mr. Tian He Nian, Mr. Yang Qing Cai 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 2011 have been reviewed by the audit committee which was of the opinion that the preparation of such results complied with applicable accounting standards and requirements and that adequate disclosures had been made. Four meetings were held during the current financial year.

The Company has received from each of the 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 four Independent Non-executive Directors are independent.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 30 June 2011.

EVENTS AFTER REPORTING PERIOD

Details of the significant events after reporting period of the Group are set out in note 43 to the financial statements.

AUDITORS

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

On behalf of the Board

Madam Cheung Kwai Lan
Chairperson and Executive Director

Hong Kong, 27 September 2011

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 35 to 129, which comprise the consolidated statement of financial position as at 30 June 2011, 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 information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statement that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the 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 of the consolidated financial statements that give a true and fair view 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.

Independent Auditors' Report

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 2011 and of the profit 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

Chow Chi Kit
Practising Certificate Number P03546
Hong Kong, 27 September 2011

Consolidated Statement of Comprehensive Income

For The Year Ended 30 June 2011

	Notes	2011 HK$'000	2010 HK$'000
Continuing operations			
Revenue	8	**112,734**	97,510
Cost of sales		**(39,464)**	(34,261)
Gross profit		**73,270**	63,249
Other revenue	8	**18,093**	13,834
Selling and distribution costs		**(12,470)**	(9,896)
Administrative expenses		**(96,309)**	(92,744)
Operating loss		**(17,416)**	(25,557)
Impairment loss on goodwill		**(63,964)**	(956,159)
Impairment loss on other intangible assets		**(14,174)**	–
Impairment loss on available-for-sale financial assets		**(7,693)**	–
Gain on disposal of a subsidiary		**5,810**	–
Loss on disposal of available-for-sale financial assets		**(6,436)**	–
Gain (loss) on changes in fair value for derivative financial instruments		**1,666**	(37,150)
Finance costs	9	**(3,716)**	(11,181)
Loss before taxation	10	**(105,923)**	(1,030,047)
Income tax expenses	13	**(4,317)**	(2,280)
Loss for the year from continuing operations		**(110,240)**	(1,032,327)
Discontinued operations			
Profit for the year from discontinued operations	14	**178,404**	24,042
Profit (loss) for the year		**68,164**	(1,008,285)
Attributable to:			
Equity holders of the Company		**61,439**	(1,047,777)
Non-controlling interests		**6,725**	39,492
		68,164	(1,008,285)
Earnings (loss) per share			
From continuing operations and discontinued operations			
Basic	17	**HK1.91 cents**	(HK32.62 cents)
Diluted	17	**HK1.90 cents**	N/A
From continuing operations			
Basic	17	**(HK3.64 cents)**	(HK33.37 cents)

Consolidated Statement of Comprehensive Income

For The Year Ended 30 June 2011

	2011 **HK$'000**	2010 HK$'000
Profit (loss) for the year	**68,164**	(1,008,285)
Other comprehensive income for the year		
Exchange differences on translation of financial statements of overseas operations	**10,459**	3,673
Total comprehensive income (expenses) for the year	**78,623**	(1,004,612)
Attributable to:		
Equity holders of the Company	**69,500**	(1,045,000)
Non-controlling interests	**9,123**	40,388
Total comprehensive income (expenses) for the year	**78,623**	(1,004,612)

Consolidated Statement of Financial Position

At 30 June 2011

	Notes	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment	18	**29,987**	42,472
Goodwill	19	**1,090,848**	1,154,768
Other intangible assets	20	**–**	11,381
Available-for-sale financial assets	21	**64,140**	63,780
		1,184,975	1,272,401
Current assets			
Inventories	22	**4,305**	3,897
Trade and other receivables and prepayments	23	**29,935**	24,337
Tax recoverable		**10**	50
Pledged bank deposits		**5,157**	5,128
Bank balances and cash	24	**68,155**	96,456
		107,562	129,868
Assets classified as held for sale	15	**–**	1,079,773
		107,562	1,209,641
Current liabilities			
Trade payables, accrued liabilites and other payables	25	**31,245**	29,707
Tax liabilities		**1,406**	539
Derivative financial instruments	27(b)	**143**	17,722
Bank and other borrowings	26	**60,405**	20,351
		93,199	68,319
Liabilities associated with assets held for sale	15	**–**	375,041
		93,199	443,360
Net current assets		**14,363**	766,281
Total assets less current liabilities		**1,199,338**	2,038,682

Consolidated Statement of Financial Position

At 30 June 2011

	Notes	2011 HK$'000	2010 HK$'000
Non-current liabilities			
Convertible bonds	27(b)	**8,185**	63,089
Net assets		**1,191,153**	1,975,593
Capital and reserves			
Share capital	28	**32,219**	32,119
Reserves		**1,104,344**	1,474,454
Equity attributable to equity holders of the Company		**1,136,563**	1,506,573
Non-controlling interests		**54,590**	469,020
Total equity		**1,191,153**	1,975,593

The consolidated financial statements on pages 35 to 129 were approved and authorized for issue by the Board of Directors on 27 September 2011 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 2011

	Attributable to equity holders of the Company													
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Convertible bonds reserve HK$'000	Employee share-based compensation reserve HK$'000	Share option reserve HK$'000	Translation reserve HK$'000	Special reserve HK$'000	Capital reserve HK$'000	Retained profits/ (Accumulated losses) HK$'000	Discontinued operations HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
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)
Dilution of interests in a subsidiary	–	–	–	–	–	–	–	–	166,877	–	–	166,877	(19,075)	147,802
Transfer to discontinued operations	–	–	–	(269,883)	–	–	(4,430)	–	(166,877)	–	441,190	–	–	–
Capital contribution from minority shareholders	–	–	–	–	–	–	–	–	–	–	–	–	409,594	409,594
Disposal of jointly controlled entities	–	–	–	–	–	–	–	–	–	–	(19,990)	(19,990)	–	(19,990)
Total comprehensive income (expenses) for the year	–	–	–	–	–	–	2,777	–	–	(1,047,777)	–	(1,045,000)	40,388	(1,004,612)
At 30 June 2010 and at 1 July 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
Capital contribution from minority shareholders	–	–	–	–	–	–	–	–	–	–	–	–	133,146	133,146
Acquisition of additional interests in a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	(200)	(200)
Exercise of convertible bonds issued by a subsidiary	–	–	–	–	–	–	–	–	–	–	(66,605)	(66,605)	–	(66,605)
Dilution of interests in a subsidiary	–	–	–	–	–	–	–	–	–	–	2,145	2,145	(2,145)	–
Shares issued on exercised of warrants	100	1,580	–	–	–	–	–	–	–	–	–	1,680	–	1,680
Release on deconsolidation of a subsidiary	–	–	–	–	–	–	–	–	–	–	(376,730)	(376,730)	–	(376,730)
Deconsolidation of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	(554,354)	(554,354)
Total comprehensive income for the year	–	–	–	–	–	–	8,061	–	–	61,439	–	69,500	9,123	78,623
At 30 June 2011	32,219	2,157,154	234	–	35,572	11,092	20,722	(1)	–	(1,120,429)	–	1,136,563	54,590	1,191,153

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. Detail is summarized as follows:

Consolidated Statement of Changes in Equity

For the year ended 30 June 2011

Summary of diluted interest of a subsidiary

For the period from 1 July 2010 to date of deconsolidation, the Company's equity interest in Hong Kong Life Group Holdings Limited (formerly known as Aptus Holdings Limited) ("HK Life") has been changed. According to HKAS27 "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 interest in HK Life

	Conversion of convertible bonds to shares HK$'000	**Conversion of convertible bonds to shares** HK$'000	**Subscription of shares** HK$'000	**Conversion of convertible bonds to shares** HK$'000	**Total** HK$'000
Fair value of consideration received	–	–	–	–	–
Amount recognized as non-controlling interests	456	1,631	(307)	365	2,145
Positive (negative) movement in parent equity	456	1,631	(307)	365	2,145
Decrease in equity interest	0.29%	1.02%	0.22%	0.22%	1.75%
	Note a	Note b	Note c	Note d	

	HK$'000
Analyzed for:	
Deemed disposal of equity interest in a subsidiary	2,145

Note:

a. Being conversion of convertible bonds into 80,000,000 shares in HK Life on 5 July 2010.

b. Being conversion of convertible bonds into 320,000,000 shares in HK Life on 13 July 2010.

c. Being subscription of 74,100,000 shares at HK$0.17 per share on 23 August 2010.

d. Being conversion of convertible bonds into 80,000,000 shares in HK Life on 8 September 2010.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2011

During the year ended 30 June 2010, changes the Company's equity interest in HK Life is summarized as follows:

Details of change in the Company's equity interest in HK Life

	Exercise of share options HK$'000	Placing of shares HK$'000	Loan capitalization HK$'000	Placing of shares HK$'000	Disposal of shares HK$'000	Placing of shares HK$'000	Conversion of convertible bonds to shares HK$'000	Total HK$'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 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	

	HK$'000
Analysed for:	
Deemed disposal of equity interest in a subsidiary	47,413
Partial disposal of equity interest in a subsidiary	119,464
	166,877

Note:

a. Being exercise of 18,670,000 share options in HK Life

b. Being placing of 160,000,000 shares in HK Life on 2 November 2009

c. Loan capitalization by subscription of 122,160,000 shares in HK Life on 1 December 2009

d. Being placing of 120,000,000 and 140,000,000 shares in HK Life on 16 December 2009 and 25 February 2010 at a consideration of HK$0.25 and HK$0.28 per share respectively.

e. Being disposal of 2,500,000, 1,000,000, 2,400,000, 3,150,000 and 2,100,000 shares in HK Life on 30 and 31 March 2010, 1 April 2010, 7 April 2010, 8 April 2010 and 9 April 2010 respectively.

f. Being placing of 280,000,000 shares in HK Life on 13 April 2010 at HK$0.28 per share respectively.

g. Being conversion of HK$330,000,000 convertible bonds into 1,320,000,000 shares in HK Life 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 2011

	Notes	2011 HK$'000	2010 HK$'000
OPERATING ACTIVITIES			
Profit (loss) before taxation			
Continuing operations		**(105,923)**	(1,030,047)
Discontinued operations		**178,414**	41,788
		72,491	(988,259)
Adjustment for:			
Interest income		**(748)**	(1,112)
Interest expenses		**7,340**	37,165
Depreciation of property, plant and equipment		**15,882**	15,859
Allowances for doubtful receivable		**8,664**	551
Loss (Gain) on disposal of property, plant and equipment		**1,431**	(3,208)
Impairment loss on goodwill		**63,964**	1,061,203
Gain on disposal of a subsidiary	30(a)	**(5,810)**	–
Gain on deconsolidation of a subsidiary	30(b)	**(183,339)**	–
Loss on disposal on available-for-sale financial assets		**6,436**	–
Impairment loss on other intangible assets		**14,174**	–
Impairment loss on available-for-sale financial assets		**7,693**	–
Gain on disposal of jointly controlled entities		**–**	(197,707)
Gain on termination of oil field sharing right		**–**	(11,031)
Amortization of other intangible assets		**1,073**	765
(Gain) Loss on change in fair value for derivative financial instruments	27(b)	**(1,666)**	37,150
Operating cash flows before movements in working capital		**7,585**	(48,624)
Increase in inventories		**(408)**	(1,473)
Increase in trade and other receivables and prepayments		**(14,377)**	(2,023)
Decrease in trade payables, accrued liabilities and other payables		**(12,161)**	(4,028)
Cash used in operations		**(19,361)**	(56,148)
Tax paid		**(3,438)**	(20,711)
NET CASH USED IN OPERATING ACTIVITIES		**(22,799)**	(76,859)

Consolidated Statement of Cash Flows

For the year ended 30 June 2011

	Notes	2011 HK$'000	2010 HK$'000
INVESTING ACTIVITIES			
Interest received		**748**	1,112
Purchases of property, plant and equipment		**(3,483)**	(9,243)
Purchases of other intangible assets		**(3,338)**	(3,373)
Purchases of property under development		**–**	(1,988)
Increase in pledged bank deposits		**(29)**	(18)
Proceeds from disposal of property, plant and equipment		**268**	8,622
Proceed from disposal of available-for-sale financial assets		**5,068**	–
Cash inflows (outflows) on acquisition of a subsidiary	30(c)	**10,662**	(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
Cash outflows from deconsolidation of a subsidiary	30(b)	**(7,876)**	–
NET CASH FROM INVESTING ACTIVITIES		**2,020**	467,110
FINANCING ACTIVITIES			
Interest paid		**(4,738)**	(30,007)
Issue of shares		**1,680**	–
Net raising (repayment) of bank and other borrowings		**38,727**	(23,564)
Interest paid for convertible bonds		**(13,258)**	–
Increase in bank overdraft - secured		**1,327**	8,251
Capital contribution from non-controlling interests		**13,146**	41,829
Repayment of convertible bonds		**(60,521)**	(554,114)
NET CASH USED IN FINANCING ACTIVITIES		**(23,637)**	(557,605)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(44,416)**	(167,354)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**105,386**	270,055
Effect of foreign exchange rate changes		**7,185**	2,685
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**68,155**	105,386
Represented by:			
Bank balances and cash		**68,155**	96,456
Cash and cash equivalents included in assets held for sale		**–**	8,930
		68,155	105,386

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 which is the Company's functional and presentation currency.

The principal activities of the Company is investment holding. The activities of its principal subsidiaries and jointly controlled entities are set out in notes 40 and 41 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").

HKFRS 2 (Amendments)	Group cash-settled share-based payment transactions
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKAS 32 (Amendments)	Classification of right issues
HKFRS 1 (Amendments)	Additional exemptions for first-time adopters
HKFRS 1 (Amendments)	Limited exemptions from comparative HKFRS 7 disclosures for first-time adopters
HKFRS 8 (Amendments)	Disclosure of information about segment assets
HK (IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments
HK – INT 5	Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause

Notes to the Consolidated Financial Statements

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

The application of the new and revised HKFRSs in the current period has had no material effect on the amounts reported in these consolidated financial statements of the Group and/or disclosures set out in these consolidated financial statements.

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

HKAS 1 (Amendments)	Presentation of items of other comprehensive income[5]
HKAS 12 (Amendments)	Deferred tax: Recovery of underlying assets[4]
HKAS 19 (Revised 2011)	Employee benefits[6]
HKAS 24 (Revised 2009)	Related party disclosures[2]
HKAS 27 (Revised 2011)	Separate financial statements[6]
HKAS 28 (Revised 2011)	Investments in associates and joint ventures[6]
HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of financial assets[3]
HKFRS 9	Financial instruments[6]
HKFRS 10	Consolidated financial statements[6]
HKFRS 11	Joint arrangements[6]
HKFRS 12	Disclosure of interests in other entities[6]
HKFRS 13	Fair value measurment[6]
HK(IFRIC) – INT 14 (Amendments)	Prepayments of a minimum funding requirement[2]

1 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
2 Effective for annual periods beginning on or after 1 January 2011
3 Effective for annual periods beginning on or after 1 July 2011
4 Effective for annual periods beginning on or after 1 January 2012
5 Effective for annual periods beginning on or after 1 July 2012
6 Effective for annual periods beginning on or after 1 January 2013

HKFRS 9 "Financial instruments" (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 "Financial instruments" (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

Under HKFRS 9, all recognized financial assets that are within the scope of HKAS 39 " Financial instruments: Recognition and measurement" are subsequently measured at either amortised cost or fair value. Specifically, debt investment that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

The directors of the Company anticipated that HKFRS 9 "Financial instruments" will be adopted in the Group's consolidated financial statements for the annual periods beginning on 1 July 2013. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual period beginning on or after 1 January 2013, with earlier application permitted.

HKAS 12 (Amendments) "Deferred tax: Recovery of underlying assets" mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 Investment Property. Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. If the presumption is not rebutted, the directors anticipate that the application of HKAS 12 (Amendments) may have a significant impact on deferred tax recognized for investment properties that are measured using the fair value model. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review had been completed.

HKAS 24 (Revised 2009) "Related party disclosures" modifies the definition of a related party and simplifies disclosures for government-related entities. The disclosure exemptions introduced in HKAS 24 (Revised 2009) do not affect the Group because the Group is not a government-related entity.

HKFRS 7 (Amendments) "Disclosures – Transfers of financial assets" increases the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transfer retains some level of continuing exposure in the assets. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period. To date, the Group has not entered into transactions involving transfers of financial assets. However, if the Group enters into any such transactions in the future, disclosures regarding those transfers may be affected.

HK(IFRIC)-Int 14 (Amendments) "Prepayments of a minimum funding requirement" require entities to recognize as an economic benefit any prepayment of minimum funding requirement contributions. As the Group has no defined benefit scheme, the amendments are unlikely to have any financial impact on the Group.

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

All relevant changes in accounting policies and disclosures have been made in accordance with the provisions of the respective standards.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by HKICPA, accounting 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 have been prepared on the historical cost basis except for certain financial instruments, which are measured at revalued amounts or fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

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 recognized 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.

A summary of the significant accounting policies adopted by the Group is set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies 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 subsidiaries are identified separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense 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 2010, 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

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries on or after 1 July 2010

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 "Financial instruments: Recognition and measurement" or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Changes in the Group's ownership interests in existing subsidiaries before 1 July 2010

Increases in interests in existing subsidiaries where treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognized where appropriate. For decreases in interests in subsidiaries, regardless of whether the disposals would result in the Group losing control over the subsidiaries, the difference between the consideration received and the adjustment to the non-controlling interests was recognized in profit or loss.

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 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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Non-current assets held for sale – continued

(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.

Business combinations

Business combinations that took place on or after 1 July 2009

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Business combinations – continued

Business combinations that took place on or after 1 July 2009 – continued

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with HKAS 12 "Income taxes" and HKAS 19 "Employee benefits" respectively;

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 "Share-based payment" at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current assets held for sale and discontinued operations" are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or another measurement basis required by another standard.

Where the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Business combinations – continued

Business combinations that took place on or after 1 July 2009 – continued

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 "Provisions, contingent liabilities and contingent assets", as appropriate, with the corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Changes in the value of the previously held equity interest recognized in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

Subsidiaries

A subsidiary is an entity over which the Company is able to exercise control. Control is achieved where the Company, directly or indirectly, has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Interests in jointly controlled entities

A jointly controlled entity is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

Interests in jointly controlled entities are included in the consolidated financial statements using proportionate consolidation. The Group's share of each of the jointly controlled entity's assets, liabilities, income and expenses are combined line-by-line with similar items of the Group. Any premium paid or an interest in a jointly controlled entity above the fair value of the Group's share of identifiable assets, liabilities and contingent liabilities is dealt with under the Group's accounting policy on goodwill.

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Interests in jointly controlled entities – continued

Profits and losses arising on transactions between the Group and jointly controlled entities are recognized only to the extent of unrelated investors' interests in the entity. The investor's share in the jointly controlled entity's profits and losses resulting from these transactions is eliminated against the asset or liability of the jointly controlled entity arising on the transactions.

Interests in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. 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, investments in associates are initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associates. 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 losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount 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 or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Goodwill

Goodwill arising on an acquisition of a business or a jointly controlled entity (which is accounted for using proportionate consolidation) is carried at cost less any accumulated impairment losses and is presented separately in the consolidated statement of financial position.

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

On disposal of the relevant cash-generating unit or a jointly controlled entity, the attributable amount of goodwill capitalized is included in the determination of the amount of profit or loss on disposal.

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.

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

Revenue from the provision of lottery-related services is recognized when the services are rendered.

Revenue from the provision of entertainment VAS services is recognized when it is probable that the economic benefit will flow to the Group.

Revenue from catering services are recognized 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.

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Property, plant and equipment

Property, plant and equipment, comprising leasehold land and buildings, furniture, fixtures and equipment, plant and machinery, leasehold improvement, 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.

Depreciation is recognized so as to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method. The principal annual rates are as follows:

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

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 the disposal or retirement of an item of property, plant and equipment is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognized in profit or loss.

Inventories

Inventories 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.

Impairment loss on tangible and intangible assets (other than goodwill)

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

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, 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. A reversal of an impairment loss is recognized as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES – continued

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.

The Group as lessee

Operating lease payments are recognized as an expense 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 a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments for land" in the consolidated statement of financial position and is released over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

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 consolidated statement of comprehensive income 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.

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.

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Taxation – continued

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 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. Deferred tax assets arising from deductible temporary differences associated with such utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognized in profit or loss, except when it relates to items that are recognized in other comprehensive income or directly to 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.

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. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

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) at the rate of exchange 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 accumulated in equity (the translation reserve). Such exchange differences are recognized in profit or loss in the period in which the foreign operation is disposed of.

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.

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Cash and cash equivalents

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

Provisions and contingent liabilities

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

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

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 are required to participate in a central pension scheme operated by the local municipal government. 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 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 consolidated statement of comprehensive income 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 date of the reporting period is not recognized as a liability at the date of the reporting period.

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 statement of comprehensive income 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. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

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.

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES – continued

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.

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.

Interest 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, pledged bank deposits 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.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments, they are measured at cost less any identified impairment losses at the end of the reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Impairment of financial assets

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

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.
- the disappearance of an active market for that financial asset because of financial difficulties.

For trade 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.

For financial assts carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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.

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.

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

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

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.

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.

Financial liabilities

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 HK Life'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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

(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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

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.

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 2011, the carrying amount of goodwill is approximately HK$1,090,848,000 (2010: HK$1,154,768,000) with impairment loss of approximately HK$63,964,000 (2010: HK$1,061,203,000) 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 2011, 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$69,936,000 (2010: HK$96,181,000) 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.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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.

Impairment of other intangible assets

The Group assesses the future cash flows expected to arise from the other intangible assets. Where the actual cash flows are less than expected, impairment loss may arise.

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 29 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.

Estimated allowance of trade receivables

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

Exclusive rights of Entertainment VAS

In recognition of the acquisition of Entertainment VAS services business, exclusive rights of Entertainment VAS 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 Entertainment VAS is not available for consideration.

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 bank and other borrowings and convertible bonds disclosed in notes 26 and 27 respectively, and equity attributable to equity holders of the Company, comprising issued share capital disclosed in note 28, 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

	2011 **HK$'000**	2010 HK$'000
Financial assets		
Available-for-sales investments	**64,140**	63,780
Loans and receivables (including cash and cash equivalents)	**93,669**	117,670
Financial liabilities		
Amortized cost	**90,257**	104,896
Derivative financial liabilities	**143**	17,722

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade and other receivables and prepayments, pledged bank deposits, 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. The Group's and the Company's overall strategy remains unchanged from prior year.

Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables and prepayments, pledged bank deposits 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.

Notes to the Consolidated Financial Statements

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

Credit risk – continued

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 and the PRC.

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 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	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Singaporean dollars ("SG$")	**–**	187	**–**	46
Hong Kong dollars ("HK$")	**1,164,799**	2,315,222	**63,239**	397,439
United States dollars ("US$")	**39**	1,118	**8,328**	80,810

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 2011 would have been increased/decreased by approximately HK$649,000 as a result of foreign exchange losses/gains on translation of transactions denominated in Hong Kong dollars (2010: increased/decreased by approximately HK$716,000).

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.

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. 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 26.

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 2011, 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 decrease/increase the Group's profit by approximately HK$146,000 (2010: increase/decrease loss by approximately HK$154,000). 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 2010.

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:

2011

	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 payables, accrued liabilities and other payables	**31,245**	**31,245**	**31,245**	**–**	**–**	**–**
Bank and other borrowings	**60,405**	**60,405**	**60,405**	**–**	**–**	**–**
Convertible bonds	**8,328**	**10,154**	**–**	**10,154**	**–**	**–**
	99,978	**101,804**	**91,650**	**10,154**	**–**	**–**

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 payables, 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	–	–

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 2011 across thee three levels of the fair value hierarchy define in HKFRS 7, Financial Instruments: Disclosures, with the fair value of each financial instrument categorized in its entirely 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 2011 HK$'000	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Available-for-sale financial assets	**360**	**360**	**–**	**–**

During the year ended 30 June 2011, there was no 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 2011 and 2010.

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 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) provision of lottery-related services

(b) provision of entertainment VAS services

(c) Others included distribution of natural supplementary products, catering services and sales of animal feeds

Discontinued operations

(a) Trading of edible oil and mineral materials

(b) Boxes for storage of deceased cremated ashes and other ancestral properties

(c) Paper-offering business

Information regarding the above segments is reported below.

7. SEGMENT INFORMATION – continued

(a) Segment revenue and results

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

2011

	Continuing operations				Discontinued operations						
	Entertainment VAS HK$'000	Lottery-related services HK$'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$'000	Boxes for storage of deceased cremated ashes and other ancestral properties HK$'000	Paper-offering business HK$'000	Total HK$'000	Consolidated HK$'000
Segment revenue:											
Sales to external customers	45,874	60,054	6,806	112,734	-	-	-	5,617	-	5,617	118,351
Segment results	(86,457)	28,531	(2,713)	(60,639)	-	-	-	(1,301)	-	(1,301)	(61,940)
Unallocated income				8,056						-	8,056
Unallocated expenses				(49,624)						-	(49,624)
Finance costs				(3,716)						(3,624)	(7,340)
Gain on deconsolidation of a subsidiary				-						183,339	183,339
Gain on disposal of jointly controlled entities				-						-	-
Gain on termination of profit sharing arrangement				-						-	-
Profit (loss) before taxation				(105,923)						178,414	72,491
Income tax expenses				(4,317)						(10)	(4,327)
Profit (loss) for the year				(110,240)						178,404	68,164

Notes to the Consolidated Financial Statements

7. SEGMENT INFORMATION – continued

(a) Segment revenue and results – continued

2010

	Continuing operations				Discontinued operations						
	Entertainment VAS HK$'000	Lottery-related services HK$'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$'000	Boxes for storage of deceased cremated ashes and other ancestral properties HK$'000	Paper-offering business HK$'000	Total HK$'000	Consolidated HK$'000
Segment revenue:											
Sales to external customers	41,415	52,777	3,318	97,510	18,323	–	3,780	–	–	22,103	119,613
Segment results	(960,232)	24,911	(4,326)	(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) profit for the year				(1,032,327)						24,042	(1,008,285)

7. SEGMENT INFORMATION – continued

(b) Segment assets

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

2011

	Continuing operations				Discontinued operations				
	Entertainment VAS HK$'000	Lottery-related services HK$'000	Others HK$'000	Total HK$'000	Trading of edible oil and mineral materials HK$'000	Boxes for storage of deceased cremated ashes and other ancestral properties HK$'000	Paper-offering business HK$'000	Total HK$'000	Consolidated HK$'000
Assets									
Segment assets	1,055,258	146,510	5,510	1,207,278	-	-	-	-	1,207,278
Unallocated assets				85,259				-	85,259
Total assets				1,292,537				-	1,292,537
Liabilities									
Segment liabilities	25,167	3,615	998	29,780	-	-	-	-	29,780
Unallocated liabilities				2,871				-	2,871
Bank and other borrowings				60,405				-	60,405
Convertible bonds				8,328				-	8,328
Total liabilities				101,384				-	101,384

Notes to the Consolidated Financial Statements

7. SEGMENT INFORMATION – continued

(b) Segment assets – continued

2010

	Continuing operations				Discontinued operations				
	Entertainment VAS HK$'000	Lottery-related services HK$'000	Others HK$'000	Total HK$'000	Trading of edible oil and mineral materials HK$'000	Boxes for storage of deceased cremated ashes and other ancestral properties HK$'000	Paper-offering business HK$'000	Total HK$'000	Consolidated HK$'000
Assets									
Segment assets	1,128,147	170,847	7,580	1,306,574	1,266	1,071,830	414	1,073,510	2,380,084
Unallocated assets				95,695				6,263	101,958
Total assets				1,402,269				1,079,773	2,482,042
Liabilities									
Segment liabilities	14,048	10,424	1,789	26,261	46	31,090	5	31,141	57,402
Unallocated liabilities				12,236				4,023	16,259
Borrowings				12,100	–	87,205	–	87,205	99,305
Convertible bonds				80,811	–	252,672	–	252,672	333,483
Total liabilities				131,408				375,041	506,449

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.

7. SEGMENT INFORMATION – continued

(c) Other segment information

2011

	Continuing operations				Discontinued operations					
	Entertainment VAS HK$'000	Lottery-related services HK$'000	Others HK$'000	Total HK$'000	Gas related HK$'000	Trading of edible oil and mineral materials HK$'000	Boxes for storage of deceased cremated ashes and other ancestral properties HK$'000	Paper-offering business HK$'000	Total HK$'000	Consolidated HK$'000
Amount included in the measure of segment profit or loss or segment assets:										
Additions to property, plant and equipment	352	2,621	510	3,483	-	-	-	-	-	3,483
Loss on disposal of property, plant and equipment	(1,424)	(7)	-	(1,431)	-	-	-	-	-	(1,431)
Allowances for doubtful receivable	2,359	-	6,305	8,664	-	-	-	-	-	8,664
Impairment loss on goodwill	63,964	-	-	63,964	-	-	-	-	-	63,964
Depreciation and amortization	4,710	11,169	1,076	16,955	-	-	50	-	50	17,005

Notes to the Consolidated Financial Statements

7. SEGMENT INFORMATION – continued

(c) Other segment information – continued

2010

	Continuing operations				Discontinued operations					
	Entertainment VAS HK$'000	Lottery-related services HK$'000	Others HK$'000	Total HK$'000	Gas related HK$'000	Trading of edible oil and mineral materials HK$'000	Boxes for storage of-deceased cremated ashes and other ancestral properties HK$'000	Paper-offering business HK$'000	Total HK$'000	Consolidated HK$'000
Amount included in the measure of segment profit or loss or segment assets:										
Additions to property, plant and equipment	2,334	4,854	1,365	8,553	–	–	690	–	690	9,243
Properties under development	–	–	–	–	–	–	1,988	–	1,988	1,988
Gain (loss) on disposal of property, plant and equipment	(5)	3,213	–	3,208	–	–	–	–	–	3,208
Allowances for doubtful receivable	–	–	551	551	–	–	–	–	–	551
Impairment loss on goodwill	956,159	–	–	956,159	96,176	8,868	–	–	105,044	1,061,203
Depreciation and amortization	4,516	10,841	1,245	16,602	2,105	–	22	–	2,127	18,729

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	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
PRC	**112,591**	97,006	**–**	18,323	**112,591**	115,329
Hong Kong	**143**	504	**5,617**	–	**5,760**	504
South East Asia	**–**	–	**–**	3,780	**–**	3,780
	112,734	97,510	**5,617**	22,103	**118,351**	119,613

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	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
PRC	**127,351**	152,012	**6,530**	11,820
Hong Kong	**1,165,186**	2,328,764	**291**	2,784
South East Asia	**–**	1,266	**–**	–
	1,292,537	2,482,042	**6,821**	14,604

Revenue from major products and services

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

	2011	2010
	HK$'000	HK$'000
Lottery-related services	**60,054**	52,777
Entertainment VAS	**45,874**	41,415
Trading of edible oil and mineral materials	**–**	3,780
Gas related	**–**	18,323
Boxes for storage of deceased cremated and other ancestral properties	**5,617**	–
Others	**6,806**	3,318
	118,351	119,613

7. SEGMENT INFORMATION – continued

(e) Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	The Group	
	2011	2010
	HK$'000	HK$'000
Customer A – Provision of entertainment VAS services	**34,264**	41,415
Customer B – Provision of lottery-related services	**37,436**	29,851

8. REVENUE AND OTHER REVENUE

The principal activities of the Group are (i) provision of lottery-related services, (ii) provision of entertainment VAS services and (iii) food and 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	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue						
Provision of lottery-related hardware and software systems	**60,054**	52,777	**–**	–	**60,054**	52,777
Trading of edible oil and mineral materials	**–**	–	**–**	3,780	**–**	3,780
Gas related	**–**	–	**–**	18,323	**–**	18,323
Boxes for storage of deceased cremated ashes and other ancestral properties	**–**	–	**5,617**	–	**5,617**	–
Provision of entertainment VAS services	**45,874**	41,415	**–**	–	**45,874**	41,415
Sales of goods	**58**	153	**–**	–	**58**	153
Catering services	**6,605**	2,661	**–**	–	**6,605**	2,661
Distribution of natural supplementary products	**143**	504	**–**	–	**143**	504
	112,734	97,510	**5,617**	22,103	**118,351**	119,613

8. REVENUE AND OTHER REVENUE – continued

	Continuing operations		Discontinued operations		Consolidated	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Other revenue						
Interest income	**748**	587	**–**	525	**748**	1,112
Investment income	**134**	275	**–**	–	**134**	275
Gain on deconsolidation of a subsidiary	**–**	–	**183,339**	–	**183,339**	–
Recovery of doubtful debts	**95**	–	**–**	–	**95**	–
Others	**17,116**	12,972	**49**	705	**17,165**	13,677
	18,093	13,834	**183,388**	1,230	**201,481**	15,064

9. FINANCE COSTS

	Continuing operations		Discontinued operations		Consolidated	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Interest on:						
– borrowings wholly repayable within five years	**1,205**	1,542	**–**	1,134	**1,205**	2,676
– borrowings wholly repayable after five years	**–**	–	**–**	1,015	**–**	1,015
– convertible bonds	**2,511**	9,639	**3,624**	22,923	**6,135**	32,562
– unsecured promissory note	**–**	–	**–**	912	**–**	912
	3,716	11,181	**3,624**	25,984	**7,340**	37,165

Notes to the Consolidated Financial Statements

10. PROFIT (LOSS) BEFORE TAXATION

	Continuing operations		Discontinued operations		Consolidated	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Profit (loss) before taxation has been arrived at after charging:						
Staff costs (excluding Directors' emoluments – *note 11*):						
– Wages and salaries	**30,228**	23,878	**1,153**	3,915	**31,381**	27,793
– Retirement benefits scheme contributions	**457**	376	**10**	42	**467**	418
Total staff costs	**30,685**	24,254	**1,163**	3,957	**31,848**	28,211
Cost of inventories sold *(Note a)*	**39,464**	34,261	**758**	19,348	**40,222**	53,609
Auditors' remuneration						
– Provide for the year	**1,769**	1,994	**–**	2,741	**1,069**	4,735
– (Over) underprovision in prior year	**42**	(37)	**–**	(24)	**42**	(61)
Depreciation of property, plant and equipment *(Note b)*	**15,882**	15,817	**50**	2,083	**15,932**	17,900
Amortization of prepaid lease payments	**–**	–	**–**	64	**–**	64
Impairment loss on goodwill	**63,964**	956,159	**–**	105,044	**63,964**	1,061,203
Impairment loss on other intangible assets	**14,174**	–	**–**	–	**14,174**	–
Impairment loss on available-for-sale financial assets	**7,693**	–	**–**	–	**7,693**	–
Gain on disposal of a subsidiary	**(5,810)**	–	**–**	–	**(5,810)**	–
Loss on disposal of available-for-sale financial assets	**6,436**	–	**–**	–	**6,436**	–
Minimum lease payments under operating leases:						
– Land and buildings	**7,300**	6,085	**91**	246	**7,391**	6,331
Loss (gain) on disposal of property, plant and equipment	**1,431**	(3,208)	**–**	–	**1,431**	(3,208)
Allowances for doubtful receivable	**8,664**	551	**–**	–	**8,664**	551
Amortisation of other intangible assets	**1,073**	765	**–**	–	**1,073**	765
(Gain) loss on changes in fair value of derivative financial instruments *(Note c)*	**(1,666)**	37,150	**–**	–	**(1,666)**	37,150
Bad debts written off	**526**	198	**–**	–	**526**	198
Inventories written off	**132**	7	**–**	–	**132**	7
Exchange (gains) losses, net	**3,122**	(51)	**3**	33	**3,125**	(18)

10. PROFIT (LOSS) BEFORE TAXATION – continued

Note a: For the year ended 30 June 2011, cost of inventories included approximately of HK$1,415,000 (2010: HK$1,931,000) relating to depreciation expenses, which amount is also included in the respective total amounts disclosed separately above in note 18 for each of these types.

Note b: Included in the depreciation of approximately HK$15,932,000 (2010: HK$17,900,000) was an amount of approximately HK$1,415,000 (2010: HK$1,931,000) capitalized in cost of inventories sold during the year. The amount of approximately HK$1,415,000 (2010: HK$1,931,000) was included in cost of inventories sold of approximately HK$40,222,000 (2010: HK$53,609,000).

Note c: Arising from convertible bonds, please refer to note 27.

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

Emoluments paid or payable to each of the 9 (2010: 8) directors of the Company during the year were as follows:

For the year ended 30 June 2011

	Fees HK$'000	Salaries and other emoluments HK$'000	Contribution to retirement benefits scheme HK$'000	Total HK$'000
Executive Directors:				
Cheung Kwai Lan	78	480	–	558
Chan Ting	82	1,050	6	1,138
Chan Siu Sarah	78	1,470	9	1,557
Chan Tung Mei	78	536	–	614
Lau Hin Kun	78	326	12	416
Independent Non-executive Directors:				
Zhang Xiu Fu	120	20	–	140
Tian He Nian	89	10	–	99
To Yan Ming Edmond	102	–	–	102
Yang Qing Cai (appointed on 7 April 2011)	30	–	–	30
	735	3,892	27	4,654

Notes to the Consolidated Financial Statements

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

(a) Directors' emoluments – continued

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

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

(b) Senior management emoluments

Of the 5 (2010: 5) individuals whose emoluments were the highest in the Group for the year include 2 (2010: 3) Directors whose emoluments are set out in the above. The emoluments payable to the remaining 3 (2010: 2) individual during the year as follows:

	2011 **HK$'000**	2010 HK$'000
Salaries, allowances and other benefits	**5,024**	3,504
Contributions to retirement benefits scheme	**36**	24
	5,060	3,528

The emoluments fell with the following bands:

	2011 **No. of individuals**	2010 No. of individuals
Emoluments bands		
HK$1,000,001 – HK$2,000,000	**2**	1
HK$2,000,001 – HK$3,000,000	**1**	1

During the year ended 30 June 2011, no emoluments have been paid by the Group to the 2 Directors (2010: 3 Directors) or the 3 (2010: 2) 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	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Wages and salaries	**34,844**	36,840	**1,164**	4,208	**36,008**	41,048
Retirement benefits scheme contributions	**484**	413	**10**	44	**494**	457
Total staff costs	**35,328**	37,253	**1,174**	4,252	**36,502**	41,505

13. INCOME TAX EXPENSES

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

	Continuing operations		Discontinued operations		Consolidated	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
The charge comprises:						
Current year						
– Hong Kong Profits Tax	**–**	–	**–**	–	**–**	–
– Other jurisdictions	**4,349**	2,233	**10**	17,746	**4,359**	19,979
	4,349	2,233	**10**	17,746	**4,359**	19,979
Under (over) provision in prior years						
– Hong Kong Profits Tax	**–**	–	**–**	–	**–**	–
– Other jurisdictions	**(32)**	47	**–**	–	**(32)**	47
	(32)	47	**–**	–	**(32)**	47
Income tax expenses charged for the year	**4,317**	2,280	**10**	17,746	**4,327**	20,026

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.

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 profit (loss) per consolidated statement of comprehensive income is as follows:

	2011 **HK$'000**	2010 HK$'000
Profit (Loss) before taxation:		
Continuing operations	**(105,923)**	(1,030,047)
Discontinued operations	**178,414**	41,788
	72,491	(988,259)
Tax at the Hong Kong Profits Tax rate	**11,961**	(163,062)
Tax concession	**(437)**	–
Tax effect of expenses that are not deductible for tax purposes	**3,556**	170,601
Tax effect of income that is not taxable for tax purposes	**(21,325)**	(18,585)
Tax effect of tax losses not recognized	**10,494**	14,125
Tax effect of utilization of tax losses previously not recognized	**(1,237)**	(877)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**1,082**	17,777
Others	**265**	–
Tax effect of under (over) provision in prior years	**(32)**	47
Income tax expenses	**4,327**	20,026

Note: The applicable tax rate for Hong Kong is 16.5% (2010: 16.5%) and applicable tax rate in the PRC is 22-25% (2010: 20-25%).

13. INCOME TAX EXPENSES – continued

At the end of the reporting period, the Group has unused tax losses of approximately HK$69,936,000 (2010: HK$96,181,000) 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$28,075,000 (2010: HK$25,114,000) 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:

	2011 HK$'000	2010 HK$'000
Deductible temporary differences:		
Unutilized tax losses	**69,936**	96,181
Other	**4,563**	17,718
Accelerated tax allowances	**729**	156
Taxable temporary differences:		
Accelerated tax allowances	**–**	–
	75,228	114,055

Notes to the Consolidated Financial Statements

14. DISCONTINUED OPERATIONS

By an announcement of the Company issued on 17 September 2010, the Directors of the Company had intention to dispose the Group's remaining equity interest in Hong Kong Life Group Holdings Limited (formerly known as Aptus Holdings Limited) ("HK Life") and HK Life ceased to be an indirect non wholly-owned subsidiary of the Company. In this regard, HK Life is considered to be a disposal group.

Details of the assets and liabilities deconsolidated are disclosed in note 30(b).

The combined results and cash flows of the discontinued operations due to deconsolidated of HK Life (2010: disposal of distribution of natural gas business and profit sharing right on oil field) included in the consolidated statement of comprehensive income and the consolidated statement of cash flows are set out below:

	From 1 July 2010 to Date of Deconsolidated HK$'000	From 1 July 2009 to Date of Disposal HK$'000
Profit for the year from discontinued operations		
Revenue	**5,666**	23,333
Expenses	**(10,591)**	(67,493)
Impairment on goodwill	**–**	(105,044)
Gain on deconsolidation of a subsidiary	**183,339**	–
Gain on disposal of jointly controlled entities	**–**	180,888
Gain on termination of profit sharing right on oil field	**–**	10,104
Profit before taxation	**178,414**	41,788
Income tax expenses	**(10)**	(17,746)
Profit for the year from discontinued operations	**178,404**	24,042
Cash flows from discontinued operations		
Net cash inflows (outflows) from operating activities	**81,857**	(58,503)
Net cash (outflows) inflows from investing activities	**(76,148)**	322,043
Net cash outflows from financing activities	**(323)**	(296,668)
Net cash inflows (outflows)	**5,386**	(33,128)

15. NON-CURRENT ASSETS HELD FOR SALE

	2011 HK$'000	2010 HK$'000
Assets classified as held for sale	–	1,079,773
Liabilities associated with assets classified as held for sales	–	375,041
Non-controlling interests	–	408,231
Net assets classified as held for sales	–	296,501
Reserve classified as held for sales	–	441,190
		(Note a)

Note a: By an announcement made by the Company on 17 September 2010, the Company had intention to dispose of its equity interest in HK Life, 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 HK Life 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 HK Life business associated with assets classified as held sale	375,041
Non-controlling interests	408,231
Net assets of HK Life business classified as held for sale	296,501
Translation reserve	4,430
Convertible bonds reserve	269,883
Capital reserve	166,877
Reserve of HK Life business classified as held for sale	441,190

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. HK Life 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 then subsidiary of the Company, HK Life 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 HK Life 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"). HK Life 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
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 HK Life	(159,798)
Imputed finance costs	2,555
Non-current liability component as at the end of the reporting period	252,672

16. DIVIDENDS

No dividend was paid or proposed during the year ended 30 June 2011, nor has any dividend been proposed since the end of reporting date (2010: Nil).

17. EARNINGS (LOSS) PER SHARE

From continuing and discontinued operations

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

	2011 **HK$'000**	2010 HK$'000
Profit (loss) for the year attributable to the equity holders of the Company	**61,439**	(1,047,777)

Number of shares

	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	**3,213,866**	3,211,894
Effect of dilutive potential ordinary shares: warrants	**19,490**	–
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	**3,233,356**	3,211,894

17. EARNINGS (LOSS) PER SHARE – continued

From continuing operations

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

	2011 **HK$'000**	2010 HK$'000
Profit (loss) for the year attribute to equity holders of the Company	**61,439**	(1,047,777)
Less: Profit for the year attributable to equity holder of the Company from discontinued operations	**178,404**	24,042
Loss for the purpose of basic loss per share from continuing operations	**(116,965)**	(1,071,819)

No diluted loss per share has been presented for the year ended 30 June 2010, as outstanding share options, warrants and convertible bonds of the Company are anti-dilutive since their exercise or concession would result in a decrease in loss per shares.

From discontinued operations

Basic earnings per share from discontinued operations is HK5.55 cents per share (2010: Basis earnings per share HK0.75 cents per share), based on the profit for the year from the discontinued operations of approximately HK$178,404,000 (2010: profit of approximately HK$24,042,000) and the denominators detailed above for basic earnings (loss) per share.

Diluted earnings per share from discontinued operations is HK5.52 cents per cents (2010: N/A), based on the profit for the year from the discontinued operations of approximately HK$178,404,000 (2010: profit of approximately HK$24,042,000) and weight average number of ordinary shares for the purpose of diluted earnings (loss) per share.

No diluted loss per share has been presented for the year ended 30 June 2010, 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 HK$'000	Furniture, fixtures and equipment HK$'000	Plant and machinery HK$'000	Leasehold improvement HK$'000	Motor vehicles HK$'000	Computer equipment HK$'000	Total HK$'000
COST							
At 1 July 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 and 1 July 2010	1,297	21,227	51,714	3,559	7,824	4,740	90,361
Additions	–	914	1,807	369	342	51	3,483
Disposal	–	(4,315)	–	–	(564)	(1)	(4,880)
Reclassification	–	(144)	–	–	–	144	–
Exchange realignment	63	1,107	2,513	209	293	209	4,394
At 30 June 2011	1,360	18,789	56,034	4,137	7,895	5,143	93,358
DEPRECIATION							
At 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 disposal	(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 and 1 July 2010	150	7,945	29,961	2,370	3,616	3,847	47,889
Charged for the year	41	3,921	9,657	539	1,457	267	15,882
Eliminated on disposal	–	(2,849)	–	–	(296)	(1)	(3,146)
Reclassification	–	(144)	–	–	–	144	–
Exchange realignment	8	501	1,691	165	195	186	2,746
At 30 June 2011	199	9,374	41,309	3,074	4,972	4,443	63,371
NET BOOK VALUES							
At 30 June 2011	1,161	9,415	14,725	1,063	2,923	700	29,987
At 30 June 2010	1,147	13,282	21,753	1,189	4,208	893	42,472

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

At 30 June 2011, none of the Group's property, plant and equipment was held under finance lease (2010: Nil).

Notes to the Consolidated Financial Statements

19. GOODWILL

	Entertainment VAS services HK$'000	Lottery-related services HK$'000	Boxes for storage of deceases cremated ashes and other ancestral business HK$'000	Gas related HK$'000	Profit sharing on oil field HK$'000	Trading of edible oil HK$'000	Total HK$'000
COST							
At 1 July 2009	2,016,496	94,431	–	105,189	31,761	3,361	2,251,238
Acquisition of a subsidiary	–	–	904,550	–	–	–	904,550
Reclassified as held for sale	–	–	(904,550)	(105,189)	–	–	(1,009,739)
At 30 June 2010 and At 1 July 2010	2,016,496	94,431	–	–	31,761	3,361	2,146,049
Eliminated on deconsolidation of a subsidiary	–	–	–	–	(31,761)	(3,361)	(35,122)
Acquisition of a subsidiary	–	44	–	–	–	–	44
At 30 June 2011	2,016,496	94,475	–	–	–	–	2,110,971
IMPAIRMENT							
At 1 July 2009	–	–	–	145	31,761	3,361	35,267
Impairment loss recognized for the year	956,159	–	–	105,044	–	–	1,061,203
Reclassified as held for sale	–	–	–	(105,189)	–	–	(105,189)
At 30 June 2010 and At 1 July 2010	956,159	–	–	–	31,761	3,361	991,281
Eliminated on deconsolidation of a subsidiary	–	–	–	–	(31,761)	(3,361)	(35,122)
Impairment loss recognized for the year	63,964	–	–	–	–	–	63,964
At 30 June 2011	1,020,123	–	–	–	–	–	1,020,123
CARRYING VALUES							
At 30 June 2011	**996,373**	**94,475**	**–**	**–**	**–**	**–**	**1,090,848**
At 30 June 2010	1,060,337	94,431	–	–	–	–	1,154,768

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 2011, the Group recognized an impairment loss of approximately HK$63,964,000 (2010: approximately HK$1,061,203,000) in relation to goodwill arising on Entertainment VAS services business.

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.

On 22 June 2011, a joint venturer of Entertainment VAS services business started arbitration proceeding in Beijing, the PRC against the Group's jointly controlled entity for operation of Entertainment VAS services business. The management consider that the arbitration may have impact of the business in coming few years by affecting the growth rate of the business. Impairment loss of goodwill recognized accordingly.

The key assumption used for cash flow projections for the provision of Entertainment VAS Services and provision of lottery-related services are as follows:

(a) Provision of Entertainment VAS Services

	Year				
	2012	**2013**	**2014**	**2015**	**2016**
Growth rate	50%	90%	140%	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 2017 to 2018 and 10%-15% from year 2019 to year 2021 and thereafter the estimated growth rate is 2% per annum.

(b) Lottery-related services

	Year				
	2012	**2013**	**2014**	**2015**	**2016**
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 2009	1,664	6,678	6,260	14,602
Additions	3,373	–	–	3,373
Exchange realignment	20	80	75	175
At 30 June 2010 and 1 July 2010	5,057	6,758	6,335	18,150
Additions	3,338	–	–	3,338
Transfer to technical know-how	(3,518)	–	–	(3,518)
Transfer from research and development	–	–	3,518	3,518
Exchange realignment	246	329	308	883
At 30 June 2011	5,123	7,087	10,161	22,371
AMORTIZATION				
At 1 July 2009	–	5,481	444	5,925
Charged for the year	–	122	643	765
Exchange realignment	–	67	12	79
At 30 June 2010 and 1 July 2010	–	5,670	1,099	6,769
Charged for the year	–	122	951	1,073
Exchange realignment	–	278	77	355
At 30 June 2011	–	6,070	2,127	8,197
IMPAIRMENT				
At 1 July 2009	–	–	–	–
Impairment loss recognized for the year	–	–	–	–
At 30 June 2010 and 1 July 2010	–	–	–	–
Impairment loss recognized for the year	5,123	1,017	8,034	14,174
At 30 June 2011	5,123	1,017	8,034	14,174
CARRYING VALUES				
At 30 June 2011	**–**	**–**	**–**	**–**
At 30 June 2010	5,057	1,088	5,236	11,381

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

Impairment loss recognized for the year of approximately HK$14,174,000 (2010: Nil).

Notes to the Consolidated Financial Statements

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2011 HK$'000	2010 HK$'000
Listed investments:		
– Equity securities listed in Hong Kong *(Note a)*	**360**	–
Unlisted investments:		
– Unlisted equity securities *(Note b)*	**63,780**	63,780
At 30 June	**64,140**	63,780

Notes:

(a) Listed equity securities is measured at fair values.

Details of movements as follows:

	2011 HK$'000	2010 HK$'000
Recognized on deconsolidation	**19,557**	–
Disposal during the year	**(11,504)**	–
Impairment loss recognized	**(7,693)**	–
	360	–

By considering that there was a significant decline in the fair value of the listed equity securities below its cost, the change in fair value is considered to be objective evidence of impairment and charged to profit or loss directly.

(b) 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 end of the reporting 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 2011, impairment loss had not been made. (2010: Nil).

22. INVENTORIES

	2011 HK$'000	2010 HK$'000
Raw materials and consumables	**3,354**	3,018
Finished goods	**951**	879
At 30 June	**4,305**	3,897

All inventories are stated at cost.

Notes to the Consolidated Financial Statements

23. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2011 HK$'000	2010 HK$'000
Trade receivables	**16,504**	13,432
Other receivables and prepayments	**23,443**	17,023
	39,947	30,455
Less: Allowances for doubtful receivable	**(10,012)**	(6,118)
At 30 June	**29,935**	24,337

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:

	2011 HK$'000	2010 HK$'000
0 to 30 days	**13,763**	6,469
31 to 60 days	**38**	1,573
61 to 365 days	**1,491**	4,258
Over 1 year	**1,212**	1,132
	16,504	13,432

The trade receivables with carrying amount of HK$11,515,000 (2010: HK$9,838,000) 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.

During the year ended 30 June 2011, the Group made an allowance of Nil (2010: HK$551,000) 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.

23. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS – continued

Movement in the allowance for bad and doubtful debts:

	2011 HK$'000	2010 HK$'000
Balance at the beginning of the year	**6,118**	5,517
Charged for the year – trade receivables	**–**	551
Amount recovered during the year – trade receivables	**(95)**	–
Amount written off on disposal of a subsidiary	**(4,675)**	–
Charged for the year – other receivables	**8,664**	–
Exchange adjustments	**–**	50
Balance at the end of the year	**10,012**	6,118

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$3,989,000 (2010: HK$2,504,000) 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.

The fair value of the Group's trade receivables as at 30 June 2011 approximates to the corresponding carrying amount.

24. BANK BALANCES AND CASH

	2011 HK$'000	2010 HK$'000
Cash and bank deposits denominated in:		
Hong Kong dollar	**826**	12,117
Renminbi	**67,290**	84,300
United States dollar	**39**	39
At 30 June	**68,155**	96,456

Included in the bank balances were approximately HK$67,290,000 (2010: approximately HK$84,300,000), 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.

25. TRADE PAYABLES, ACCRUED LIABILITIES AND OTHER PAYABLES

	2011 HK$'000	2010 HK$'000
Trade payables	**17,888**	7,912
Accrued liabilities and other payables	**13,357**	21,795
At 30 June	**31,245**	29,707

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:

	2011 HK$'000	2010 HK$'000
0 to 30 days	**2,566**	2,412
31 to 120 days	**8,106**	1,925
121 to 180 days	**1,947**	2,680
181 to 365 days	**4,978**	647
Over 1 year	**291**	248
At 30 June	**17,888**	7,912

The fair value of the Group's trade payables, accrued liabilities and other payables as at 30 June 2011 approximates to the corresponding carrying amount.

Notes to the Consolidated Financial Statements

26. BANK AND OTHER BORROWINGS

	2011 HK$'000	2010 HK$'000
Bank loan, secured *(Note a)*	**5,000**	–
Other loans, unsecured *(Note b and c)*	**45,827**	12,100
Bank overdraft, secured *(Note d)*	**9,578**	8,251
Unsecured promissory note	**–**	87,205
Less: Reclassified as held for sale *(Note 15)*	**–**	(87,205)
At 30 June	**60,405**	20,351

Note:

(a) Bank loan of HK$5,000,000 (2010: Nil) is interest bearing at 2.5% per annum over 12-Month Hong Kong Interbank Offered Rate ("HIBOR"), secured by guarantee issued by bank and repayable in next twelve months.

(b) Other loans of approximately HK$38,887,000 (2010: HK$5,000,000) is non-interest bearing, unsecured and repayable on demand.

(c) Other loans of approximately HK$6,940,000 (2010: HK$7,100,000) is unsecured, non-interest bearing (2010: interest bearing at 4% per annum) and repayable on demand.

(d) Bank overdraft of approximately HK$9,578,000 (2010: HK$8,251,000) is interest charged at 7% per annum, secured by pledged bank deposit and corporate guarantee by the Company.

Borrowings are repayable as follows:

	2011 HK$'000	2010 HK$'000
On demand or within one year	**60,405**	20,351
Less: Amount shown under non-current liabilities	**–**	–
Amount shown under current liabilities	**60,405**	20,351

27. CONVERTIBLE BONDS

(a) Convertible bonds I

On 22 November 2006, the subsidiary of the Company, Hong Kong Life Group Holdings Limited (formerly known as Aptus Holdings Limited) 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 was early redeemed during the year ended 30 June 2010 .

Detail of the convertible bonds were as follows:

	2011 **HK$'000**	2010 HK$'000
Nominal value of convertible bonds issued	–	234,000
Equity component	–	(10,712)
Liability component at the issuance date	–	223,288
Interest paid	–	(5,850)
Imputed finance costs	–	106,174
Early redemption	–	(323,612)
Non-current liability component as at the end of the reporting period	–	–

(b) Convertible bonds II

The Company adhered the convertible bonds issued by its wholly-owned subsidiary, Grand Promise International Limited ("GPIL Bonds" and "GPIL" respectively) on 11 April 2008 with a principal amount of US$35,000,000. The convertible bonds are denominated in United States Dollar.

The convertible bonds contain two components: liability component and conversion option derivative. The conversion option derivative is measured at fair value with changes in fair value recognized in profit and loss.

Detail of principal valuation parameters have been applied in determining the liability component and conversion option derivative of GPIL Bonds as at 30 June 2011 was summarized as follows:

(a)	Principal amount:	US$925,000
(b)	Principal repayment:	141.06% of principal amount
(c)	Coupon rate:	0%
(d)	Date of maturity:	28 November 2012
(e)	Discount rate:	16.38%
(f)	Conversion price:	HK$0.8
(g)	Risk-free rate:	0.20%
(h)	Expected volatility:	80.39%
(i)	Expected dividend yield:	0%

Fair value of conversion option derivative as at 30 June 2011 was valued by an independent professional valuer.

Notes to the Consolidated Financial Statements

27. CONVERTIBLE BONDS – continued

(b) Convertible bonds II

With regards to the GPIL Bonds, the Group and the GPIL Bond holders have undergone a series of amendments and undertaking during Year 2011 in order to give all parties adequate time to reach acceptable restructuring terms.

GPIL Bond previously issued to Liberty Harbor Master Fund I, L.P. ("LH GPIL Bond")

On 29 July 2010, the LH GPIL Bonds with an outstanding principal amount of US$1,850,000 was sold to Tarascon Asia Absolute Fund (Cayman) Limited ("Tarascon" and "TA GPIL Bonds" respectively). As a result of GPIL, Precise Result Profits Limited ("Precise Result") and the Company provided certain undertakings to Tarascon, including payment of step up fees, pledging of shares in HK Life and the issuance of 10,000,000 warrants, Tarascon undertook not to exercise the redemption option until 31 December 2010. On 30 December 2010, the TA GPIL Bond with an outstanding principal amount of US$925,000 was sold to Capital Day Investments Limited ("Capital Day" and "CD GPIL Bond" respectively). As a result of GPIL and the Company provided certain undertakings to Capital Day, including payment of step up fees, Capital Day undertook not to exercise the redemption option until 28 November 2012, being the maturity date of the CD GPIL Bond.

GPIL Bond previously issued to Evolution Master Fund Ltd. SPC ("Evo M Fund" and "EMF GPIL Bond" respectively)

As a result of GPIL, Precise Result and the Company provided certain undertakings to Evo M Fund, including payment of step up fees, pledging of shares in HK Life and the issuance of 30,000,000 warrants, Evo M Fund undertook not to exercise the redemption option until 31 December 2010. On 30 December 2010, the EMF GPIL Bond with an outstanding principal amount of US$2,114,000 was sold to Evo Fund ("Evo Fund" and "EF GPIL Bond" respectively). As a result of GPIL, Precise Result and the Company provided certain undertakings to Evo Fund, including payment of step up fees, pledging of shares in HK Life and the issuance of 30,000,000 warrants, and Best Frontier Investments Limited (being a substantial shareholder of the Company) pledging a total of 1,010,022,757 shares of the Company to Evo Fund ("BF Pledge"), Evo Fund undertook not to exercise the redemption option until 31 March 2011. On 23 February 2011 the EF GPIL Bond was redeemed in full and the BF Pledge was terminated.

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 2010	17,722	63,089
Imputed finance cost	–	2,511
Interest paid	(2,805)	(10,453)
Exchange differences	–	451
Changes in fair value	(1,666)	–
Early redemption	(13,108)	(47,413)
At 30 June 2011	143	8,185
	(Note a)	(Note b)

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

Note b: Total of approximately of HK$8,185,000 (2010: approximately HK$63,089,000) is recorded as non-current liabilities.

Notes to the Consolidated Financial Statements

28. SHARE CAPITAL

	Number of shares '000	HK$'000
Authorized:		
At 1 July 2009, 30 June 2010, 1 July 2010 and 30 June 2011 shares of HK$0.01 each	20,000,000	200,000
Issued and fully paid:		
At 1 July 2009, 30 June 2010, and at 1 July 2010	3,211,894	32,119
Shares issued on exercise of warrants *(Note)*	10,000	100
At 30 June 2011	3,221,894	32,219

WARRANTS

On 26 August 2010 and 11 January 2011, the Company issued an aggregate of 40,000,000 and 30,000,000 warrants at the exercise price of HK$0.168 share respectively. During the year, 10,000,000 warrants has been exercised.

Note:

(a) 5,000,000 warrants of HK$0.168 each were exercised on 16 March 2011.

(b) 5,000,000 warrants of HK$0.168 each were exercised on 25 May 2011.

29. SHARE-BASED PAYMENT TRANSACTIONS

Pre-IPO Share Option Scheme

As at 30 June 2011, 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 2011.

There were 83,050,000 outstanding share options brought forward from 1 July 2010 and no options were exercised for the year ended 30 June 2011, resulting in an outstanding share options of 83,050,000 as at 30 June 2011.

Notes to the Consolidated Financial Statements

29. SHARE-BASED PAYMENT TRANSACTIONS – continued

Share Option Scheme – continued

2011

Categories of grantees	Date of grant	Exercise price HK$	Number of share options at 1 July 2010 '000	Granted during the year '000	Exercised during the year '000	Lapsed during the year '000	Number of share options at 30 June 2011 '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	23/05/2007 – 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	23/05/2007 – 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	23/05/2007 – 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	23/05/2007 – 17/10/2012
	23/11/2006	0.62	700	–	–	–	700	23/11/2007 – 17/10/2012
Tian He Nian	23/11/2006	0.62	260	–	–	–	260	23/11/2006 – 17/10/2012
	23/11/2006	0.62	260	–	–	–	260	23/05/2007 – 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	23/05/2007 – 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	19/08/2004 – 17/10/2012
Eligible participants	23/11/2006	0.62	32,330	–	–	–	32,330	23/11/2006 – 17/10/2012
Total			83,050	–	–	–	83,050	

Notes to the Consolidated Financial Statements

29. 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	23/05/2007 – 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	23/05/2007 – 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	23/05/2007 – 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	23/05/2007 – 17/10/2012
	23/11/2006	0.62	700	–	–	–	700	23/11/2007 – 17/10/2012
Tian He Nian	23/11/2006	0.62	260	–	–	–	260	23/11/2006 – 17/10/2012
	23/11/2006	0.62	260	–	–	–	260	23/05/2007 – 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	23/05/2007 – 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	19/08/2004 – 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	

29. SHARE-BASED PAYMENT TRANSACTIONS – continued

Share Option Scheme – continued

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.

At 30 June 2011, the number of the shares in respect of which option had been granted and remained outstanding under the scheme was 2.58% (2010: 2.59%) 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

29. SHARE-BASED PAYMENT TRANSACTIONS – continued

Share Option Scheme – continued

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

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

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

The Group recognized the total expenses of Nil for the year ended 30 June 2011 (2010: Nil) in relation to share options granted by the Company.

30. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Disposal of a subsidiary

For the year ended 30 June 2011, the Group disposed 100% equity interest in Muller Group Limited ("Muller") at a consideration of approximately HK$7.8 (US$1).

	Muller HK$'000
NET LIABILITIES DISPOSED	
Deposits and prepayments	116
Amount due to a fellow subsidiary	(5,926)
Net liabilities	(5,810)
Gain on disposal of a subsidiary	5,810
Consideration	–

(b) Deconsolidation of a subsidiary

By an announcement of the Company issued on 17 September 2010, the Directors of the Company had intention to dispose remaining equity interest of Hong Kong Life Group Holdings Limited (formerly known as Aptus Holding Limited) (HK Life) and HK Life ceased to be an indirect non-wholly owned subsidiary of the Company and recognized as available-for-sale financial assets (note 21).

Notes to the Consolidated Financial Statements

30. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS – continued

(b) Deconsolidation of a subsidiary – continued

Details of assets and liabilities deconsolidated are as follows:

	HK Life HK$'000
NET ASSETS DECONSOLIDATED	
Property, plant and equipment	1,049
Properties under development	22,201
Prepaid lease payments	143,488
Goodwill	904,550
Trade, other receivables and prepayments	7,094
Bank balances and cash	7,876
Trade payables, accrued liabilities and other payable	(36,610)
Convertible bonds	(199,277)
Promissory notes	(83,069)
Net assets to be deconsolidated	767,302
Release of reserves from discontinued operations	(376,730)
Release of non-controlling interests	(554,354)
Recognized of available-for-sale financial assets on deconsolidation	(19,557)
Gain on deconsolidation (note 14)	183,339
Total consideration	–
Net cash outflow arising on deconsolidation:	
Bank balances and cash	(7,876)

(c) Acquisition of a subsidiary

For the year ended 30 June 2011, the Group acquired 100% equity interest in Next Champion Limited ("Next Champion") at a consideration of HK$1.

	Next Champion HK$'000
NET ASSETS ACQUIRED	
Bank balances and cash	10,662
Amount due to related companies	(10,706)
	(44)
Goodwill arising on consolidation	44
Consideration	–
Net cash inflow arising on consolidation:	
Bank balances and cash acquired and Net inflow of cash and cash equivalents in respect of the acquisition of a subsidiary	10,662

Notes to the Consolidated Financial Statements

30. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS – continued

(c) Acquisition of a subsidiary – continued

For the year ended 30 June 2010, the Group (via HK Life (the then subsidiary of the Company)) 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)
	140,743
Goodwill arising on acquisition	904,550
Total consideration	1,045,293
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
	1,045,293
Net cash outflow arising on acquisition:	
Cash consideration	85,000
Bank balances and cash acquired	(18)
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	84,982

30. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS – continued

(d) Disposal of jointly controlled entities

For the year ended 30 June 2010, the Group (via HK Life (the then subsidiary of 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 HK$'000	**Hunan Hauyou** HK$'000	**Total** 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	289,509	113,696	403,205
Net cash inflow arising on disposal:			
Cash consideration	289,509	113,696	403,205
Bank balances and cash	(35,459)	(3,838)	(39,297)
	254,050	109,858	363,908

(e) Major non-cash transactions

(a) During the year, the Group incurred imputed interest on convertible bonds and unsecured promissory note of approximately HK$6,135,000 and Nil respectively (2010: HK$32,562,000 and HK$912,000).

(b) During the year, impairment loss on goodwill of approximately HK$63,964,000 (2010: HK$1,061,203,000) was provided in the consolidated statement of comprehensive income.

Notes to the Consolidated Financial Statements

31. CONTINGENT LIABILITIES

The Company provided corporate guarantees to the extent of HK$10,000,000 (2010: HK$10,000,000) to a bank to secure general banking facilities granted to a subsidiary.

The total facilities utilized by the Group at 30 June 2011 amounted to approximately HK$9,578,000 (2010: HK$8,251,000).

32. OPERATING LEASE COMMITMENTS

The Group as lessee

As at 30 June 2011, the Group had commitments for future minimum lease payments in respect of rented premises under non-cancellable operating leases which fall due as follows:

	2011 **HK$'000**	2010 HK$'000
Continuing operations		
Within one year	**6,421**	5,185
In the second to fifth years inclusive	**5,348**	8,337
	11,769	13,522
Discontinued operations		
Within one year	**–**	531
In the second to fifth years inclusive	**–**	609
	–	1,140

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

Leases are negotiated for an average terms of 1 to 5 years.

33. CAPITAL COMMITMENTS

	2011 **HK$'000**	2010 HK$'000
Continuing operations		
Capital expenditure in respect of acquisition additional equity interest in a subsidiary	**27,500**	–
Capital expenditure in respect of acquisition of investment	**240,000**	–
	267,500	–

33. CAPITAL COMMITMENTS – continued

	2011 HK$'000	2010 HK$'000
Discontinuing operations		
Capital expenditure in respect of the investment in a subsidiary authorized but not contracted for	–	44,667
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
	–	68,133

34. 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$494,000 (2010: HK$457,000) 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 are required to participate in a central pension scheme operated by the local municipal government. 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.

35. 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 2011 (2010: Nil).

36. PLEDGE OF ASSETS

As at 30 June 2011, the Group has pledged all the issued and outstanding shares of Birdview Group Limited (a wholly-owned subsidiary of GPIL) together with all proceeds in favour of the holder(s) of the GPIL Bonds.

As at 30 June 2011, the Group has pledged its bank deposits of approximately HK$5,157,000 (2010: approximately of HK$5,128,000) as securities for the general banking facilities granted to the Group.

37. 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 2011 (2010: 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.

38. 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:

	2011 **HK$'000**	2010 HK$'000
Short-term benefits	**12,363**	19,621
Post-employment benefits	**99**	116
Termination benefits	**–**	400
	12,462	20,137

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

39. LEGAL LITIGATION

On 22 June 2011, a joint venturer of the Entertainment VAS – copyright collection operation started arbitration proceeding in Beijing, the PRC against the Group's jointly controlled entity, China Culture Development Digital Technology Co., Limited ("CCDDT") for the following issues:

(a) for the termination of a joint venture agreement dated 15 July 2007 due to alleged breach of certain terms of the joint venture agreement;

(b) for the return of 20% interest in the joint venture business which was transferred from the joint venturer to CCDDT pursuant to an agreement signed on 30 August 2007; and

(c) compensation of RMB10 million.

CCDDT has sought legal advice regarding the arbitration brought by the joint venturer and intends to actively defend the case.

Notes to the Consolidated Financial Statements

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the Company's principal subsidiaries as at 30 June 2011 are as follows:

Name	Place of incorporation and operations	Nominal value of issued and paid-up share	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Precise Result Profits Limited	British Virgin Islands	Ordinary share US$1	–	100%	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	–	100%	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

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – continued

Particulars of the Company's principal subsidiaries as at 30 June 2011 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 Direct	Percentage of equity attributable to the Company Indirect	Principal activities
雙遼市步得秸稈科技有限公司# (Shuang Liao City Step Gain Technology Limited†)	PRC	Registered capital HK$3,400,000	–	100%	Animal feed (玉米秸稈飼料)
Greatest Luck Limited	British Virgin Islands	Ordinary share US$1	–	100%	Investment holding
深圳生港科技有限公司# (Shenzhen Sheng-Gang Technology Co. Limited†)	PRC	Registered capital US$6,809,751	100%	–	Investment holding
深圳生港餐飲管理有限公司# (Shenzhen Sheng-Gang Catering Investment Limited†)	PRC	Registered capital RMB100,000	–	100%	Food and catering services
Ace Bingo Group Limited	British Virgin Islands	Ordinary share US$1	–	100%	Investment holding
Cheerfull Group Holdings Limited	British Virgin Islands	Ordinary shares US$50,000	–	51%	Investment holding
深圳市博眾信息技術有限公司# (Shenzhen Bozone IT Co. Limited†)	PRC	Registered capital RMB10,000,000	–	51%	Provision of lottery-related hardware and software systems
深圳市龍江風采信息技術有限公司# (Shenzhen Longjiang Fengcai IT Co. Limited†)	PRC	Registered capital RMB1,000,000	–	50.49%	Provision of lottery-related hardware and software systems

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – continued

Particulars of the Company's principal subsidiaries as at 30 June 2011 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 Direct	Percentage of equity attributable to the Company Indirect	Principal activities
黑龍江省博眾信息技術有限公司 (Note) (Heilongjiang Bozone IT Co. Limited†)	PRC	Registered capital RMB500,000	–	33.15%	Provision of lottery-related hardware and software systems
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 Benxinzhai Teahouse Co., Limited†)	PRC	Registered capital RMB100,000	–	100%	Trading of packaged food, drinks, clothing, commodities, toys and stationeries
Champion Day Holdings Limited	British Virgin Islands	Ordinary share US$1	–	100%	Investment holding
Next Champion Limited	Hong Kong	Ordinary shares HK$1	–	100%	Investment holding
深圳博祿企業管理咨詢有限公司# (Shenzhen Bo-Lu Enterprise Management Consultancy Limited†)	PRC	Registered capital RMB100,000	–	100%	Provision of consultancy services
重慶渝港眾彩科技有限公司# (Chongqing Yu-Gang Zhong Cai Technology Co. Limited†)	PRC	Registered capital RMB3,000,000	–	58.47%	Provision of lottery-related services

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

† For identification only

Note: 65% equity interest held by Cheerfull Group Holdings Limited, a non-wholly owned subsidiary of the Company.

Notes to the Consolidated Financial Statements

41. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

The Group had interests in the following significant jointly controlled entities at 30 June 2011:

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†)	Sino-foreign equity joint venture	PRC	Registered	49%	Research and development of software and information technology products; system integrations; technology concultancy and other services
重慶禮光博軟科技發展有限公司# (Chongqing Lightsoft Technology Development Co., Limited+)	Limited liability company	PRC	Registered	29.89%	Development of software, trading of computer hardware
天合文化集團有限公司# (Excellent Union Communication Group Co., Limited†)	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
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

41. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES – continued

The Group had interests in the following significant jointly controlled entities at 30 June 2011: – 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
雲南天合世紀文化傳播有限公司# (Yunnan Tian He Culture Co., Limited†)	Limited liability company	PRC	Registered	12.50%	Carryout copyright transactions of Karaoke programmes between IP owners and Karaoke venues and also provide technical support and operational services for value-added services at Karaoke venues
遼寧天合文化有限公司# (Liaoning Tian He Culture Co., Limited†)	Limited liability company	PRC	Registered	13.72%	Carryout copyright transactions of Karaoke programmes between IP owners and Karaoke venues and also provide technical support and operational services for value-added services at Karaoke venues
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

41. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES – continued

The Group had interests in the following significant jointly controlled entities at 30 June 2011: – 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†)	Limited liability company	PRC	Registered	12.50%	Carryout copyright transactions of Karaoke programmes between IP owners and Karaoke venues and also provide technical support and operational services for value-added services at Karaoke venues
內蒙古天合文化有限公司# (Inner Mongolia Tian He Culture Co., Limited†)	Limited liability company	PRC	Registered	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†)	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
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

41. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES – continued

The Group had interests in the following significant jointly controlled entities at 30 June 2011: – 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
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
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

Notes to the Consolidated Financial Statements

41. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES – continued

The Group had interests in the following significant jointly controlled entities at 30 June 2011: – 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
陝西天合陽光文化傳播有限公司# (Shaanxi Tian He Culture Co., Limited†)	Limited liability company	PRC	Registered	24.50%	Carryout copyright transactions of Karaoke programmes between IP owners and Karaoke venues and also provide technical support and operational services for value-added services at Karaoke venues
海南天合傳美文化有限公司# (Hainan Tian He Culture Co., Limited†)	Limited liability company	PRC	Registered	12.50%	Carryout copyright transactions of Karaoke programmes between IP owners and Karaoke venues and also provide technical support and operational services for value-added services at Karaoke venues
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	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

Notes to the Consolidated Financial Statements

41. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES – continued

The Group had interests in the following significant jointly controlled entities at 30 June 2011: – 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
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

Notes to the Consolidated Financial Statements

41. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES – continued

The Group had interests in the following significant jointly controlled entities at 30 June 2011: – 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
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
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

41. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES – continued

The Group had interests in the following significant jointly controlled entities at 30 June 2011: – 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
河北天人合文化有限公司# (Hubei Tian He Culture Co., Limited†)	Limited liability company	PRC	Registered	24.50%	Carryout copyright transactions of Karaoke programmes between IP owners and Karaoke venues and also provide technical support and operational services for value-added services at Karaoke venues
福建天合文化傳播有限公司# (Fujian Tian He Culture Co., Limited†)	Limited liability company	PRC	Registered	12.50%	Carryout copyright transactions of Karaoke programmes between IP owners and Karaoke venues and also provide technical support and operational services for value-added services at Karaoke venues
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

41. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES – continued

The Group had interests in the following significant jointly controlled entities at 30 June 2011: – 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
昆明文中科技有限公司# (Kunming Min Zhong Technology Co., Limited†)	Limited liability company	PRC	Registered	15.24%	Trading of computer hardware and software

† For identification only

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

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:

	2011 HK$'000	2010 HK$'000
Current assets	**57,038**	44,784
Non-current assets	**22,009**	23,026
Current liabilities	**28,369**	14,048
Non-controlling interests	**8,593**	7,725

	2011 HK$'000	2010 HK$'000
Revenue	**47,079**	42,298
Expenses	**(53,140)**	(46,436)
Non-controlling interests	**151**	273
Loss for the year	**(5,910)**	(3,865)

42. SUMMARIZED STATEMENT OF FINANCIAL INFORMATION OF THE COMPANY

(a) Statement of Financial Position

	2011 HK$'000	2010 HK$'000
Property, plant and equipment	**583**	395
Interest in subsidiaries	**2,051,422**	2,105,162
Deposits, prepayments and other receivables	**2,928**	376
Bank balances and cash	**557**	11,427
Trade and other payables	**(2,801)**	(5,333)
Borrowings	**(51,371)**	(12,100)
Derivative financial instruments	**(143)**	(17,722)
Convertible bonds	**(8,185)**	(63,089)
Net assets	**1,992,990**	2,019,116
Share capital	**32,219**	32,119
Reserves	**1,960,771**	1,986,997
Total equity	**1,992,990**	2,019,116

(b) Reserve of the Company

	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Employee share-based compensation reserve HK$'000	Share option reserve HK$'000	Special reserve HK$'000	Retained profits/ (Accumulated losses) HK$'000	Total HK$'000
At 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 And at 1 July 2010	32,119	2,155,574	234	35,572	11,092	2,569	(218,044)	2,019,116
Shares issued on exercise of warrants	100	1,580	–	–	–	–	–	1,680
Total comprehensive loss for the year	–	–	–	–	–	–	(27,806)	(27,806)
At 30 June 2011	32,219	2,157,154	234	35,572	11,092	2,569	(245,850)	1,992,990

43. EVENTS AFTER REPORTING PERIOD

By an agreement dated 15 April 2011, the Group acquired 49% equity interest and 1% equity interest from the non-controlling interests of Cheerfull Group Holdings Limited and Shenzhen Longjiang Feng Cai IT Co., Limited at a consideration of HK$27,200,000 and HK$300,000 respectively. The acquisitions were completed on 14 July 2011.

44. COMPARATIVE FIGURES

Comparative figures in segment information has been reclassified to conform with the current year's presentation by reclassify distribution of natural supplementary products to others in operating segments.

Five Year Financial Summary

For the year ended 30 June 2011

RESULTS

	For the year ended 30 June				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**118,351**	119,613	191,882	144,085	91,461
Cost of sales	**(40,222)**	(53,609)	(121,202)	(94,367)	(64,471)
Gross profit	**78,129**	66,004	70,680	49,718	26,990
Other revenue	**18,142**	15,064	9,691	5,612	5,911
Gain (loss) on changes in fair value for derivative financial instruments	**1,666**	(37,150)	25,629	(13,347)	–
Selling and distribution costs	**(15,350)**	(11,093)	(20,161)	(16,255)	(4,993)
Administrative expenses	**(191,905)**	(983,919)	(113,649)	(94,930)	(136,045)
Gain (loss) on disposal of subsidiaries and associates	**5,810**	–	1,166	–	30,635
Gain on deconslidation of a subsidiary	**183,339**	–	–	–	–
Loss on deemed disposal of a subsidiary held by a jointly controlled entity	**–**	–	–	(7)	–
Finance costs	**(7,340)**	(37,165)	(66,112)	(41,874)	(24,537)
Share of results of associates	**–**	–	124	(40)	–
Profit (loss) before taxation	**72,491**	(988,259)	(92,632)	(111,123)	(102,039)
Income tax expenses	**(4,327)**	(20,026)	(2,634)	(1,891)	(1,442)
Profit (loss) for the year	**68,164**	(1,008,285)	(95,266)	(113,014)	(103,481)

ASSETS AND LIABILITIES

	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**1,292,537**	2,482,042	2,988,059	3,087,897	852,021
Total liabilities	**(101,384)**	(506,449)	(817,185)	(819,586)	(413,816)
Net assets	**1,191,153**	1,975,593	2,170,874	2,268,311	438,205
Equity attributable to equity holders of the Company	**1,136,563**	1,506,573	2,134,803	2,247,625	425,697
Non-controlling interests	**54,590**	469,020	36,071	20,686	12,508
Total equity	**1,191,153**	1,975,593	2,170,874	2,268,311	438,205