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 2012

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

NOMINATION COMMITTEE

Madam CHEUNG Kwai Lan *(Chairman)*
Mr. ZHANG Xiu Fu
Mr. YANG Qing Cai

AUTHORIZED REPRESENTATIVES

Mr. CHAN Ting
Ms. CHAN Siu Sarah

COMPLIANCE OFFICER

Mr. CHAN Ting

COMPANY SECRETARY

Mr. LO Kam Fan

COMPANY WEBSITE

www.cvg.com.hk

STOCK CODE

08156

PRINCIPAL BANKERS

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

HSBC Trustee (Cayman) Limited
PO BOX 484, 68 West Bay Road
Grand Cayman, Cayman Islands
KYI-1106

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Standard Limited

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

Highlights of the Year

JULY 2011

COMPLETION OF ACQUISITION OF 49% MINORITY INTEREST IN BOZONE LIFTING CVG'S HOLDING TO 100%

NOVEMBER 2011

ESTABLISHMENT OF FIRST POINT OF SALES IN TIANJIN

WORLD LOTTERY ASSOCIATION WLA

CERTIFICATE
OF ACCREDITATION
WLA Security Control Standard

This is to certify that
China Vanguard Group Ltd.
Room 2201, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

has met the criteria established by the
WLA Security Control Standard: 2006
and has been granted accreditation by the World Lottery Association in accordance with the recommendation of the WLA Security and Risk Management Committee.

This certification satisfies both the requirements of the ISO 27001:2005 standard as well as 96 additional security requirements set forth by the WLA, which include 72 lottery-specific requirements.

Auditing body:
TÜV SÜD Management Service GmbH, Ridlerstrasse 65, 80339 Munich, Germany

Certification date: December 13, 2011
This certificate is valid until: December 13, 2014

Thierry Pujol
WLA SRMC Chair

Jean Jorgensen
WLA Executive Director

WLA CERTIFIED SECURITY CONTROL STANDARD

JANUARY 2012

GRANTED WORLD LOTTERY AUTHORITY SECURITY CERTIFICATE, THE LOTTERY SECTOR'S ONLY INTERNATIONALLY RECOGNIZED SECURITY STANDARD

MARCH 2012

EXECUTION OF THE GUIZHOU DALONG ECONOMIC DEVELOPMENT ZONE CLASS 1 LAND DEVELOPMENT FRAMEWORK AGREEMENT

MARCH 2012

COOPERATION AGREEMENT WITH THE TIANJIN WELFARE LOTTERY AUTHORITIES ADDING A NEW JURISDICTION TO OUR LOTTERY OPERATIONS

Chairperson's Statement

"Paving the way with the addition of bricks and mortar... "

Dear Shareholders,

On behalf of the board of directors of China Vanguard Group Limited (the "Company" or "China Vanguard"), I herein present the results of the Company and its subsidiaries (collectively the "Group") for the financial year ended 30 June 2012 ("Year 2012").

Year 2012 was a year of paving the way for the future, focusing on controlling costs, continuing to improve and structure existing operations and adding new operations. Our lottery operations have made some territorial and developmental advances. Our royalty collection operations, however, performed below our expectations. We have added an important agreement in Tianjin on the lottery side and a new major property venture to our operations.

We completed development of a new lottery equipment line of self service sales systems and terminals which enabled customers to play high frequency games on a touchscreen terminal. March 2012 saw us sign an agreement with the Tianjin Welfare Lottery Issuing Centre to establish these systems and touchscreen terminals for the sale of selected Welfare Lottery products in Tianjin commencing with an existing high frequency game in Tianjin. This is the perfect marriage of our game, system and hardware development. We can install the system into venues designated by the Tianjin Welfare Lottery Issuing Centre which include, but are not limited to, existing Welfare Lottery stores, karaoke venues, cafés and other entertainment venues and by way of specialty stores which we can also establish and operate.

Chairperson's Statement

We report a net loss attributable to equity holders of HK$1,108 million for the Year 2012, HK$1,060 million of which were due to extraordinary losses. Impairment of goodwill amounted to HK$996 million and impairment of available-for-sale financial assets amounted to HK$64 million. However, Group operating losses (ex-other revenue) amounted to HK$33 million in Year 2012, down 8% from the previous financial year.

One-off losses stemmed predominantly from the writeoff of all of the goodwill associated with China Culture Development Digital Technology Co., Ltd. ("CCDDT"). CCDDT's royalty collection revenue growth stalled precipitating the writeoff. After the writeoffs, statement of financial position intangibles are now at much lower levels significantly reducing the likelihood of writeoffs detracting from future earnings as the Group turns the corner.

This year, we are very pleased to have added an exciting property operation to the Group enhancing tangibility and heft via bricks and mortar. The Group is the single largest shareholder with an effective stake of 34% and controls the board of Guizhou Dalong China Vanguard Development Company Limited. This non-wholly owned property subsidiary ("Property Subsidiary") has rights to landscape and put in infrastructure and share in profits on sale of up to 30km^2 of industrial and commercial land in the Guizhou Dalong Economic Development Zone in Guizhou Province. 30km^2 is equivalent to 37% the size of Hong Kong Island. Meanwhile, the total cost of the Group's stake was just HK$20.4 million, equivalent to the price of a small luxury apartment in Hong Kong.

The Group's operations and structure focus on two main business areas (i) the lottery operations, which are proven, profitable, and are being primed for growth on the back of an expanded line of products and services, a move downstream to distribution as well as potential expansion into other provinces, and; (ii) a property division boasting a Property Subsidiary with access to a huge land bank which will appreciate significantly over time.

We are optimistic that the significant work which we have put in will result in rising revenues and an enhancement of shareholder wealth. 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.

Madam Cheung Kwai Lan
Chairperson and Executive Director

Hong Kong, 21 September 2012

CEO's Statement

"Building a strong base..."

This Year, in addition to adding a new territory to our lottery operations with the signing of the new Tianjin contract and adding the exciting new Property Subsidiary in Guizhou, we also tightly controlled operating costs and cleaned up the statement of financial position removing noise and overhang in the accounts going forward. There was a 7% reduction in overall revenues to HK$105 million in Year 2012 verses HK$113 million previously. Factoring out non-recurrent extraordinary and exceptional items and other income, Group operating losses in fact declined by 8% year on year to HK$33 million in Year 2012.

Lottery-related operations

Shenzhen Bozone IT Co., Ltd. ("Bozone") is the Group's traditional lottery-related operation flagship, it offers a variety of lottery-related software, equipment and services for provision to the Welfare Lottery Authorities in China. In July 2011, we completed the buyout of Bozone minorities lifting the Group's ownership of these operations from 51% to 100%. Revenue from the lottery-related operations amounted to HK$54 million for Year 2012, a decrease of about 10% compared to HK$60 million for the year ended 30 June 2011 ("Year 2011"). This reduction in revenue was due predominantly to the expiry of a small lottery related side contract.

During the period, we have worked diligently to develop new games, products and services. Further we continued to work towards securing new markets for our traditional software and equipment product lines, exploring markets for our new line of self service sales systems and terminals and exploring opportunities in the lottery logistics related products and services space.

In a significant development, in March 2012 the Group entered into a cooperation agreement with the Tianjin Welfare Lottery Issuing Centre authorizing Bozone to establish self service sales systems and touchscreen terminals for the sale of selected welfare lottery ("Welfare Lottery") products in their jurisdiction. The system and terminals, designed and installed by Bozone enables high frequency Welfare Lottery game play on individual touchscreen terminals with credits and debits going to an individual stored value card. Bozone can install the system into venues designated by the Tianjin Welfare Lottery Issuing Centre which include, but are not limited to, existing Welfare Lottery stores, karaoke venues, cafés and other entertainment venues and by way of specialty stores which Bozone establishes and operates. Bozone will receive a certain percentage of the sales amount generated on the system as sales commission. The first game being offered on the system is a high payout and rapid draw lottery game currently being offered in Tianjin. Bozone can add other high payout and rapid draw lottery games to the self service sales system in future.

In addition to our lottery operations gaining further traction, they are also gaining further validation. In July 2011, the Group secured World Lottery Association (WLA) Associate Membership. Further to this, we applied for and, in January 2012, we were granted WLA Security Control Standard (WLA SCS) certification. This is the lottery sector's only internationally recognized security standard. The WLA SCS couples a comprehensive information security management baseline incorporating ISO 27001 with additional lottery-specific security controls representing current security best practice. During the year we also gained China Compulsory Certification, an important certification and key requirement to participate in tenders for lottery machines in China.

Lottery outlets

As can be seen from the Tianjin contract, our game, software and hardware knowhow has facilitated our downstream move into establishment of point of sales ("POS") outlets for lottery products. The Group hopes to replicate its success in Tianjin and is looking to sign similar contracts in other jurisdictions to install our self service sales systems and touchscreen terminals for high frequency games into multiple types of venues not only existing Welfare Lottery venues such as traditional lottery stores but also specialty stores as well as new channels such as cafés and karaoke and other entertainment venues.

Regarding karaoke venues, not only do we have the afore-mentioned self service system and touchscreen terminals but we have China's first in-room video on demand song selection system which was both value added services ("VAS") and lottery capable. The latter technological knowhow helped us gain Chongqing Welfare Lottery Issuing Centre approval in November 2010, using this system, to offer Welfare Lottery games in karaoke venues in Chongqing on an exclusive basis for five years. During the period under review, we continued our diligent and creative effort to improve our integrated technology platform which turns karaoke rooms into Welfare Lottery POS. We continued to work closely with different karaoke venues in Chongqing to find out which type of karaoke venues were most suitable as Welfare Lottery POS as well as to refine our system to optimize the games and venue formats. We have also undertook different sales and promotion programs with the objective of refining a marketing mix and program most effective in the karaoke industry.

The establishment of karaoke venues as POS for Welfare Lottery products is being well received by a growing number of provincial Welfare Lottery Centres and China Vanguard is working hard to get similar contracts in other jurisdictions. After investigation and a field visit to our Chongqing operations, another Welfare Lottery Centre has decided to collaborate with China Vanguard to explore the selling of high-frequency games through different channels including karaoke venues in their jurisdiction.

Entertainment royalty collection operations

Revenue from China Culture Development Digital Technology Co., Ltd. ("CCDDT") amounted to HK$44 million for Year 2012, a decrease of about 3% compared to HK$46 million for Year 2011. Whilst the CCDDT Group now has operations in 30 of China's 31 jurisdictions these operations have not grown as we had hoped. Effective management of CCDDT's 50% owned royalty collection arm Excellent Union Communication Group Co., Limited ("Excellent Union") was hampered by a dispute between it and the other 50% owner, Shenzhen Hua Rong Sheng Shi Investment Management Company Limited ("Shenzhen Huarong"). As a result, China Vanguard has decided to writedown HK$996 million, equivalent to all the remaining goodwill on our statement of financial position associated with the CCDDT acquisition.

CEO's Statement

As mentioned in last year's annual report the impasse between CCDDT and Shenzhen Huarong boiled over into arbitration on 22 June 2011 in Beijing, the PRC. On 30 July 2012, its was ruled that the share transfer agreement between CCDDT and Shenzhen Huarong be terminated resulting in CCDDT's interest in Excellent Union declining from 50% to 30%. *The impact of the Excellent Union stake reduction is unlikely to be significant as Excellent Union is loss making. Meanwhile, on 27 August 2012 the Company announced that we had decided not to extend the acquisition agreement to raise our stake in China Culture Development Co., Ltd. (CCDDT's parent) and that the acquisition agreement had automatically lapsed.

Industrial Estate Project in Guizhou#

In March 2012, the Group entered into an agreement to establish a non-wholly owned property subsidiary ("Property Subsidiary") to assist in the development of the Guizhou Dalong Economic Development Zone (the "Zone") in Guizhou Province. The agreement was signed with the Guizhou Dalong Economic Development Zone Management Committee (the "Committee"), which is responsible for the overall management of the Zone, and Guizhou Dalong Huiyuan Development Investment Company Limited ("Huiyuan"), a wholly-owned subsidiary of the Committee.

Pursuant to the agreement, the Group will have board control and a 34% stake in the Property Subsidiary which will carry out and finance development work such as landscaping and infrastructure on land in the Zone and share in profits from the sale of the land which it helps to develop. The total area which can be developed by the Property Subsidiary under the agreement is approximately 30km^2, of which circa 21km^2 would be industrial land and circa 9km^2 would be commercial/residential land. The Committee undertakes that the Property Subsidiary will earn no less than a 2% return on its land development costs for any land developed by it. Meanwhile, if any land is sold at over this 2% return, then the Property Subsidiary will receive a 45% share after its land development costs, taxes and other requisite deductions are made.

In July 2012 the Group gained financing to cover its full equity contribution to the Property Subsidiary. We are now establishing our operations within the Zone, setting up our offices, hiring staff and working diligently with our partners and Zone Authorities. Further, with the support of Zone Authorities we are working on getting significant funding from banks.

	Industrial Land	Commercial Land	Total Land
Phase 1	3km^2 (4,500 mou)	2km^2 (3,000 mou)	5km^2 (7,500 mou)
Phase 2	6km^2 (9,000 mou)	At least 2.4km^2 (3,600 mou)	At least 8.4km^2 (12,600 mou)
Phase 3	12km^2 (18,000 mou)	At least 4.8km^2 (7,200 mou)	At least 16.8km^2 (25,200 mou)
Total	**21km^2 (31,500 mou)**	**At least 9.2km^2 (13,800 mou)**	**At least 30.2km^2 (45,300 mou)**

* *Information on the CCDDT arbitration and the CCD acquisition has been paraphrased from their respective announcements dated 8 August 2012 and 27 August 2012. If there is any ambiguity between the above and the announcements, the announcements should be treated as definitive.*

\# *Information on the Property Subsidiary has been paraphrased from its announcement dated 4 March 2012. If there is any ambiguity between the above and the announcement, the latter should be treated as definitive.*

FUTURE OUTLOOK AND PROSPECTS

We are optimistic about the outlook for our lottery operations. We have and will continue to enhance our position in the fast growing China lottery industry thru driving our software system, game and product feature and range development as well as expanding and diversifying out our POS network.

Our upgraded traditional software and equipment solutions, new games and touchscreen self service equipment have increased the range of products we can offer our clients in the jurisdictions which we have already operated and enhanced our competitiveness to secure new territories from our competitors. We are optimistic that we can secure more territories.

Meanwhile, our technological knowhow and product line has successfully spearheaded our entry into the karaoke lottery market in Chongqing and the self service sales system and terminal market and POS market in Tianjin. Following on from our platform, game, venue format and promotional optimisation in Chongqing, we are on target to commence rollout to karaoke venues in Chongqing in the latter part of this calendar year. As mentioned earlier, an additional Welfare Lottery Centre is now collaborating with us to explore the selling of high-frequency games through different channels including karaoke venues in their jurisdiction. We are working hard to collaborate with more Welfare Lottery Issuing Centres in a similar vein. We are also working hard to promote our self service sales system and terminals for high and low frequency games in other jurisdictions.

With regards the Property Subsidiary, Guizhou Province is one of the most underdeveloped provinces in China with an abundance of labour and natural resources. Due to its economic underdevelopment, Guizhou is highly supported by the Chinese Government with The State Council confirming a series of preferential policies to promote economic growth in the province. The Zone is a provincial economic development zone approved by China's National Development and Reform Commission, and therefore has preferential policies in order to facilitate the attraction of businesses into Guizhou Province. The Zone is at the juncture of Guizhou Province and Hunan Province, with national highway and rail access on its doorstep. Taking into consideration the: (i) economic potential of Guizhou Province; (ii) the Chinese Central Government support for Guizhou Province, and; (iii) the Guizhou Government support for the Zone; the Group is positive regarding the potential prospects of the Zone. Further, given the Committee's undertaking to ensure a return of 2% on costs for land developed by the Property Subsidiary, the Zone represents a low risk and potentially high return proposition.

Chan Ting
Chief Executive Officer and Executive Director

Hong Kong, 21 September 2012

Management Discussion and Analysis

FINANCIAL REVIEW

Results

The Group achieved operating revenue of HK$105 million for year ended 30 June 2012 ("Year 2012"), a decrease of 7% from last corresponding year ("Year 2011") of HK$113 million. Loss attributable to equity holders for Year 2012 was HK$1,108 million, HK$1,060 million of which were due to extraordinary losses. Impairment of goodwill amounted to HK$996 million and impairment of available-for-sale financial assets amounted to HK$64 million. The Group core operating cost amounted to HK$100 million in Year 2012, a decrease of 8% from Year 2011 of HK$109 million. The Group operating loss factoring out other revenue amounted to HK$33 million in Year 2012, a decrease of 8% from Year 2011 of HK$36 million. The Group recurrent operating cost and operating loss have declined 8% as compared with last corresponding year.

The Group's operating revenue decreased by 7% in Year 2012 to HK$105 million, 51% of the Group's revenue was derived from the lottery-related business which decreased by 10% to HK$54 million as compared to Year 2011. Entertainment VAS operations contributed to another 42% of the Group's operating revenue and decreased by 3% to HK$44 million in Year 2012.

Revenue	**2012 HK$'000**	2011 HK$'000	Change
Lottery-related services	**53,985**	60,054	(10%)
Entertainment VAS	**44,453**	45,874	(3%)
Others	**6,400**	6,806	(6%)
	104,838	112,734	(7%)

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

Gross Profit	**2012**		2011		Change	
	Gross Profit HK$'000	**Gross Profit Ratio**	Gross Profit HK$'000	Gross Profit Ratio	Gross Profit	Gross Profit Ratio
Lottery-related services	**49,663**	**92%**	54,913	91%	(10%)	1%
Entertainment VAS	**16,432**	**37%**	17,477	38%	(6%)	(1%)
Others	**810**	**13%**	880	13%	(8%)	–
	66,905	**64%**	73,270	65%	(9%)	(1%)

The Group's gross profit decreased by 9% in Year 2012 to HK$67 million. The Group's gross profit ratio was stable at 64% in Year 2012 as compared with 65% in Year 2011.

The Group's operating costs comprising selling and distribution costs and administrative expenses, decreased by 8% to HK$100 million.

The finance costs for Year 2012 increased by 178% to HK$10 million from HK$4 million recorded in Year 2011. The increase of finance costs in Year 2012 was due to an increase in bank and other borrowings by HK$46 million to HK$107 million for financing of acquisition of non-controlling interests of subsidiaries and new projects of the Group.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at 30 June 2012, shareholders' funds amounted to HK$67 million (2011: HK$1.2 billion). Current assets amounted to HK$134 million (2011: HK$108 million), mainly comprising of bank balances and cash, trade and other receivables and prepayments. Current liabilities amounted to HK$103 million (2011: HK$93 million) mainly comprising of its trade and other payables and bank and other borrowings. In particular, the Group has bank borrowings of about HK$12 million (2011: HK$15 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 was about HK$0.02 (2011: about HK$0.4). The gearing ratio of the Group was 111% (2011: 0.7%) on the basis of non-current liabilities divided by shareholders' funds.

CONVERTIBLE BONDS

As disclosed 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$1.7 million was repaid during Year 2012 and the outstanding principal amount of the GPIL Bonds as at 30 June 2012 were US$710,000.

CONTINGENT LIABILITIES

As at 30 June 2012, the Group had no contingent liabilities (as at 30 June 2011: nil).

CHARGES ON GROUP ASSETS

As at 30 June 2012, 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 2012, the Group has pledged its bank deposits of about HK$5 million (30 June 2011: HK$5 million) to a bank to secure the general banking facilities granted to the Group.

As at 30 June 2012, the Group has pledged all its issued and outstanding shares under China Success Enterprises Limited and its subsidiaries (except Ace Bingo Group Limited and its subsidiaries) to Tarascon Asia Absolute Fund (Cayman) Limited to secure a loan to the Group.

Management Discussion and Analysis

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 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. During the year, 10,000,000 warrants have been exercised and the 10,000,000 warrants remained unexercised and expired on 11 January 2012.

CAPITAL STRUCTURE

During the year ended 30 June 2012, 50,000,000 shares were issued due to the exercise of warrants and nil shares were cancelled due to repurchase of shares by the Company. As of 30 June 2012 the Company has in issue a total of 3,271,893,839 ordinary shares with a par value of HK$0.01 each (2011: 3,221,893,839 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 ("HK$"), Renminbi ("RMB") or United States dollar ("US$"). 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.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

In July 2011, the Group completed the acquisition of 49% and 1% interests in Cheerfull Group Holdings Limited and Shenzhen Longjiang Fengcai IT Co. Ltd for cash consideration of HK$27.2 million and RMB252,100 (approximately HK$303,000) respectively. Upon completion of the acquisition, the Group increased its ownership from 51% to 100% and 99% to 100% respectively.

In June 2012, the Group contributed HK$9,240,000 (approximately RMB7,500,000, equivalent to 15% of the registered capital) into the new non-wholly owned subsidiary Guizhou Dalong China Vanguard Development Company Limited by cash.

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 2012.

EMPLOYMENT AND REMUNERATION POLICIES

As at 30 June 2012, the Company and its subsidiaries employed 34 staff in Hong Kong (2011: 30), and 174 staff in the PRC (2011: 176); and the Group's jointly controlled entities employed 236 staff in the PRC (2011: 564). Staff costs excluding directors' remuneration amounted to about HK$37 million (2011: about HK$31 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, aged 74, one of the founders of the Group, is the Chairperson, an Executive Director of the Company and chairman of nomination committee. She has served the Group for more than 12 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, aged 42, is the Chief Executive Officer, an Executive Director, the Compliance Officer and an Authorized Representative of the Company. 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 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 19 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.

Mr. WANG Yong Chun, aged 61, an Executive Director of the Company. Mr. Wang has over 20 years working experience in China's oil and gas industry. He has extensive experience, including but not limited to, oil and gas exploration and development, oil and gas pipeline transportation and city level gas distribution. Previously, Mr. Wang had been the party secretary of PetroChina Kunlun Gas Limited and the deputy general manager of PetroChina Huayou Group, and was appointed other important positions in other state-owned oil and gas exploration companies. Mr. Wang joined the Group in March 2012.

Ms. CHAN Siu Sarah, aged 47, 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, aged 76, is one of the founders of the Group and an Executive Director of the Company. He has served the Group for more than 12 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 15 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, aged 53, is an Executive Director of the Company. He has served the Group for more than 11 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 72, 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 now 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 78, is an Independent Non-executive Director of the Company and a member of each of the audit committee, remuneration committee and nomination committee. He devoted himself to the Chinese Revolution in August 1948 and joined 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 serves 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.

Mr. YANG Qing Cai, aged 65, is an Independent Non-executive Director of the Company and member of each of the audit committee, remuneration committee and nomination committee. He was formerly the Vice Governor of Jilin Province. He has also served as the Deputy Director of the Rural Affairs Department of the Jilin Provincial Committee, the Deputy Secretary General of the Government of 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.

Profile of Directors and Senior Management

Mr. TO Yan Ming Edmond, aged 40, is an Independent Non-executive Director of the Company, chairman of the audit committee and 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 R.C.W. (HK) CPA Limited, Edmond To CPA Limited and Zhonglei (HK) CPA Company Limited. He is a member of both the CPA Australia and Hong Kong Institute of Certified Public Accountants. He worked for one of the international accounting firms, Deloitte Touche Tohmatsu and has over 11 years of experience in auditing, accounting, floatation and taxation matters. Mr. To is an independent non-executive director of BEP International Holdings Limited, Theme International Holdings Limited and Wai Chun Group Holdings Limited (all are Main Board listed companies). Mr. To was appointed as an independent non-executive director, a member of remuneration committee, audit committee and nomination committee of Bao Yuan Holdings Limited (a Main Board listed company) on 24 April 2012. 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. LO Kam Fan, aged 38, is the Group's Chief Financial Officer and Company Secretary. Mr. Lo has over 15 years experience in auditing, taxation and finance fields. He holds a Master of Finance from Curtin University of Technology Australia. Mr. Lo is a fellow member of the Hong Kong Institute of Certified Public Accountants. Before joining the Company, Mr. Lo worked as the financial controller of Shenzhen International Holdings Limited, Eco-Tek Holdings Limited, Wai Chun Mining Industry Group Company Limited and Wai Chun Group Holdings Limited. Mr. Lo was with Shenzhen International Holdings Limited almost eight years and was with an international accounting firm for three years prior jointing Shenzhen International Holdings Limited. He joined the Group in August 2012.

Mr. FUNG King Him Daniel, aged 42, is the Group Property Planning & Development Director and the director of various subsidiaries of the Group. Mr. Fung is responsible for Property Planning & 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. YOUNG Russell, aged 49, is Director of Group Corporate Strategy. 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 aluminum products producers. He joined the Group in April 2006.

Profile of Directors and Senior Management

Mr. ZHAO Peng, aged 34, 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.

Ms. HO Ping Ping, aged 63, 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 referred to as Shanghai Foreign Trade University), and has the title of Economist and International Economist. Prior to joining the Group, she was the manager of the third branch office of the Anhui Import and Export Group. She joined the Group in July 2001.

Mr. CHENG Lau Fong Albert, aged 53, 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, aged 39, 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.

Ms. KWOK Shuk Yi Angel, aged 36, is the Group Human Resources and Administration Senior Manager. 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 11 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.

Profile of Directors and Senior Management

Mr. LV Jie, aged 35, is the General Manager of Shenzhen Longjiang Fengcai I.T. Co., Ltd. ("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, aged 37, 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.

Corporate Governance Report

The Company is committed to maintaining a high standard of corporate governance which serves as a vital element of risk management throughout the growth and expansion of the Company. The board ("Board") of directors ("Directors") of the Company devotes to best practice on corporate governance and to comply to the extent practicable, with the code on corporate governance practices (the "Code") contained in Appendix 15 of the Rules (the "GEM Listing Rules") Governing the Listing of Securities on Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited ("Stock Exchange").

COMPLIANCE WITH THE CODE

During the year ended 30 June 2012, the Company has complied with the code provisions in the Code, except for the deviation described below:

Under code provision A.4.1 of the Code, Non-Executive Directors should be appointed for a specific term, subject to re-election. The Independent Non-Executive Directors ("INEDs") of the Company 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 Association") of the Company.

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of, and promoting the success of the Group. This is achieved by the setting up of corporate and strategic objectives and policies, and the monitoring and evaluations of operating activities and financial performance of the Group.

Board composition

As at the date of this report, the Board consists of ten members. Among them, six are Executive Directors and four are INEDs. Madam Cheung Kwai Lan 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. Save as disclosed above, there is no relationship (including financial, business, family or other material relationship) between any members of the Board. The biographical details of the Directors are set out on pages 13 to 17 of this annual report.

During the year ended 30 June 2012, the Board met at all times met the requirement of Rule 5.05 of GEM Listing Rules. The Company has received, from each of the INEDs, an annual confirmation of independence pursuant to Rule 5.09 of GEM Listing Rules. The nomination committee of the Company has on 21 September 2012 reviewed and assessed each individual INED's annual confirmation of independence based on the independence criteria as set out in GEM Listing Rules, and affirmed that all INEDs remained independent.

Chairman and Chief Executive Officer ("CEO")

The role of Chairman and CEO of the Company has been taken up by different persons since 2009. To ensure a balance of power and authority, the Company has established a clear and defined division of the responsibilities between the Chairman, Madam Cheung Kwai Lan and the CEO, Mr. Chan Ting in accordance with the Code.

Director's Appointment and Re-election

All the Executive Directors except Mr. Lau Hin Kun and Mr. Wang Yong Chun 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.

Mr. Wang Yong Chun and 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 Association.

Corporate Governance Report

Board Meetings

The Company conducts scheduled Board meetings on a quarterly basis to discuss strategies and business issues, including financial performance, of the Group. Details of attendance of the Directors at the physical regular meetings are set out on page 22 of this annual report.

Notices of Board meeting are duly given to each director and drafts minutes are circulated to all Directors for review before finalization and the final version of these minutes kept by the Company Secretary and is open for inspection. If a director has an interest in the matter to be considered at a Board meeting, the Board will ensure that an adequate number of independent directors are involved in the consideration of the relevant resolutions, and the relevant interested director(s) will abstain from voting and not counted in the quorum. INEDs are encouraged to take an active role in Board meetings and serve on the board committees. The role of Directors and their functions and responsibilities is available at the Company website at www.cvg.com.hk.

The Company has arranged appropriate insurance cover for the Directors and senior management of the Company in respect of legal action against them in the course of execution of their duties in good faith.

Securities transactions of Directors

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 Directors ("Code of Conduct"). Having made specific enquiry of all Directors, the Company received confirmation from all Directors that they had complied with the Code of Conduct throughout the year ended 30 June 2012.

Delegation of Directors

As an integral part of good corporate governance and to assist the Board in execution of its duties, the Board is supported by three board committees, namely nomination committee, remuneration committee and audit committees. Each of these committees oversees particular aspect of the Group's affairs under its defined scope of duties and all of these committees are provided with sufficient resources to discharge its duties. The term of reference of these committees have been approved by the Board and are available at the Company's website at www.cvg.com.hk.

Nomination Committee

A nomination committee, comprising with three members with a majority being INEDs, was established with term of reference approved by the Board on 25 May 2012. The principal duties of nomination committee include reviewing the structure, size and composition of the Board, identifying individual suitably qualified to become Board members, making recommendations to the Board on the appointment and succession planning for directors. No meeting of nomination committee was held since its date of establishment.

Remuneration committee

In order to comply with the amendment to GEM Listing Rules effective 1 April 2012, Mr. Chan Ting ceased to be the chairman of remuneration committee and Mr. To Yan Ming Edmond be appointed as chairman of remuneration committee with effect from 9 February 2012.

The remuneration committee comprises four members, a majority of them being INEDs. The remuneration committee is also responsible for establishing formal and transparent procedures for developing remuneration policy and structure of all directors and senior management to ensure that no directors or any of his/her associate will participate in deciding his/her own remuneration, with reference to the performance of the individual and the Company as well as the market practices and conditions.

The remuneration committee met once regarding the emolument packages of the Directors and senior management during the reporting period and individual attendance of remuneration committee members is set out on page 22 of this annual report. Details of the emolument of the Directors are set out in note 11 to the consolidated financial statements while details of the Share Options Scheme and the share options granted to the Directors and senior management are set out on pages 93 to 95 of this annual report.

Corporate Governance Report

Audit Committee

The audit committee currently comprises of four INEDs. The major duties of Audit Committee are (i) to oversee the Company's relationship with external auditor; (ii) to review the financial information; and (iii) to oversee the Company's financial reporting system and internal control procedures.

During the year ended 30 June 2012, the audit committee held four meetings (i) to discuss the financial reporting and the compliance procedures with the external auditors; (ii) to review the audited annual results for the year ended 30 June 2011 and unaudited quarterly and interim results and (iii) to consider the re-appointment of auditors. Individual attendance of audit committee members is set out on page 22 of this annual report.

Directors' Responsibilities

Accountability and Audit

The Board is accountable to the shareholders of the Company through proper financial reporting, regular internal control review, quarterly and interim reviews and annual reviews. These are the most efficient way in assessing the effectiveness of the Board in managing the business and affairs of the Group.

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 30 June 2012 and is responsible for presenting a balanced, clear and understandable assessment of annual, interim and quarterly reports, price-sensitive announcement and other disclosure required under the GEM Listing Rules and other statutory and regulatory requirements.

Internal controls

The Board is responsible for maintaining an adequate internal control system to safeguard shareholders' investments and the Company's assets and with the support of the audit committee, reviewing the effectiveness of such system on an annual basis. The Board has conducted an annual review of the effectiveness of the internal control system of the Group. Such review covered the financial, operational, compliance and risk management aspects of the significant subsidiary(ies) of the Company and included the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

The Company has not established a corporate governance committee. With the leadership from the Chairman and assistance from the Chief Executive Officer, the Board commits to promote corporate governance which serves as a vital element of risk management throughout the growth and expansion of the Company.

Auditors and their remuneration

The external auditors have a primary responsibility for auditing and reporting on the financial statements and the Auditors' report to the shareholders is set out on pages 31 to 32 of this annual report. During the reporting period, the remuneration paid/payable to the Company's auditors (including statutory auditors of the subsidiaries) in relation to audit services and non-audit services are as follows:

Category of Services	**Fee Paid/Payable**
	HK$'000
Audit Services	1,389
Non-Audit Services	400
Total	1,789

Investors Relations and Communications

An effective and on-going communication with shareholders is essential for enhancing investor relations and investors understanding of the Group's business performance and strategies. The Company uses a range of communications channels with shareholders and investors, such as annual general meeting, annual report, various notices, announcements and circulars, to ensure its shareholders are kept well informed of key business imperatives.

The annual general meeting this year will be held at Room 2201, 22/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong on 6 November 2012. Details please refer to the notice of annual general meeting and the circular sent to shareholders on 28 September 2012.

The Board welcomes the views of shareholders on matters affecting the Company and encourages them to attend shareholders' general meeting to communicate directly with the Directors. To facilitate communication further, shareholders may send their enquiries which require the Board's attention to the Company Secretary by post at the Company's principal place of business in Hong Kong or by email through the Company's website at www.cvg.com.hk.

Shareholders are reminded that the register of members of the Company will be closed from Monday, 5 November 2012 to Tuesday, 6 November 2012 (both dates inclusive), during which period no transfer of shares of the Company will be registered. In order to be entitled to attend and vote at the forthcoming annual general meeting, all transfer of shares of the Company accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Standard Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Friday, 2 November 2012.

Shareholders are reminded to lodge their questions together with their detailed contact information for the prompt response from the Company if it deems appropriate.

Constitutional Documents

A consolidated version of the memorandum and articles of association of the Company is available at the Company's website at www.cvg.com.hk. During the year, there was no change in the Company's constitutional documents.

Corporate Governance Report

Attendance Record

Attendance Record of Board regular meetings, Board Committees meeting and general meeting held during the reporting period are set out below:

Name of Director	Board Meeting	Audit Committee	Remuneration Committee	2011 Annual General Meeting
No. of meeting held	10	4	1	1
Executive Directors				
Madam Cheung Kwai Lan	8/10	N/A	N/A	0/1
Mr. Chan Ting	8/10	N/A	1/1	0/1
Mr. Wang Yong Chun *(Note 1)*	2/2	N/A	N/A	N/A
Ms. Chan Siu Sarah	10/10	N/A	N/A	1/1
Mr. Chan Tung Mei	10/10	N/A	N/A	0/1
Mr. Lau Hin Kun	10/10	N/A	N/A	0/1
Independent Non-Executive Directors				
Mr. Zhang Xiu Fu	5/10	3/4	1/1	0/1
Mr. Tian He Nian	3/10	3/4	N/A	0/1
Mr. Yang Qing Cai	4/10	4/4	1/1	0/1
Mr. To Yan Ming Edmond	10/10	4/4	1/1	1/1

Madam Cheung Kwai Lan could not attend the 2011 Annual General Meeting due to an important business engagement.

Note:

1. Mr. Wang Yong Chun was appointed as an Executive Director on 6 March 2012.

Directors' Report

The Directors present their annual report and the audited consolidated financial statements for the year ended 30 June 2012 ("Year 2012").

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 39 to the consolidated financial statements.

An analysis of the Group's performance for Year 2012 by business is set out in note 7 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for Year 2012 are set out in the consolidated statement of comprehensive income on page 33 and 34.

The Directors do not recommend the payment of any dividend for the year ended 30 June 2012.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 17 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 27 and 28 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 37.

DISTRIBUTABLE RESERVES

The Group's reserves available for distribution to shareholders as at 30 June 2012 amounted to HK$Nil (2011: HK$1,036,959,000). 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 distributable in the form of fully paid bonus shares.

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 116 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
Mr. Wang Yong Chun *(appointed on 6 March 2012)*
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
Mr. To Yan Ming Edmond

In accordance with Article 116 of the articles of association of the Company ("Articles of Association and "Article" shall mean an article thereof"), Madam Cheung Kwai Lan and Mr. Tian He Nian will retire at the forthcoming annual general meeting ("AGM"). Being eligible, Madam Cheung offers herself for re-election and Mr. Tian does not offer himself for re-election and will retire at the conclusion of the AGM.

In accordance with Article 99 of the Articles, Mr. Wang Yong Chun 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 and Mr. Wang Yong Chun 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.

Mr. Wang Yong Chun and 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 Association.

Each of the Independent Non-executive Directors has confirmed his independence to the Company pursuant to Rule 5.09 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") for Year 2012 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 37 to the consolidated financial statements.

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

As at 30 June 2012, the interests of the Directors and chief executive 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	1,676,457,322 *(Note 1)*	2,070,000 *(Note 2)*	–	1,678,527,322	51.30%
Chan Tung Mei	Company	–	–	1,678,527,322 *(Notes 1& 2)*	1,678,527,322	51.30%
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 1,676,457,322 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 1,676,457,322 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 28 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 2012, 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 Period of share options	Exercise Price HK$	Outstanding at 1 July 2011	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 30 June 2012
Cheung Kwai Lan	23/11/2006	23/11/2006 – 17/10/2012	0.62	1,560,000	–	–	–	1,560,000
	23/11/2006	23/05/2007 – 17/10/2012	0.62	1,560,000	–	–	–	1,560,000
	23/11/2006	23/11/2007 – 17/10/2012	0.62	3,120,000	–	–	–	3,120,000
Chan Tung Mei	23/11/2006	23/11/2006 – 17/10/2012	0.62	1,560,000	–	–	–	1,560,000
	23/11/2006	23/05/2007 – 17/10/2012	0.62	1,560,000	–	–	–	1,560,000
	23/11/2006	23/11/2007 – 17/10/2012	0.62	3,120,000	–	–	–	3,120,000
Chan Ting	23/11/2006	23/11/2006 – 17/10/2012	0.62	1,560,000	–	–	–	1,560,000
	23/11/2006	23/05/2007 – 17/10/2012	0.62	1,560,000	–	–	–	1,560,000
	23/11/2006	23/11/2007 – 17/10/2012	0.62	3,120,000	–	–	–	3,120,000
Lau Hin Kun	23/11/2006	23/11/2006 – 17/10/2012	0.62	350,000	–	–	–	350,000
	23/11/2006	23/05/2007 – 17/10/2012	0.62	350,000	–	–	–	350,000
	23/11/2006	23/11/2007 – 17/10/2012	0.62	700,000	–	–	–	700,000
Tian He Nian	23/11/2006	23/11/2006 – 17/10/2012	0.62	260,000	–	–	–	260,000
	23/11/2006	23/05/2007 – 17/10/2012	0.62	260,000	–	–	–	260,000
	23/11/2006	23/11/2007 – 17/10/2012	0.62	530,000	–	–	–	530,000
To Yan Ming Edmond	23/11/2006	23/11/2006 – 17/10/2012	0.62	260,000	–	–	–	260,000
	23/11/2006	23/05/2007 – 17/10/2012	0.62	260,000	–	–	–	260,000
	23/11/2006	23/11/2007 – 17/10/2012	0.62	530,000	–	–	–	530,000
Total				22,220,000	–	–	–	22,220,000

Directors' Report

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 2012, none of the Directors or chief executive 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 executive's 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 executive 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 executive 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 SHAREHOLDER'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 30 June 2012, 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 executive 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: Long Position	Number of shares held: Short Position	Approximate percentage of shareholding
Best Frontier	Beneficial Owner	1,676,457,322 *(Note)*	–	51.24%

Note:

The 1,676,457,322 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 2012, the Directors or chief executive 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

On 15 April 2011, the Company announced that Ace Bingo Group Limited, a wholly-owned subsidiary, entered into a conditional sale and purchase agreement to acquire 49% equity interest of Cheerfull Group Holdings Limited ("Cheerfull") which constituted a major and connected transaction of the Company pursuant to GEM Listing Rules. After the completion of the transaction in July 2011, Cheerfull became a wholly-owned subsidiary of the Company.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 30 June 2012, the Group made 88.5% of its entire sales to five customers and sales to the largest customer included therein amounted to approximately 41.9%.

Purchases from the Group's five largest suppliers accounted for approximately 49.6% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 47.3%. 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 of Association 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 Nil (Year 2011: HK$239,000).

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 2012.

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.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance which is set out in the "Corporate Governance Report" on pages 18 to 22 of the annual report.

Directors' Report

AUDIT COMMITTEE

The Company has established an 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 2012 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.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 30 June 2012.

EVENTS AFTER REPORTING PERIOD

Details of the significant events after reporting period of the Group are set out in note 42 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, 21 September 2012

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 33 to 115, which comprise the consolidated statement of financial position as at 30 June 2012, 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 statements 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 2012 and of the loss and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

Tang Wai Hung
Practising Certificate Number P03525
Hong Kong, 21 September 2012

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2012

	Notes	**2012 HK$'000**	2011 HK$'000
Continuing operations			
Revenue	8	**104,838**	112,734
Cost of sales		**(37,933)**	(39,464)
Gross profit		**66,905**	73,270
Other revenue	8	**1,318**	18,093
Selling and distribution costs		**(10,833)**	(12,470)
Administrative expenses		**(89,323)**	(96,309)
Operating loss		**(31,933)**	(17,416)
Impairment loss on goodwill		**(996,373)**	(63,964)
Impairment loss on other intangible assets		**–**	(14,174)
Impairment loss on available-for-sale financial assets		**(63,783)**	(7,693)
(Loss) gain on disposal of subsidiaries		**(2,606)**	5,810
Loss on disposal of available-for-sale financial assets		**(21)**	(6,436)
Gain on changes in fair value of derivative financial instruments		**116**	1,666
Finance costs	9	**(10,315)**	(3,716)
Loss before taxation	10	**(1,104,915)**	(105,923)
Income tax expenses	13	**(3,036)**	(4,317)
Loss for the year from continuing operations		**(1,107,951)**	(110,240)
Discontinued operation			
Profit for the year from discontinued operation	14	**–**	178,404
(Loss) profit for the year		**(1,107,951)**	68,164
Attributable to:			
Equity holders of the Company		**(1,107,505)**	61,439
Non-controlling interests		**(446)**	6,725
		(1,107,951)	68,164

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2012

	Notes	2012 HK$'000	2011 HK$'000
(Loss) earnings per share			
From continuing operations and discontinued operation			
Basic	16	**(HK33.93 cents)**	HK1.91 cents
Diluted	16	**(HK33.93 cents)**	HK1.90 cents
From continuing operations			
Basic	16	**(HK33.93 cents)**	(HK3.64 cents)
(Loss) profit for the year		**(1,107,951)**	68,164
Other comprehensive (expenses) income for the year			
Exchange differences on translation of financial statements of overseas operations		**2,173**	10,459
Changes of interests in subsidiaries and a subsidiary of a jointly controlled entity		**(27,270)**	–
Total comprehensive (expenses) income for the year		**(1,133,048)**	78,623
Attributable to:			
Equity holders of the Company		**(1,094,297)**	69,500
Non-controlling interests		**(38,751)**	9,123
Total comprehensive (expenses) income for the year		**(1,133,048)**	78,623

Consolidated Statement of Financial Position

At 30 June 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment	17	**16,154**	29,987
Goodwill	18	**94,475**	1,090,848
Other intangible assets	19	**–**	–
Available-for-sale financial assets	20	**–**	64,140
		110,629	1,184,975
Current assets			
Inventories	21	**3,936**	4,305
Trade and other receivables and prepayments	22	**43,543**	29,935
Tax recoverable		**–**	10
Pledged bank deposits		**5,223**	5,157
Bank balances and cash	23	**81,186**	68,155
		133,888	107,562
Current liabilities			
Trade payables, accrued liabilities and other payables	24	**61,260**	31,245
Tax liabilities		**2,271**	1,406
Derivative financial instruments	26	**–**	143
Bank and other borrowings	25	**32,419**	60,405
Convertible bonds	26	**7,365**	–
		103,315	93,199
Net current assets		**30,573**	14,363
Total assets less current liabilities		**141,202**	1,199,338

Consolidated Statement of Financial Position

At 30 June 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current liabilities			
Bank and other borrowings	25	**74,331**	–
Convertible bonds	26	**–**	8,185
		74,331	8,185
Net assets		**66,871**	1,191,153
Capital and reserves			
Share capital	27	**32,719**	32,219
Reserves		**17,947**	1,104,344
Equity attributable to equity holders of the Company		**50,666**	1,136,563
Non-controlling interests		**16,205**	54,590
Total equity		**66,871**	1,191,153

The consolidated financial statements on pages 33 to 115 were approved and authorized for issue by the Board of Directors on 21 September 2012 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 2012

	Attributable to equity holders 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$'000	Translation reserve HK$'000	Special reserve HK$'000	Capital reserve HK$'000	Retained profits/ (Accumulated losses) HK$'000	Discontinued operation HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
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
Profit for the year	–	–	–	–	–	–	–	–	61,439	–	61,439	6,725	68,164
Exchange differences on translation of financial statements of overseas operations	–	–	–	–	–	8,061	–	–	–	–	8,061	2,398	10,459
Total comprehensive income for the year	–	–	–	–	–	8,061	–	–	61,439	–	69,500	9,123	78,623
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	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 exercise 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)
At 30 June 2011 and at 1 July 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
Loss for the year	–	–	–	–	–	–	–	–	(1,107,505)	–	(1,107,505)	(446)	(1,107,951)
Exchange differences on translation of financial statements of overseas operations	–	–	–	–	–	2,958	–	–	–	–	2,958	(785)	2,173
Changes of interests in a subsidiaries and a subsidiary of a jointly controlled entity	–	–	–	–	–	55	–	10,195	–	–	10,250	(37,520)	(27,270)
Total comprehensive income (expenses) for the year	–	–	–	–	–	3,013	–	10,195	(1,107,505)	–	(1,094,297)	(38,751)	(1,133,048)
Shares issued on exercise of warrants	500	7,900	–	–	–	–	–	–	–	–	8,400	–	8,400
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	3,763	3,763
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(3,397)	(3,397)
At 30 June 2012	32,719	2,165,054	234	35,572	11,092	23,735	(1)	10,195	(2,227,934)	–	50,666	16,205	66,871

Notes:

(i) The employee share-based compensation reserve comprises the purchase consideration for issued shares of the Company acquired for the Share Options Plan for the purpose of satisfying the exercise of share options to be granted to eligible employees and participants.

(ii) The share option reserve comprises the cumulative value of employee services received for the issue of share options.

(iii) The translation reserve comprises:

(a) The foreign exchange differences arising from the translation of the financial statements of foreign operations 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 operations.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2012

(iv) Capital reserve represents gain on acquisition and disposal of interests in subsidiaries and a subsidiary of a jointly controlled entity. Details are summarized as follows:

During the year, the Group acquired a 49% equity interest in Cheerfull Group Holdings Limited ("Cheerfull"), a 1% equity interest in Shenzhen Longjiang Fengcai IT Co. Limited ("SZLFC") and disposed a 2.94% equity interest in Chongqing Lightsoft Technology Development Co., Limited ("CLTD").

	Cheerfull HK$'000	**SZLFC** HK$'000	**CLTD** HK$'000	**Total** HK$'000
Fair value of consideration (paid) received	(27,200)	(304)	234	(27,270)
Amounts recognized as non-controlling interests	37,044	699	(223)	37,520
Exchange differences	–	(55)	–	(55)
Positive movement in parent equity	9,844	340	11	10,195
Increase (decrease) in equity interest	49%	1%	(2.94%)	

(v) For year ended 30 June 2011, details of dilution interest of a subsidiary is summarized as follows:

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

Notes:

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 Cash Flows

For the year ended 30 June 2012

	Notes	2012 HK$'000	2011 HK$'000
OPERATING ACTIVITIES			
(Loss) profit before taxation			
Continuing operations		**(1,104,915)**	(105,923)
Discontinued operation		**–**	178,414
		(1,104,915)	72,491
Adjustment for:			
Interest income		**(649)**	(748)
Interest expenses		**10,315**	7,340
Allowances for doubtful receivable		**–**	8,664
Depreciation of property, plant and equipment		**15,642**	15,882
(Gain) loss on disposal of property, plant and equipment		**(187)**	1,431
Impairment loss on goodwill		**996,373**	63,964
Loss (gain) on disposal of subsidiaries	29(a) & (c)	**2,606**	(5,810)
Gain on deconsolidation of a subsidiary	29(d)	**–**	(183,339)
Loss on disposal of available-for-sale financial assets		**21**	6,436
Impairment loss on other intangible assets		**–**	14,174
Impairment loss on available-for-sale financial assets		**63,783**	7,693
Amortization of other intangible assets		**–**	1,073
Gain on changes in fair value of derivative financial instruments	26	**(116)**	(1,666)
Operating cash flows before movements in working capital		**(17,127)**	7,585
Decrease (increase) in inventories		**369**	(408)
Increase in trade and other receivables and prepayments		**(14,089)**	(14,377)
Increase (decrease) in trade payables, accrued liabilities and other payables		**23,556**	(12,161)
Cash used in operations		**(7,291)**	(19,361)
Tax paid		**(2,178)**	(3,438)
NET CASH USED IN OPERATING ACTIVITIES		**(9,469)**	(22,799)

Consolidated Statement of Cash Flows

For the year ended 30 June 2012

	Notes	2012 HK$'000	2011 HK$'000
INVESTING ACTIVITIES			
Interest received		**649**	748
Purchases of property, plant and equipment		**(5,267)**	(3,483)
Purchases of other intangible assets		**–**	(3,338)
Increase in pledged bank deposits		**(66)**	(29)
Proceeds from disposal of property, plant and equipment		**294**	268
Proceed from disposal of available-for-sale financial assets		**336**	5,068
Cash inflows on acquisition of a subsidiary	29(e)	**–**	10,662
Payment to acquire additional interests in subsidiaries		**(27,504)**	–
Cash outflows on disposal of subsidiaries	29(a)	**(321)**	–
Cash outflows from deconsolidation of a subsidiary	29(d)	**–**	(7,876)
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**(31,879)**	2,020
FINANCING ACTIVITIES			
Interest paid		**(1,126)**	(4,738)
Issue of shares		**6,720**	1,680
Net raising of bank and other borrowings		**42,960**	38,727
Interest paid for convertible bonds		**–**	(13,258)
Increase in bank overdraft – secured		**2,841**	1,327
Capital contribution from non-controlling interests		**3,763**	13,146
Dividend paid to non-controlling interests		**(3,397)**	–
Repayment of convertible bonds		**–**	(60,521)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		**51,761**	(23,637)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**10,413**	(44,416)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**68,155**	105,386
Effects of foreign exchange rate changes		**2,618**	7,185
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**81,186**	68,155
Represented by:			
Bank balances and cash		**81,186**	68,155

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 ("HK$") 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 39 and 40 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").

HKFRSs (Amendments)	Improvements to HKFRSs 2010
HKFRS 7 (Amendments)	Disclosures – Transfers of financial assets
HKAS 24 (Revised 2009)	Related party disclosures
HK (IFRIC) – INT 14 (Amendments)	Prepayments of a minimum funding requirements

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

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

Notes to the Consolidated Financial Statements

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

HKAS 1 (Amendments)	Presentation of items of other comprehensive income[1]
HKAS 12 (Amendments)	Deferred tax: Recovery of underlying assets[2]
HKAS 19 (As revised in 2011)	Employee benefits[3]
HKAS 27 (As revised in 2011)	Separate financial statements[3]
HKAS 28 (As revised in 2011)	Investments in associates and joint ventures[3]
HKAS 32 (Amendments)	Offsetting financial assets and financial liabilities[4]
HKFRSs (Amendments)	Annual improvements to HKFRSs 2009-2011 cycle[3]
HKFRS 1 (Amendments)	Government loan[3]
HKFRS 7 (Amendments)	Disclosures – Offsetting financial assets and financial liabilities[3]
HKFRS 9	Financial instruments[5]
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory effective date of HKFRS 9 and transition disclosures[5]
HKFRS 10	Consolidated financial statements[3]
HKFRS 11	Joint arrangements[3]
HKFRS 12	Disclosure of interests in other entities[3]
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidation financial statements, joint arrangements and disclosure of interests in other entities: transition guidance[3]
HKFRS 13	Fair value measurement[3]
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine[3]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 January 2013
4 Effective for annual periods beginning on or after 1 January 2014
5 Effective for annual periods beginning on or after 1 January 2015

HKFRS 9 Financial instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

HKFRS 9 requires all recognized financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" to be subsequently measured at either amortized cost or fair value. Specifically, debt investments 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 amortized 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 reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. 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 recognition 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.

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

HKFRS 9 Financial instruments – continued

The directors of the Company anticipate that HKFRS 9 will be adopted by the Group's consolidated financial statements for the annual period beginning on 1 July 2015. Except for the Group's available-for-sale investment, the adoption of HKFRS 9 has no other impact on amounts reported in respect of the classification and measurement of the Group's other financial assets and financial liabilities as at 30 June 2012. In the opinion of the directors of the Company, it is not practicable to provide a reasonable estimate of the effect on the Group's available-for-sale investment until a detailed review has been completed.

HKFRS 13 Fair value measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad and it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 "Financial instruments: Disclosures" will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors of the Company anticipate that HKFRS 13 will be adopted by the Group's consolidated financial statements for the annual period beginning on 1 July 2013 and that the application of the new standard may result in more extensive disclosures about fair value measurements in the consolidated financial statements.

Amendments to HKAS 1 Presentation of items of other comprehensive income

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories:

(a) items that will not be reclassified subsequently to profit or loss; and

(b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for the Group for annual period beginning on 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

Other than as described above, the directors of the Company anticipate that the application of other new and revised HKFRSs will have no material impact on the Group's financial performance and position and/or on the disclosures set out in these consolidated financial statements.

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Non-current assets held for sale

(a) Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only 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 carrying amount and fair value less costs to sell.

(b) *Discontinued operations*

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

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

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

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

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

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.

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.

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.

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

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Interests in associates

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

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.

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES – continued

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.

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 computer 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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

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.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. 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 in profit or loss.

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

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.

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Leasing – continued

Leasehold land and buildings

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 or loss in the year in which the expenditure is incurred.

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Intangible assets – continued

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.

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.

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES – continued

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 translation reserve.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Employee benefits

(a) Retirement benefits schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the 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.

(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.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors that make strategic decisions.

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES – continued

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.

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) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or a parent of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Related parties – continued

(b) An entity is related to Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the Group (or of a parent of the entity).

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

Financial instruments

Financial assets and financial liabilities are recognized in the consolidated statement of financial position 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. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. 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.

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

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).

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 all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contracts, default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Impairment of financial assets – continued

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.

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.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

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.

Financial liabilities and equity instruments

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.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issued costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

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 (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 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 and convertible bonds are subsequently measured at amortized cost, using the effective interest rate method.

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.

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.

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 consolidated 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 2012, the carrying amount of goodwill is approximately HK$94,475,000 (2011: approximately HK$1,090,848,000) with impairment loss of approximately HK$996,373,000 (2011: approximately HK$63,964,000) was recognized in consolidated statement of comprehensive income. Details of impairment test for goodwill are set out in note 18.

Income taxes

As at 30 June 2012, 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$75,994,000 (2011:HK$69,936,000) due to the unpredictability of future profit streams. The reliability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are more than expected, a material recognition of deferred tax asset may arise, which would be recognized in the consolidated statement of comprehensive income for the period in which such recognition takes place.

Amortization of other intangible assets

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

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.

Notes to the Consolidated Financial Statements

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

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 28 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; and

(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 25 and 26 respectively, and equity attributable to equity holders of the Company, comprising issued share capital disclosed in note 27, reserves and accumulated losses as disclosed in consolidated statement 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

	2012 **HK$'000**	2011 HK$'000
Financial assets		
Available-for-sale investments	–	64,140
Loans and receivables (including cash and cash equivalents)	**117,533**	93,669
Financial liabilities		
Amortized cost	**162,956**	90,257
Derivative financial liabilities	–	143

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 Renminbi ("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$") and United States dollars ("US$"), 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	
	2012 **HK$'000**	2011 HK$'000	**2012** **HK$'000**	2011 HK$'000
Hong Kong dollars ("HK$")	**106,789**	1,164,799	**119,217**	63,239
United States dollars ("US$")	**2,345**	39	**7,365**	8,328

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 2012 would have been increased/decreased by approximately HK$419,000 as a result of foreign exchange losses/gains on translation of transactions denominated in Hong Kong dollars (2011: decreased/increased profit by approximately HK$649,000).

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.

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 25.

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 2012, it is estimated that a general increase or decrease of 100 basis points in interest rates on HK$ denominated borrowings, with all other variable held constant, would increase/decrease the Group's loss by approximately HK$868,000 (2011: decrease/increase profit by approximately HK$146,000). 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 2011.

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:

2012

	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	**61,260**	**61,260**	**61,260**	**–**	**–**	**–**
Bank and other borrowings	**106,750**	**128,591**	**36,420**	**92,171**	**–**	**–**
Convertible bonds	**7,365**	**7,807**	**7,807**	**–**	**–**	**–**
	175,375	**197,658**	**105,487**	**92,171**	**–**	**–**

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	–	–

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 2012 across the 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 2012 HK$'000	**Level 1 HK$'000**	**Level 2 HK$'000**	**Level 3 HK$'000**
Available-for-sale financial assets	–	–	–	–

	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 2012 and 30 June 2011, there was no movement between different level of fair value measurements.

Fair value estimation

The fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market price.

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

The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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 financial assets and financial liabilities carried at amortized cost 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 operation

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

Information regarding the above segments is reported below.

(a) Segment revenue and results

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

2012

	Continuing operations				Discontinued operation		
	Lottery-related services HK$'000	Entertainment VAS HK$'000	Others HK$'000	Total HK$'000	Boxes for storage of deceased cremated ashes and other ancestral properties HK$'000	Total HK$'000	Consolidated HK$'000
Segment revenue:							
Sales to external customers	53,985	44,453	6,400	104,838	–	–	104,838
Segment results	9,041	(1,002,369)	(8,297)	(1,001,625)	–	–	(1,001,625)
Unallocated income				325		–	325
Unallocated expenses				(29,517)		–	(29,517)
Finance costs				(10,315)		–	(10,315)
Impairment loss on available-for-sale financial assets				(63,783)		–	(63,783)
Loss before taxation				(1,104,915)		–	(1,104,915)
Income tax expenses				(3,036)		–	(3,036)
Loss for the year				(1,107,951)		–	(1,107,951)

7. SEGMENT INFORMATION – continued

(a) Segment revenue and results – continued

2011

	Continuing operations				Discontinued operation		
	Lottery-related services HK$'000	Entertainment VAS HK$'000	Others HK$'000	Total HK$'000	Boxes for storage of deceased cremated ashes and other ancestral properties HK$'000	Total HK$'000	Consolidated HK$'000
Segment revenue:							
Sales to external customers	60,054	45,874	6,806	112,734	5,617	5,617	118,351
Segment results	28,531	(86,457)	(2,713)	(60,639)	(1,301)	(1,301)	(61,940)
Unallocated income				8,056		–	8,056
Unallocated expenses				(41,931)		–	(41,931)
Finance costs				(3,716)		(3,624)	(7,340)
Impairment loss on available-for-sale financial assets				(7,693)		–	(7,693)
Gain on deconsolidation of a subsidiary				–		183,339	183,339
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

(b) Segment assets and liabilities

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

2012

	Continuing operations				Discontinued operation		
	Lottery-related services HK$'000	Entertainment VAS HK$'000	Others HK$'000	Total HK$'000	Boxes for storage of deceased cremated ashes and other ancestral properties HK$'000	Total HK$'000	Consolidated HK$'000
Assets							
Segment assets	137,239	76,859	4,517	218,615	–	–	218,615
Unallocated assets				25,902		–	25,902
Total assets				244,517		–	244,517
Liabilities							
Segment liabilities	8,016	43,808	971	52,795	–	–	52,795
Unallocated liabilities				10,736		–	10,736
Bank and other borrowings				106,750		–	106,750
Convertible bonds				7,365		–	7,365
Total liabilities				177,646		–	177,646

7. SEGMENT INFORMATION – continued

(b) Segment assets and liabilities – continued

2011

	Continuing operations				Discontinued operation		
	Lottery-related services HK$'000	Entertainment VAS HK$'000	Others HK$'000	Total HK$'000	Boxes for storage of deceased cremated ashes and other ancestral properties HK$'000	Total HK$'000	Consolidated HK$'000
Assets							
Segment assets	146,510	1,055,258	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	3,615	25,167	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

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

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

Notes to the Consolidated Financial Statements

7. SEGMENT INFORMATION – continued

(c) Other segment information

2012

	Continuing operations				Discontinued operation		
	Lottery-related services HK$'000	Entertainment VAS HK$'000	Others HK$'000	Total HK$'000	Boxes for storage of deceased cremated ashes and other ancestral properties HK$'000	Total HK$'000	Consolidated HK$'000
Amounts included in the measure of segment profit or loss or segment assets:							
Additions to property, plant and equipment	869	192	4,206	5,267	–	–	5,267
Gain (loss) on disposal of property, plant and equipment	(6)	46	147	187	–	–	187
Allowances for doubtful receivable	–	–	–	–	–	–	–
Bad debts written off	775	–	84	859	–	–	859
Inventories written off	15	31	296	342	–	–	342
Impairment loss on available-for-sale financial assets	–	–	63,783	63,783	–	–	63,783
Impairment loss on goodwill	–	996,373	–	996,373	–	–	996,373
Depreciation and amortization	11,929	2,828	885	15,642	–	–	15,642

2011

	Continuing operations				Discontinued operation		
	Lottery-related services HK$'000	Entertainment VAS HK$'000	Others HK$'000	Total HK$'000	Boxes for storage of deceased cremated ashes and other ancestral properties HK$'000	Total HK$'000	Consolidated HK$'000
Amounts included in the measure of segment profit or loss or segment assets:							
Additions to property, plant and equipment	2,621	352	510	3,483	–	–	3,483
Loss on disposal of property, plant and equipment	(7)	(1,424)	–	(1,431)	–	–	(1,431)
Allowances for doubtful receivable	–	2,359	6,305	8,664	–	–	8,664
Bad debts written off	407	119	–	526	–	–	526
Inventories written off	30	–	102	132	–	–	132
Impairment loss on available-for-sale financial assets	–	–	7,693	7,693	–	–	7,693
Impairment loss on goodwill	–	63,964	–	63,964	–	–	63,964
Depreciation and amortization	11,169	4,710	1,076	16,955	50	50	17,005

7. SEGMENT INFORMATION – continued

(d) Geographical information

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

	Revenue from external customers Continuing operations		Revenue from external customers Discontinued operation		Consolidated	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
PRC	**104,714**	112,591	**–**	–	**104,714**	112,591
Hong Kong	**124**	143	**–**	5,617	**124**	5,760
	104,838	112,734	**–**	5,617	**104,838**	118,351

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	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
PRC	**134,673**	127,351	**4,923**	6,530
Hong Kong	**109,844**	1,165,186	**344**	291
	244,517	1,292,537	**5,267**	6,821

Revenue from major products and services

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

	2012	2011
	HK$'000	HK$'000
Lottery-related services	**53,985**	60,054
Entertainment VAS	**44,453**	45,874
Boxes for storage of deceased cremated ashes and other ancestral properties	**–**	5,617
Others	**6,400**	6,806
	104,838	118,351

Notes to the Consolidated Financial Statements

7. SEGMENT INFORMATION – continued

(e) Information about major customers

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

	The Group	
	2012	2011
	HK$'000	HK$'000
Customer A – Provision of entertainment VAS services	**27,785**	34,264
Customer B – Provision of lottery-related services	**43,956**	37,436

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 operation		Consolidated	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue						
Provision of lottery-related hardware and software systems	**53,985**	60,054	**–**	–	**53,985**	60,054
Provision of entertainment VAS services	**44,453**	45,874	**–**	–	**44,453**	45,874
Sales of goods	**25**	58	**–**	–	**25**	58
Catering services	**6,251**	6,605	**–**	–	**6,251**	6,605
Distribution of natural supplementary products	**124**	143	**–**	–	**124**	143
Boxes for storage of deceased cremated ashes and other ancestral properties	**–**	–	**–**	5,617	**–**	5,617
	104,838	112,734	**–**	5,617	**104,838**	118,351

	Continuing operations		Discontinued operation		Consolidated	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Other revenue						
Interest income	**649**	748	**–**	–	**649**	748
Investment income	**–**	134	**–**	–	**–**	134
Gain on deconsolidation of a subsidiary	**–**	–	**–**	183,339	**–**	183,339
Recovery of doubtful debts	**–**	95	**–**	–	**–**	95
Others	**669**	17,116	**–**	49	**669**	17,165
	1,318	18,093	**–**	183,388	**1,318**	201,481

9. FINANCE COSTS

	Continuing operations		Discontinued operation		Consolidated	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Interest on:						
– borrowings wholly repayable within five years	**9,589**	1,205	**–**	–	**9,589**	1,205
– convertible bonds	**726**	2,511	**–**	3,624	**726**	6,135
	10,315	3,716	**–**	3,624	**10,315**	7,340

10. LOSS BEFORE TAXATION

	Continuing operations		Discontinued operation		Consolidated	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Loss before taxation has been arrived at after charging:						
Staff costs (excluding Directors' emoluments – *note 11*):						
– Wages and salaries	**36,106**	30,228	**–**	1,153	**36,106**	31,381
– Retirement benefits scheme contributions	**440**	457	**–**	10	**440**	467
Total staff costs	**36,546**	30,685	**–**	1,163	**36,546**	31,848
Cost of inventories sold	**37,933**	39,464	**–**	758	**37,933**	40,222
Auditors' remuneration						
– Provide for the year	**1,389**	1,069	**–**	–	**1,389**	1,069
– (Over) under provision in prior year	**(50)**	42	**–**	–	**(50)**	42
Depreciation of property, plant and equipment	**15,642**	15,882	**–**	50	**15,642**	15,932
Impairment loss on goodwill	**996,373**	63,964	**–**	–	**996,373**	63,964
Impairment loss on other intangible assets	**–**	14,174	**–**	–	**–**	14,174
Impairment loss on available-for-sale financial assets	**63,783**	7,693	**–**	–	**63,783**	7,693
Loss (gain) on disposal of subsidiaries	**2,606**	(5,810)	**–**	–	**2,606**	(5,810)
Loss on disposal of available-for-sale financial assets	**21**	6,436	**–**	–	**21**	6,436
Minimum lease payments under operating leases:						
– Land and buildings	**8,348**	7,300	**–**	91	**8,348**	7,391
(Gain) loss on disposal of property, plant and equipment	**(187)**	1,431	**–**	–	**(187)**	1,431
Allowances for doubtful receivable	**–**	8,664	**–**	–	**–**	8,664
Amortization of other intangible assets	**–**	1,073	**–**	–	**–**	1,073
Gain on changes in fair value of derivative financial instruments	**(116)**	(1,666)	**–**	–	**(116)**	(1,666)
Bad debts written off	**859**	526	**–**	–	**859**	526
Inventories written off	**342**	132	**–**	–	**342**	132
Exchange losses, net	**1,356**	3,122	**–**	3	**1,356**	3,125

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

Emoluments paid or payables to each of the 10 (2011: 9) directors of the Company during the year were as follows:

For the year ended 30 June 2012

	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	680	–	758
Chan Ting	78	1,754	12	1,844
Chan Siu Sarah	78	1,650	11	1,739
Chan Tung Mei	78	156	–	234
Lau Hin Kun	78	312	12	402
Wang Yong Chun (appointed on 6 March 2012)	38	–	–	38
Independent Non-executive Directors:				
Zhang Xiu Fu	120	–	–	120
Tian He Nian	120	–	–	120
To Yan Ming Edmond	144	–	–	144
Yang Qing Cai	120	–	–	120
	932	4,552	35	5,519

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

(a) Directors' emoluments – continued

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

(b) Senior management's emoluments

Of the 5 (2011: 5) individuals whose emoluments were the highest in the Group for the year include 2 (2011: 2) Directors whose emoluments are set out in the above. The emoluments payable to the remaining 3 (2011: 3) individuals during the year as follows:

	2012 HK$'000	2011 HK$'000
Salaries, allowances and other benefits	**3,994**	5,024
Contributions to retirement benefits scheme	**36**	36
	4,030	5,060

The emoluments fell with the following bands:

	2012 No. of individuals	2011 No. of individuals
Emoluments bands:		
HK$1,000,001 – HK$2,000,000	**3**	2
HK$2,000,001 – HK$3,000,000	**–**	1

Notes to the Consolidated Financial Statements

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

(b) Senior management's emoluments – continued

During the year ended 30 June 2012, no emoluments have been paid by the Group to the 2 Directors (2011: 2) or the 3 (2011: 3) highest paid individuals as an inducement to join the Group, or as compensation for loss of office.

12. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	Continuing operations		Discontinued operation		Consolidated	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Wages and salaries	**41,590**	34,844	**–**	1,164	**41,590**	36,008
Retirement benefits scheme contributions	**475**	484	**–**	10	**475**	494
Total staff costs	**42,065**	35,328	**–**	1,174	**42,065**	36,502

13. INCOME TAX EXPENSES

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

	Continuing operations		Discontinued operation		Consolidated	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
The charge comprises:						
Current year						
– Hong Kong Profits Tax	**–**	–	**–**	–	**–**	–
– Other jurisdiction	**2,947**	4,349	**–**	10	**2,947**	4,359
	2,947	4,349	**–**	10	**2,947**	4,359
Under (over) provision in prior years						
– Hong Kong Profits Tax	**–**	–	**–**	–	**–**	–
– Other jurisdiction	**89**	(32)	**–**	–	**89**	(32)
	89	(32)	**–**	–	**89**	(32)
Income tax expenses charged for the year	**3,036**	4,317	**–**	10	**3,036**	4,327

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 jurisdiction is calculated at the rates prevailing in the relevant jurisdiction.

13. INCOME TAX EXPENSES – continued

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

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

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

	2012 **HK$'000**	2011 HK$'000
(Loss) profit before taxation:		
Continuing operations	**(1,104,915)**	(105,923)
Discontinued operation	**–**	178,414
	(1,104,915)	72,491
Tax at the Hong Kong Profits Tax rate	**(182,311)**	11,961
Tax concession	**(708)**	(437)
Tax effect of expenses that are not deductible for tax purposes	**178,405**	3,556
Tax effect of income that is not taxable for tax purposes	**(6,137)**	(21,325)
Tax effect of tax losses not recognized	**12,160**	10,494
Tax effect of utilization of tax losses previously not recognized	**(11)**	(1,237)
Effect of different tax rates of subsidiaries operating in other jurisdiction	**1,575**	1,082
Others	**(26)**	265
Tax effect of under (over) provision in prior years	**89**	(32)
Income tax expenses	**3,036**	4,327

Note: The applicable tax rate for Hong Kong is 16.5% (2011: 16.5%) and applicable tax rate in the PRC is 24-25% (2011: 22-25%).

At the end of the reporting period, the Group has unused tax losses of approximately HK$75,994,000 (2011: approximately HK$69,936,000) 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$33,944,000 (2011: approximately HK$28,075,000) that will expire within 2 to 4 years from the year origination. Other losses may be carried forward indefinitely.

Notes to the Consolidated Financial Statements

13. INCOME TAX EXPENSES – continued

The components of unrecognized deductible (taxable) temporary differences at the end of the reporting date are as follows:

	2012 HK$'000	2011 HK$'000
Deductible temporary differences:		
Unutilized tax losses	**75,994**	69,936
Others	**7,645**	4,563
Accelerated tax allowances	**643**	729
Taxable temporary differences:		
Accelerated tax allowances	**–**	–
	84,282	75,228

14. DISCONTINUED OPERATION

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.

The combined results and cash flows of the discontinued operation due to deconsolidated of HK Life 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 Deconsolidation HK$'000
Profit for the year from discontinued operation	
Revenue	5,666
Expenses	(10,591)
Gain on deconsolidation of a subsidiary	183,339
Profit before taxation	178,414
Income tax expenses	(10)
Profit for the year from discontinued operation	178,404
Cash flows from discontinued operation	
Net cash inflows from operating activities	81,857
Net cash outflows from investing activities	(76,148)
Net cash outflows from financing activities	(323)
Net cash inflows from discontinued operation	5,386

15. DIVIDENDS

No dividend was paid or proposed during the year ended 30 June 2012, nor has any dividend been proposed since the end of reporting date (2011: Nil).

16. (LOSS) EARNINGS PER SHARE

From continuing operations and discontinued operation

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

	2012 **HK$'000**	2011 HK$'000
(Loss) profit for the year attributable to the equity holders of the Company	**(1,107,505)**	61,439

Number of shares

	'000	'000
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**3,263,970**	3,213,866
Effect of dilutive potential ordinary shares: Warrants	–	19,490
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**3,263,970**	3,233,356

From continuing operations

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

	2012 **HK$'000**	2011 HK$'000
(Loss) profit for the year attribute to equity holders of the Company	**(1,107,505)**	61,439
Less: Profit for the year attributable to equity holders of the Company from discontinued operation	–	178,404
Loss for the purpose of basic loss per share from continuing operations	**(1,107,505)**	(116,965)

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.

16. (LOSS) EARNINGS PER SHARE – continued

From discontinued operation

From discontinued operation is Nil cents per share (2011: HK5.55 cents per share), based on the profit for the year from the discontinued operation of approximately Nil (2011: profit of approximately HK$178,404,000) and the denominators detailed above for basic earnings per share.

Diluted earnings per share from discontinued operation is Nil cents per share (2011: HK5.52 cents per share), based on the profit for the year from the discontinued operation of approximately Nil (2011: profit of approximately HK$178,404,000) and weighted average number of ordinary shares for the purpose of diluted earnings per share.

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 (2011: increase in earnings per share).

17. 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 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 and at 1 July 2011	1,360	18,789	56,034	4,137	7,895	5,143	93,358
Additions	–	1,036	–	3,442	412	377	5,267
Disposal	–	(172)	(10,986)	–	(377)	–	(11,535)
Disposal of subsidiaries	–	(382)	–	(3,383)	(55)	–	(3,820)
Exchange realignment	19	257	774	35	83	62	1,230
At 30 June 2012	1,379	19,528	45,822	4,231	7,958	5,582	84,500
DEPRECIATION							
At 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 and at 1 July 2011	199	9,374	41,309	3,074	4,972	4,443	63,371
Charged for the year	43	3,177	10,484	545	1,272	121	15,642
Eliminated on disposal	–	(108)	(10,986)	–	(334)	–	(11,428)
Eliminated on disposal of subsidiaries	–	(11)	–	–	(2)	–	(13)
Exchange realignment	4	106	536	21	46	61	774
At 30 June 2012	246	12,538	41,343	3,640	5,954	4,625	68,346
NET BOOK VALUES							
AT 30 June 2012	1,133	6,990	4,479	591	2,004	957	16,154
At 30 June 2011	1,161	9,415	14,725	1,063	2,923	700	29,987

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

At 30 June 2012, none of the Group's property, plant and equipment was held under finance lease (2011:Nil).

Notes to the Consolidated Financial Statements

18. GOODWILL

	Entertainment VAS services HK$'000	Lottery-related services HK$'000	Profit sharing on oil field HK$'000	Trading of edible oil HK$'000	Total HK$'000
COST					
At 1 July 2010	2,016,496	94,431	31,761	3,361	2,146,049
Acquisition of a subsidiary	–	44	–	–	44
Eliminated on deconsolidation of a subsidiary	–	–	(31,761)	(3,361)	(35,122)
At 30 June 2011, 1 July 2011 and at 30 June 2012	2,016,496	94,475	–	–	2,110,971
IMPAIRMENT					
At 1 July 2010	956,159	–	31,761	3,361	991,281
Impairment loss recognized for the year	63,964	–	–	–	63,964
Eliminated on deconsolidation of a subsidiary	–	–	(31,761)	(3,361)	(35,122)
At 30 June 2011 and at 1 July 2011	1,020,123	–	–	–	1,020,123
Impairment loss recognized for the year	996,373	–	–	–	996,373
At 30 June 2012	2,016,496	–	–	–	2,016,496
CARRYING VALUES					
At 30 June 2012	**–**	**94,475**	**–**	**–**	**94,475**
At 30 June 2011	996,373	94,475	–	–	1,090,848

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 2012, the Group recognized an impairment loss of approximately HK$996,373,000 (2011: approximately HK$63,964,000) in relation to goodwill arising on Entertainment VAS services business.

The recoverable amounts from 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.

18. GOODWILL – continued

(a) Entertainment VAS Services

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. On 30 July 2012, the Company received arbitration decision as follows:

(a) to terminate of a joint venture agreement dated 15 July 2007; and

(b) to terminate the share transfer agreement signed on August 2007 and the return of 20% interest in the joint venture business which was transferred from the joint venturer to the Group's jointly controlled entity, China Culture Development Digital Technology Co., Limited ("CCDDT").

In determining the recoverable amount of the goodwill regarding the provision of entertainment VAS services, the directors of the Company have taken the assumptions that the operation of the provision of entertainment VAS services would be adversely affected by the arbitration decision together with unfavorable result of operations for early termination of joint venture agreement in accordance with the arbitration decision.

The key assumption used for cash flow projection for the entertainment VAS services is as follows:

	Year				
	2013	**2014**	**2015**	**2016**	**2017**
Growth rate	15%	10%	10%	10%	10%
Discount rate	18%	18%	18%	18%	18%

Cash flows beyond the five years period are extrapolated using the growth rate of 5%.

As a result, impairment loss of approximately HK$996,373,000 was provided on goodwill from provision of entertainment VAS services.

(b) Lottery-related Services

The key assumption used for cash flow projection for the provision of lottery-related services is as follows:

	Year				
	2013	**2014**	**2015**	**2016**	**2017**
Growth rate	20%	20%	20%	20%	20%
Discount rate	10%	10%	10%	10%	10%

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

Notes to the Consolidated Financial Statements

19. OTHER INTANGIBLE ASSETS

	Research and development HK$'000	Computer software HK$'000	Technical know-how HK$'000	Total HK$'000
COST				
AT 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 and at 1 July 2011	5,123	7,087	10,161	22,371
Exchange realignment	71	98	141	310
At 30 June 2012	5,194	7,185	10,302	22,681
AMORTIZATION				
At 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 and at 1 July 2011	–	6,070	2,127	8,197
Charged for the year	–	–	–	–
Exchange realignment	–	84	29	113
At 30 June 2012	–	6,154	2,156	8,310
IMPAIRMENT				
At 1 July 2010	–	–	–	–
Impairment loss recognized for the year	5,123	1,017	8,034	14,174
At 30 June 2011 and at 1 July 2011	5,123	1,017	8,034	14,174
Impairment loss recognized for the year	–	–	–	–
Exchange realignment	71	14	112	197
At 30 June 2012	5,194	1,031	8,146	14,371
CARRYING VALUES				
At 30 June 2012	**–**	**–**	**–**	**–**
At 30 June 2011	–	–	–	–

Impairment loss recognized for the year of Nil (2011: approximately HK$14,174,000).

20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2012 HK$'000	2011 HK$'000
Listed investments:		
– Equity securities listed in Hong Kong (Note a)	3	8,053
Unlisted investments:		
– Unlisted equity securities (Note b)	63,780	63,780
	63,783	71,833
Less: Impairment loss	(63,783)	(7,693)
At 30 June	–	64,140

(a) 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. During the year ended 30 June 2012, impairment loss of approximately HK$3,000 has been made (2011: approximately of HK$7,693,000).

(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 2012, impairment loss of approximately HK$63,780,000 had been made. (2011: Nil).

21. INVENTORIES

	2012 HK$'000	2011 HK$'000
Raw materials and consumables	3,297	3,354
Finished goods	639	951
At 30 June	3,936	4,305

All inventories are stated at cost.

22. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2012 HK$'000	2011 HK$'000
Trade receivables	16,813	16,504
Other receivables and prepayments	29,164	23,443
	45,977	39,947
Less: Allowances for doubtful receivable	(2,434)	(10,012)
At 30 June	43,543	29,935

Notes to the Consolidated Financial Statements

22. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS – continued

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:

	2012 **HK$'000**	2011 HK$'000
0 to 30 days	**5,756**	13,763
31 to 60 days	**1,483**	38
61 to 365 days	**9,421**	1,491
Over 1 year	**153**	1,212
	16,813	16,504

The trade receivables with carrying amount of approximately HK$10,876,000 (2011: approximately HK$11,515,000) 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 2012, the Group made an allowance of Nil (2011: Nil) 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.

Movement in the allowance for bad and doubtful debts:

	2012 **HK$'000**	2011 HK$'000
Balance at the beginning of the year	**10,012**	6,118
Amount recovered during the year – trade receivables	**–**	(95)
Amount written off on disposal of a subsidiary	**–**	(4,675)
Amount written off	**(7,610)**	–
Charged for the year – other receivables	**–**	8,664
Exchange adjustments	**32**	–
Balance at the end of the year	**2,434**	10,012

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.

22. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS – continued

Included in the Group's trade receivables with a carrying amount of approximately HK$5,863,000 (2011: approximately HK$3,989,000) 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 2012 approximates to the corresponding carrying amount.

23. BANK BALANCES AND CASH

	2012 **HK$'000**	2011 HK$'000
Cash and bank deposits denominated in:		
Hong Kong dollar	**4,489**	826
Renminbi	**76,696**	67,290
United States dollar	**1**	39
At 30 June	**81,186**	68,155

Included in the bank balances were approximately HK$76,696,000 (2011: approximately HK$67,290,000), 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.

24. TRADE PAYABLES, ACCRUED LIABILITIES AND OTHER PAYABLES

	2012 **HK$'000**	2011 HK$'000
Trade payables	**32,259**	17,888
Accrued liabilities and other payables	**29,001**	13,357
At 30 June	**61,260**	31,245

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:

	2012 **HK$'000**	2011 HK$'000
0 to 30 days	**716**	2,566
31 to 120 days	**21,212**	8,106
121 to 180 days	**310**	1,947
181 to 365 days	**8,965**	4,978
Over 1 year	**1,056**	291
At 30 June	**32,259**	17,888

Notes to the Consolidated Financial Statements

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

The fair value of the Group's trade payables, accrued liabilities and other payables as at 30 June 2012 approximates to the corresponding carrying amount.

Included in other payables, there was an amount of approximately HK$584,000 (2011: Nil) due to a director.

25. BANK AND OTHER BORROWINGS

	2012 HK$'000	2011 HK$'000
Bank loan, secured *(Note a)*	–	5,000
Other loan, secured *(Note b)*	20,000	–
Other loans, unsecured *(Note c)*	74,331	45,827
Bank overdraft, secured *(Note d)*	12,419	9,578
At 30 June	106,750	60,405

Bank and other borrowings are repayable as follows:

	2012 HK$'000	2011 HK$'000
On demand or within one year	32,419	60,405
One to two years	74,331	–
	106,750	60,405
Less: Amounts shown under current liabilities	(32,419)	(60,405)
Long term portion	74,331	–

Notes:

(a) Bank loan of Nil (2011: HK$5,000,000) 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 loan of HK$20,000,000 (2011: Nil) is interest bearing at 20% per annum, secured by pledge of shares of a subsidiary and repayable in next twelve months.

(c) Other loans of approximately HK$74,331,000 (2011: approximately HK$45,827,000) is interest bearing at 12% per annum (2011: Nil), unsecured and repayable on 30 June 2014.

(d) Bank overdraft of approximately HK$12,419,000 (2011: approximately HK$9,578,000) is interest charged at 5.25% (2011: 7%) per annum, secured by pledge bank deposit and corporate guarantee by the Company.

26. CONVERTIBLE BONDS

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 2012 and 30 June 2011 was summarized as follows:

		2012	2011
(a)	Principal amount:	**US$709,596**	US$925,000
(b)	Principal repayment:	**141.06% of principal amount**	141.06% of principal amount
(c)	Coupon rate:	**0%**	0%
(d)	Expected life:	**0.42 years**	1.42 years
(e)	Discount rate:	**16.38%**	16.38%
(f)	Conversion price:	**HK$0.8**	HK$0.8
(g)	Risk-free rate:	**0.10%**	0.20%
(h)	Expected volatility:	**87.58%**	80.39%
(i)	Expected dividend yield:	**0%**	0%

Fair value of conversion option derivative as at 30 June 2012 was valued by an independent professional valuer.

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.

Notes to the Consolidated Financial Statements

26. CONVERTIBLE BONDS – continued

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 component 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 2011	143	8,185
Imputed finance cost	–	726
Exchange differences	–	107
Changes in fair value	(116)	–
Early redemption	(27)	(1,653)
At 30 June 2012	–	7,365
	(Note a)	*(Note b)*

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

Note b: Total of approximately of HK$7,365,000 (2011: Nil) is recorded as current liabilities and Nil (2011: approximately HK$8,185,000) is recorded as non-current liabilities.

27. SHARE CAPITAL

	Number of shares '000	HK$'000
Authorized:		
At 1 July 2010, 30 June 2011, 1 July 2011 and 30 June 2012, ordinary shares of HK$0.01 each	20,000,000	200,000
Issued and fully paid:		
At 1 July 2010	3,211,894	32,119
Shares issued on exercise of warrants	10,000	100
At 30 June 2011 and at 1 July 2011	3,221,894	32,219
Shares issued on exercise of warrants *(Note)*	50,000	500
At 30 June 2012	3,271,894	32,719

Warrants

During the year, 50,000,000 warrants has been exercised and 10,000,000 warrants was expired in January 2012. As at 30 June 2012, the Company did not have outstanding warrant.

27. SHARE CAPITAL – continued

Notes:

(a) 40,000,000 warrants of HK$0.168 each were exercised in August 2011.

(b) 10,000,000 warrants of HK$0.168 each were exercised in October 2011.

28. SHARE-BASED PAYMENT TRANSACTIONS

Pre-IPO Share Option Scheme

As at 30 June 2012, all options granted under the Pre-IPO Share Option Scheme were 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.

Notes to the Consolidated Financial Statements

28. SHARE-BASED PAYMENT TRANSACTIONS – continued

Share Option Scheme – continued

No share options was granted during the year ended 30 June 2012.

There were 83,050,000 outstanding share options brought forward from 1 July 2011 and no options were exercised for the year ended 30 June 2012, resulting in an outstanding share options of 83,050,000 as at 30 June 2012.

2012

Categories of grantees	Date of grant	Exercise period of share options	Exercise price HK$	Number of share options: Outstanding at 1 July 2011	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 30 June 2012
Cheung Kwai Lan	23/11/2006	23/11/2006 – 17/10/2012	0.62	1,560,000	–	–	–	1,560,000
	23/11/2006	23/05/2007 – 17/10/2012	0.62	1,560,000	–	–	–	1,560,000
	23/11/2006	23/11/2007 – 17/10/2012	0.62	3,120,000	–	–	–	3,120,000
Chan Tung Mei	23/11/2006	23/11/2006 – 17/10/2012	0.62	1,560,000	–	–	–	1,560,000
	23/11/2006	23/05/2007 – 17/10/2012	0.62	1,560,000	–	–	–	1,560,000
	23/11/2006	23/11/2007 – 17/10/2012	0.62	3,120,000	–	–	–	3,120,000
Chan Ting	23/11/2006	23/11/2006 – 17/10/2012	0.62	1,560,000	–	–	–	1,560,000
	23/11/2006	23/05/2007 – 17/10/2012	0.62	1,560,000	–	–	–	1,560,000
	23/11/2006	23/11/2007 – 17/10/2012	0.62	3,120,000	–	–	–	3,120,000
Lau Hin Kun	23/11/2006	23/11/2006 – 17/10/2012	0.62	350,000	–	–	–	350,000
	23/11/2006	23/05/2007 – 17/10/2012	0.62	350,000	–	–	–	350,000
	23/11/2006	23/11/2007 – 17/10/2012	0.62	700,000	–	–	–	700,000
Tian He Nian	23/11/2006	23/11/2006 – 17/10/2012	0.62	260,000	–	–	–	260,000
	23/11/2006	23/05/2007 – 17/10/2012	0.62	260,000	–	–	–	260,000
	23/11/2006	23/11/2007 – 17/10/2012	0.62	530,000	–	–	–	530,000
To Yan Ming Edmond	23/11/2006	23/11/2006 – 17/10/2012	0.62	260,000	–	–	–	260,000
	23/11/2006	23/05/2007 – 17/10/2012	0.62	260,000	–	–	–	260,000
	23/11/2006	23/11/2007 – 17/10/2012	0.62	530,000	–	–	–	530,000
Eligible participants	18/8/2004	19/08/2004 – 17/10/2012	0.427 (adjusted)	28,500,000	–	–	–	28,500,000
Eligible participants	23/11/2006	23/11/2006 – 17/10/2012	0.62	32,330,000	–	–	–	32,330,000
				83,050,000	–	–	–	83,050,000

28. SHARE-BASED PAYMENT TRANSACTIONS – continued

Share Option Scheme – continued

2011

Categories of grantees	Date of grant	Exercise period of share options	Exercise Price HK$	Number of share options: Outstanding at 1 July 2010	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 30 June 2011
Cheung Kwai Lan	23/11/2006	23/11/2006 – 17/10/2012	0.62	1,560,000	–	–	–	1,560,000
	23/11/2006	23/05/2007 – 17/10/2012	0.62	1,560,000	–	–	–	1,560,000
	23/11/2006	23/11/2007 – 17/10/2012	0.62	3,120,000	–	–	–	3,120,000
Chan Tung Mei	23/11/2006	23/11/2006 – 17/10/2012	0.62	1,560,000	–	–	–	1,560,000
	23/11/2006	23/05/2007 – 17/10/2012	0.62	1,560,000	–	–	–	1,560,000
	23/11/2006	23/11/2007 – 17/10/2012	0.62	3,120,000	–	–	–	3,120,000
Chan Ting	23/11/2006	23/11/2006 – 17/10/2012	0.62	1,560,000	–	–	–	1,560,000
	23/11/2006	23/05/2007 – 17/10/2012	0.62	1,560,000	–	–	–	1,560,000
	23/11/2006	23/11/2007 – 17/10/2012	0.62	3,120,000	–	–	–	3,120,000
Lau Hin Kun	23/11/2006	23/11/2006 – 17/10/2012	0.62	350,000	–	–	–	350,000
	23/11/2006	23/05/2007 – 17/10/2012	0.62	350,000	–	–	–	350,000
	23/11/2006	23/11/2007 – 17/10/2012	0.62	700,000	–	–	–	700,000
Tian He Nian	23/11/2006	23/11/2006 – 17/10/2012	0.62	260,000	–	–	–	260,000
	23/11/2006	23/05/2007 – 17/10/2012	0.62	260,000	–	–	–	260,000
	23/11/2006	23/11/2007 – 17/10/2012	0.62	530,000	–	–	–	530,000
To Yan Ming	23/11/2006	23/11/2006 – 17/10/2012	0.62	260,000	–	–	–	260,000
Edmond	23/11/2006	23/05/2007 – 17/10/2012	0.62	260,000	–	–	–	260,000
	23/11/2006	23/11/2007 – 17/10/2012	0.62	530,000	–	–	–	530,000
Eligible participants	18/8/2004	19/08/2004 – 17/10/2012	0.427 (adjusted)	28,500,000	–	–	–	28,500,000
Eligible participants	23/11/2006	23/11/2006 – 17/10/2012	0.62	32,330,000	–	–	–	32,330,000
				83,050,000	–	–	–	83,050,000

28. SHARE-BASED PAYMENT TRANSACTIONS – continued

Share Option Scheme – continued

The closing prices of the Company's shares on 18 August 2004 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) 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 2012, the number of the shares in respect of which option had been granted and remained outstanding under the scheme was 2.54% (2011: 2.58%) 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.

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

Expected volatility for the options granted on 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 2012 (2011: Nil) in relation to share options granted by the Company.

29. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Disposal of subsidiaries

For the year ended 30 June 2012, the Group disposed HK Noble Palace Catering Investment Limited, a company incorporated in the British Virgin Islands and its subsidiaries ("HK Noble Group") at a consideration of approximately HK$7.8 (US$1). Detail of the disposal was summarized as follows:

	HK Noble Group
	HK$'000
NET ASSETS DISPOSED	
Property, plant and equipment	3,807
Accounts receivable	5
Other receivables and prepayments	913
Cash and cash equivalents	321
Accruals and other payables	(2,440)
Net assets	2,606
Loss on disposal of subsidiaries	(2,606)
Consideration	–
Net cash outflows arising on disposal:	
Cash consideration	–
Cash and cash equivalents	(321)
	(321)

(b) Major non-cash transactions

During the year, the Group incurred imputed interest on convertible bonds of approximately HK$726,000 (2011: HK$6,135,000).

During the year, impairment loss on goodwill of approximately HK$996,373,000 (2011: HK$63,964,000) was recognized in the consolidated statement of comprehensive income.

During the year, impairment loss on available-for-sale financial assets of approximately HK$63,783,000 (2011: approximately HK$7,693,000) was recognized in the consolidated statement of comprehensive income.

Repayment of convertible bonds of HK$1,680,000 was satisfied by exercise of 10,000,000 warrants of HK$0.168 each by the convertible bonds holder.

(c) 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	–

Notes to the Consolidated Financial Statements

29. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS – continued

(d) 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.

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 of a subsidiary (note 14)	183,339
Consideration	–
Net cash outflows arising on deconsolidation:	
Bank balances and cash	(7,876)

(e) 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 inflows arising on consolidation:	
Bank balances and cash	10,662

30. CONTINGENT LIABILITIES

The Company provided corporate guarantees to the extent of HK$10,000,000 (2011: 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 2012 amounted to approximately HK$12,419,000 (2011: HK$9,578,000).

31. OPERATING LEASE COMMITMENTS

The Group as lessee

As at 30 June 2012, the Group had commitments for future minimum lease payments in respect of rented premises under non-cancellable operating leases which fall due as follows:

	2012 **HK$'000**	2011 HK$'000
Continuing operations		
Within one year	**4,477**	6,421
In the second to fifth years inclusive	**1,806**	5,348
	6,283	11,769

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.

There was no operating lease commitment from discontinued operation for the year ended 30 June 2012 and 30 June 2011 respectively.

The Group as lessor

As at 30 June 2012, the Group had commitments for future minimum lease arrangement in respect of rented premises under non-cancellable operating leases which fall due as follows:

	2012 **HK$'000**	2011 HK$'000
Continuing operations		
Within one year	**61**	–
In the second to fifth years inclusive	**183**	–
	244	–

There was no operating lease arrangement from discontinued operation for the year ended 30 June 2012 and 30 June 2011 respectively.

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32. CAPITAL COMMITMENTS

	2012 HK$'000	2011 HK$'000
Continuing operations		
Capital expenditure in respect of acquisition additional equity interest in subsidiaries	**44,591**	27,500
Capital expenditure in respect of acquisition of investment	**–**	240,000
	44,591	267,500

There was no capital commitment from discontinued operation for the year ended 30 June 2012 and 30 June 2011 respectively.

33. 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$475,000 (2011: HK$494,000) 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.

34. PROVISION FOR LONG SERVICES 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 2012 (2011: Nil).

35. PLEDGE OF ASSETS

As at 30 June 2012, 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 2012, the Group has pledged its bank deposits of approximately HK$5,223,000 (2011: approximately of HK$5,157,000) as securities for the general banking facilities granted to the Group.

As at 30 June 2012, the Group has pledged all the issued and outstanding shares of China Success Enterprises Limited and its subsidiaries (except Ace Bingo Group Limited and its subsidiaries) to Tarascon Asia Absolute Fund (Cayman) Limited for a loan of HK$20,000,000.

36. 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 2012 (2011: 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.

37. 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:

	2012 **HK$'000**	2011 HK$'000
Short term benefits	**12,388**	12,363
Post-employment benefits	**119**	99
	12,507	12,462

Balance with related party

Balance with related party is disclosed in note 24 to the consolidated financial statements.

38. LEGAL LITIGATION

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

On 30 July 2012, the Company received arbitration decision:

(a) to terminate of a joint venture agreement dated 15 July 2007; and

(b) to terminate the share transfer agreement signed on 30 August 2007 and the return of 20% interest in the joint venture business which was transferred from the joint venturer to CCDDT.

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY IN ALPHABETICAL ORDER

Particulars of the Company's principal subsidiaries as at 30 June 2012 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
Ace Bingo Group Limited	British Virgin Islands ("BVI")	Ordinary share US$1	–	100%	Investment holding
B & B Group Holdings Limited	Hong Kong	Ordinary share HK$1	–	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	BVI	Ordinary share US$1	–	100%	Investment holding
B & B Winery Limited	Hong Kong	Ordinary shares HK$1,000	–	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, drink, clothing, commodities, toys and stationeries
Best Delight Group Limited	BVI	Ordinary share US$1	–	100%	Investment holding
Birdview Group Limited	Hong Kong	Ordinary share HK$1	–	100%	Investment holding
Champion Day Holdings Limited	BVI	Ordinary share US$1	–	100%	Investment holding

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY IN ALPHABETICAL ORDER – continued

Particulars of the Company's principal subsidiaries as at 30 June 2012 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	Indirect	Principal activities
Cheerfull Group Holdings Limited	BVI	Ordinary shares US$50,000	–	100%	Investment holding
China Success Enterprises Limited	BVI	Ordinary shares US$2,000	100%	–	Investment holding
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	–	100%	Provision of lottery-related services
Greatest Luck Limited	BVI	Ordinary share US$1	–	100%	Investment holding
Grand Promise International Limited	BVI	Ordinary shares US$10,000	–	100%	Investment holding
貴州大龍眾彩科技開發有限責任公司# (Guizhou Dalong China Vanguard Development Company Limited†)	PRC	Registered capital RMB50,000,000	–	34%	Real Estate Development
黑龍江省博眾信息技術有限公司# (Heilongjiang Bozone IT Co. Limited†)	PRC	Registered capital RMB500,000	–	65%	Provision of lottery-related hardware and software systems
Jovial Sky Limited	BVI	Ordinary share US$1	–	100%	Investment holding
Jin Ming Holdings Limited	BVI	Ordinary share US$1	–	100%	Investment holding
Lead Team Investments Limited	Hong Kong	Ordinary share HK$1	–	100%	Investment holding
Loyalion Limited	Hong Kong	Ordinary shares HK$1,000	–	100%	Investment holding
Luck Centre Limited	Hong Kong	Ordinary share HK$1	–	40%	Investment holding

Notes to the Consolidated Financial Statements

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY IN ALPHABETICAL ORDER – continued

Particulars of the Company's principal subsidiaries as at 30 June 2012 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	Indirect	Principal activities
Lucky Villa Investments Limited	Hong Kong	Ordinary share HK$1	–	100%	Investment holding
Natural Lives Company Limited	Hong Kong	Ordinary shares HK$500,000	–	100%	Distribution of natural supplementary products
Next Champion Limited	Hong Kong	Ordinary share HK$1	–	100%	Investment holding
Precise Result Profits Limited	BVI	Ordinary share US$1	–	100%	Investment holding
Qi Wang Limited	BVI	Ordinary shares US$1,000	–	40%	Investment holding
Rain International Company Limited	Hong Kong	Ordinary shares HK$1,000,000	–	100%	Distribution of natural supplementary products
深圳市博眾信息技術有限公司# (Shenzhen Bozone IT Co. Limited†)	PRC	Registered capital RMB10,000,000	–	100%	Provision of lottery-related hardware and software systems
深圳博祿企業管理諮詢有限公司# (Shenzhen Bo-Lu Enterprise Management Consultancy Limited†)	PRC	Registered capital RMB100,000	–	100%	Provision of consultancy services
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	–	100%	Provision of lottery-related hardware and software systems
深圳市龍雲企業管理諮詢有限公司# (Shenzhen Longyun Consultancy Company Limited†)	PRC	Registered capital RMB100,000	–	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
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

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY IN ALPHABETICAL ORDER – continued

Particulars of the Company's principal subsidiaries as at 30 June 2012 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	Indirect	Principal activities
雙遼眾彩秸稈科技有限公司# (Shuangliao City Bude Straw Science & Technology Co., Ltd.)	PRC	Registered capital HK$3,400,000	–	100%	Animal Feed
Step Gain Limited	BVI	Ordinary shares US$10	–	100%	Investment holding
Success Crest Limited	Hong Kong	Ordinary share HK$1	–	100%	Investment holding
天津市眾彩科技有限責任公司# (Tianjin China Vanguard Company Limited†)	PRC	Registered capital RMB100,000	–	100%	Provision of lottery-related hardware and software systems

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

† For identification only

40. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

The Group had interests in the following significant jointly controlled entities at 30 June 2012:

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 consultancy 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	26.95%	Development of software, trading of computer hardware

Notes to the Consolidated Financial Statements

40. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES – continued

The Group had interests in the following significant jointly controlled entities at 30 June 2012: – 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
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

40. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES – continued

The Group had interests in the following significant jointly controlled entities at 30 June 2012: – continued

Name	Form of business structure	Place of establishment and operations	Class of capital	Proportion of nominal value of registered capital held by the Group	Principal activities
遼寧天合文化有限公司# (Liaoning Tian He Culture Co., Limited†)	Limited liability company	PRC	Registered	13.72%	Carryout copyright transactions of Karaoke programmes between IP owners and Karaoke venues and also provide technical support and operational services for value-added services at Karaoke venues
湖南天合世嘉文化有限公司# (Hunan Tian He Culture Co., Limited†)	Limited liability company	PRC	Registered	18.50%	Carryout copyright transactions of Karaoke programmes between IP owners and Karaoke venues and also provide technical support and operational services for value-added services at Karaoke venues
北京天合傳媒網絡有限公司# (Beijing Tian He Culture Co., Limited†)	Limited liability company	PRC	Registered	24.50%	Carryout copyright transactions of Karaoke programmes between IP owners and Karaoke venues and also provide technical support and operational services for value-added services at Karaoke venues
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

Notes to the Consolidated Financial Statements

40. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES – continued

The Group had interests in the following significant jointly controlled entities at 30 June 2012: – 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
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
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

40. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES – continued

The Group had interests in the following significant jointly controlled entities at 30 June 2012: – 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
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
陝西天合陽光文化傳播有限公司# (Shaanxi Tian He Culture Co., Limited†)	Limited liability company	PRC	Registered	24.50%	Carryout copyright transactions of Karaoke programmes between IP owners and Karaoke venues and also provide technical support and operational services for value-added services at Karaoke venues

Notes to the Consolidated Financial Statements

40. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES – continued

The Group had interests in the following significant jointly controlled entities at 30 June 2012: – continued

Name	Form of business structure	Place of establishment and operations	Class of capital	Proportion of nominal value of registered capital held by the Group	Principal activities
海南天合傳美文化有限公司# (Hainan Tian He Culture Co., Limited†)	Limited liability company	PRC	Registered	12.50%	Carryout copyright transactions of Karaoke programmes between IP owners and Karaoke venues and also provide technical support and operational services for value-added services at Karaoke venues
重慶天合世紀文化傳媒有限公司# (Chongqing Tian He Culture Co., Limited†)	Limited liability company	PRC	Registered	12.50%	Carryout copyright transactions of Karaoke programmes between IP owners and Karaoke venues and also provide technical support and operational services for value-added services at Karaoke venues
江蘇天合新紀元文化有限公司# (Jiangsu Tian He Culture Co., Limited†)	Limited liability company	PRC	Registered	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
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

40. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES – continued

The Group had interests in the following significant jointly controlled entities at 30 June 2012: – 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
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
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

Notes to the Consolidated Financial Statements

40. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES – continued

The Group had interests in the following significant jointly controlled entities at 30 June 2012: – 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
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
河北天人合文化有限公司# (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

40. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES – continued

The Group had interests in the following significant jointly controlled entities at 30 June 2012: – continued

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

40. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES – continued

The Group had interests in the following significant jointly controlled entities at 30 June 2012: – 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
昆明文中科技有限公司# (Kunming Min Zhong Technology Co., Limited†)	Limited liability company	PRC	Registered	13.74%	Trading of computer hardware and software

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

† For identification only

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:

	2012 HK$'000	2011 HK$'000
Current assets	**72,041**	57,038
Non-current assets	**4,818**	22,009
Current liabilities	**43,808**	28,369
Non-controlling interests	**9,317**	8,593

	2012 HK$'000	2011 HK$'000
Revenue	**45,342**	47,079
Expenses	**(51,526)**	(53,140)
Non-controlling interests	**244**	151
Loss for the year	**(5,940)**	(5,910)

41. SUMMARIZED STATEMENT OF FINANCIAL INFORMATION OF THE COMPANY

(a) Statement of Financial Position

	2012 HK$'000	2011 HK$'000
Property, plant and equipment	**706**	583
Interest in subsidiaries	**2,074,064**	2,051,422
Deposits, prepayments and other receivables	**2,570**	2,928
Bank balances and cash	**4,180**	557
Trade and other payables	**(12,573)**	(2,801)
Borrowings	**(94,331)**	(51,371)
Derivative financial instruments	**–**	(143)
Convertible bonds	**(7,365)**	(8,185)
Net assets	**1,967,251**	1,992,990
Share capital	**32,719**	32,219
Reserves	**1,934,532**	1,960,771
Total equity	**1,967,251**	1,992,990

(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	Accumulated losses HK$'000	Total HK$'000
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 expenses for the year	–	–	–	–	–	–	(27,806)	(27,806)
At 30 June 2011 and at 1 July 2011	32,219	2,157,154	234	35,572	11,092	2,569	(245,850)	1,992,990
Shares issued on exercise of warrants	500	7,900	–	–	–	–	–	8,400
Total comprehensive expenses for the year	–	–	–	–	–	–	(34,139)	(34,139)
At 30 June 2012	32,719	2,165,054	234	35,572	11,092	2,569	(279,989)	1,967,251

42. EVENTS AFTER REPORTING PERIOD

(a) On 18 July 2012, a subsidiary of the Group entered into an agreement to acquire 100% equity interest in Huai Lai Sai Shang Wineries Company Limited, a company incorporated in the PRC at a consideration of approximately HK$244,000 (RMB200,000). The transaction was completed on 6 August 2012.

(b) On 30 July 2012, the Company received an arbitration decision regarding an arbitration proceeding between a joint venturer of the Entertainment VAS services and the Group's jointly controlled entity, CCDDT as follows:

(a) to terminate of a joint venture agreement dated 15 July 2007; and

(b) to terminate the share transfer agreement signed on 30 August 2007 and the return of 20% interest in the joint venture business which was transferred from the joint venturer to CCDDT.

Five Year Financial Summary

For the year ended 30 June 2012

RESULTS

	For the year ended 30 June				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**104,838**	118,351	119,613	191,882	144,085
Cost of sales	**(37,933)**	(40,222)	(53,609)	(121,202)	(94,367)
Gross Profit	**66,905**	78,129	66,004	70,680	49,718
Other revenue	**1,318**	18,142	15,064	9,691	5,612
Gain (loss) on changes in fair value for derivative financial instruments	**116**	1,666	(37,150)	25,629	(13,347)
Selling and distribution costs	**(10,833)**	(15,350)	(11,093)	(20,161)	(16,255)
Administrative expenses	**(1,149,500)**	(191,905)	(983,919)	(113,649)	(94,930)
(Loss) gain on disposal of subsidiaries and associates	**(2,606)**	5,810	–	1,166	–
Gain on deconsolidation of a subsidiary	**–**	183,339	–	–	–
Loss on deemed disposal of a subsidiary held by a jointly controlled entity	**–**	–	–	–	(7)
Finance costs	**(10,315)**	(7,340)	(37,165)	(66,112)	(41,874)
Share of results of associates	**–**	–	–	124	(40)
(Loss) profit before taxation	**(1,104,915)**	72,491	(988,259)	(92,632)	(111,123)
Income tax expenses	**(3,036)**	(4,327)	(20,026)	(2,634)	(1,891)
(Loss) profit for the year	**(1,107,951)**	68,164	(1,008,285)	(95,266)	(113,014)

ASSETS AND LIABILITIES

	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**244,517**	1,292,537	2,482,042	2,988,059	3,087,897
Total liabilities	**(177,646)**	(101,384)	(506,449)	(817,185)	(819,586)
Net assets	**66,871**	1,191,153	1,975,593	2,170,874	2,268,311
Equity attributable to equity holders of the Company	**50,666**	1,136,563	1,506,573	2,134,803	2,247,625
Non-controlling interests	**16,205**	54,590	469,020	36,071	20,686
Total equity	**66,871**	1,191,153	1,975,593	2,170,874	2,268,311