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 2013-2014

*For identification purposes only

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

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Madam CHEUNG Kwai Lan *(Chairperson)*
Mr. CHAN Ting *(Deputy Chairman and CEO)*

Non-Executive Director

Mr. CHAN Tung Mei

Independent Non-Executive Directors

Mr. ZHANG Xiu Fu
Mr. YANG Qing Cai
Mr. TO Yan Ming Edmond

AUDIT COMMITTEE

Mr. TO Yan Ming Edmond *(Chairperson)*
Mr. ZHANG Xiu Fu
Mr. YANG Qing Cai

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUTHORIZED REPRESENTATIVES

Mr. CHAN Ting
Mr. LO Kam Fan

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

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Units 307-313, 3/F.
Wireless Centre
Hong Kong Science Park Phase One
Pak Shek Kok, Hong Kong

SHARE REGISTRAR

HSBC Trustee (Cayman) Limited
PO BOX 484, HSBC House, 68 West Bay Road,
Grand Cayman, KY1-1106
Cayman Islands

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

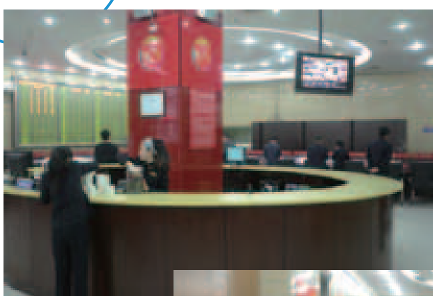
SEP 2012

WLA certified associate members:

Country	*Organization*	*Initial Certificate Date*	*End of Validity*
Austria	Scientific Games International GmbH, European Systems Operations	2011	2014
China	**China Vanguard Group Limited**	2011	2014
Greece	Intralot S.A.	2008	2012
Iceland	Betware	2011	2014
Ireland	GTECH Ireland Operations Ltd.	2010	2013
Spain	Sistemas Tecnicos de Loterias del Estado S.A. (STL)	2003	2014
Switzerland	GP Game Print SA	2011	2014
USA	GTECH corporation	2011	2014

WLA tapped CVG as its only Associate Member in Asia with dual certifications, ISO 27001 and WLA Security Control Standard as published by WLA report

NOV 2012



Entering into service agreement with Jilin Welfare Lottery Issuing Centre for establishing specialty stores for high frequency lottery game

JUNE 2013

Chongqing subsidiary passed the technical acceptance test from Chongqing Welfare Lottery Issuing Centre of our new offering – tablet PC lottery

Chairperson's Statement

Dear Shareholders,

On behalf of the board of directors of China Vanguard Group Limited, I herein to present the results of the Company and its subsidiaries for the financial year ended 30 June 2013.

Year 2013 is a year we enhance our business on the road we paved a year ago while at the same time we nourish our businesses with new found elements to fuel the growth. Our lottery-related operations have successfully expanded its coverage to new market while new lottery-related products have been launched to the market. Our property arm has gone from operational establishment into engagement of land development and the organization of our industrial parks. These strategic achievements are resulted from our devotion in the past in transforming a bumpy road into a smooth and wide autobahn for us to ride on.

Our research and development efforts have assisted us in achieving material progress. Through our proprietary touch-screen based game solution, we have successfully expanded our services into a new geographical location, Jilin, in November 2012. To enhance our competitiveness and provide higher satisfaction to our clients, we continue launching new products to widen our product variety, such as the tablet-based mobile point-of-sales terminals, "Happy 3" solutions. We believe these not only enhanced our market position in the industry, but will also help us to expand into new market segments.

Our focus in building up lottery distribution network starts to show promises. In order to further expand the coverage of our lottery distribution network, we are not only operating our own stores on street level, but also in strategic locations such as in Tianjin airport and supermarket chain through franchising to cover a much broader customer profile and capture those with lucrative purchasing power. During Year 2013, we also extended our lottery distribution business to scratch-and-win products by securing an exclusive distribution rights on scratch-and-win cards to distribute to karaoke venues in Chongqing to develop a new revenue stream.

Chairperson's Statement

As for our property operation arm under our wholly owned subsidiary Jovial Sky Limited, with the full support from provincial and local government after a year of devotion by us and our joint venture partner, a wholly owned subsidiary of the management committee of the Zone. We have completed our operational setup and working on the industrial land and commercial land first class development on the Zone. During the year, we have confirmed our first batch of 200 MOU commercial land which is surrounding the Yi Xin High-speed Railway Station (一心高鐵站), the only high-speed railway station that servicing the whole district nearby. We are expecting to prepare the first batch of commercial land for land auction during the second half of 2013. In 2013, we are proud to present our first phase of Hong Kong-Taiwan Industrial Park ("HKT industrial park") with 22 prefabricated factories under a form of "built and transfer" method for the management committee of the Zone. All these prefabricated factories have been fully occupied by the Guangdong coastal and domestic occupants who focused in light industry, such as footwear, automotive parts production, environmental friendly equipments. We are planning to replicate our successful story in our phase one HKT industrial park to our phase two HKT industrial park for a size of 3,000 MOU and targeting for PCB industry in Guangdong coastal area.

The Group will continue to explore and realize the business opportunities arising from the latest market development to nourish our lottery and property operations. We believe that the autobahn we built in Year 2013 will help us to reach a further and higher destination in the future and resulting in rising revenues and enhancement of shareholder's return. On behalf of the Board, I would like to thank all of 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, 24 September 2013

CEO's Statement

The Group recorded revenue of HK$62 million for Year 2013, a decrease of 40% from 2012 of HK$105 million. Loss attributable to equity holders for Year 2013 was HK$42 million, a decrease of 96% from 2012 of HK$1,108 million, HK$1,060 million of which were due to extraordinary losses in 2012. The Group core operating cost amounted to HK$86 million in Year 2013, a decrease of 14% from Year 2012 of HK$100 million.

LOTTERY-RELATED OPERATIONS

Through Bozone, the Group engaged in the supply of lottery-related software, equipment and services to the China Welfare Lottery authorities in Zhejiang, Heilongjiang and Shenzhen. While our other relevant subsidiaries also engaged in the provision of the lottery-related software, equipment, services, as well as the operation of a lottery distribution network in Tianjin, Jilin and Chongqing.

During the period, our traditional lottery-related operation remained to work closely and diligently with the China Welfare Lottery authorities in provision of the products and services in a high quality manner. In anticipation of industry development, we continue to develop new products such as touch-screen based high frequency lottery game "Happy 12" in Zhejiang for our clients to expand their consumer base. In addition, Zhejiang Welfare Lottery Issuing Centre has signed supplemental agreements with us in extending our provision of products and services and fee arrangement during the contract transitional period.

Lottery industry in China is a demand for new distribution channels and new games to enhance playability and attractiveness of the lottery games, in order to broaden its client base and enhancing the penetration of the lottery games into different classes of the society. Based on our successful lottery distribution experience from Tianjin, we expanded our lottery distribution network in Tianjin and Jilin via different channels and different locations during this period. We launched an outlet in Tianjin airport in November 2012 and franchised with a supermarket chain as part of our lottery distribution network. Further, to broaden the base of the participants in the lottery games, we have targeted the customers who visited the karaoke venues and with higher purchasing power as our potential clients via an exclusive distribution rights on scratch-and-win cards to the karaoke venues in Chongqing. This not only allow us to penetrate our lottery product into a market with high purchasing power, but also prove our distribution capability, not only to traditional lottery games or high-frequency lottery games but also to one of the most popular lottery games, scratch-and-win.

CEO's Statement

Our strong research and development team allowed us to grab the opportunities in expanding our business coverage to one more geographical area, Jilin, in Year 2013. We have signed with Jilin Welfare Lottery Issuing Centre in provision of our tailor made products and services. We have been providing our touch-screen based high frequency lottery game solution for the Jilin Welfare Lottery Issuing Centre for their lottery game "Happy 3".

Besides that we have secured a business contract in Chongqing, our capability in research and development brought us another business contract in relation to the touch-screen based high frequency lottery game product for karaoke venues in Chongqing. In addition, we successfully launched a tablet-based point-of-sales terminal for a high-frequency lottery game in Chongqing.

WLA certified associate members:

Country	*Organization*	*Initial Certificate Date*	*End of Validity*
Austria	Scientific Games International GmbH, European Systems Operations	2011	2014
China	**China Vanguard Group Limited**	2011	2014
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USA	GTECH corporation	2011	2014

Our technical capability continue to be recognized by the World Lottery Association, an international lottery industry association, in certifying to World Lottery Association Security Control Standards and also by Ministry of Science and Technology of PRC in remunerating our proprietary Lottery Operation Support System with government subsidies. We are working on apply for more government subsidies for our upcoming products.

LAND AND PROPERTY DEVELOPMENT OPERATIONS

Our Group's land and property development operations has been carried out by our wholly owned subsidiary, Jovial Sky Limited. Jovial Sky Limited has formed a non-wholly owned subsidiary GDCVG with the management committee of the Zone in Guizhou. GDCVG is responsible to carry out development of up to 30km^2 of industrial and commercial land in the Zone regarding the class 1 land development work such as land requisition, land leveling, landscaping and building up the infrastructure in order to transform raw land into cultivated land up to the standard for land auction in return for a profit sharing on any land's sale that is backed by a profit guarantee given by the Committee. In addition, the cooperation agreement we have signed with the Committee, the cost of class 1 land development work will be refunded to us on "built-and-transfer" basis. Further, we also carry out the promotion work for the sales of land in the Zone.

CEO's Statement

During the reporting period, we have completed our basic operational establishment and commenced to prepare class 1 development works on blocks of land for commercial use and industrial use.

Regarding the commercial land development, we have confirmed that our first 200 MOU commercial lands to be developed, will be located in an area which immediately surrounds the only high-speed railway station that is to service the whole Tongren district, Yi Xin High-speed Railway Station. Yi Xin High-speed Railway Station is located in the Zone and which is to service an area with circa 4,270,000 populations over an area of approximately 18,003km^2. This station is expected to be in use by mid-2014 and expected to become one of the most important transportation hub in Tongren district. We have commenced part of the class 1 land development work on these commercial lands during the reporting period and undergo the prerequisite procedures to transform these commercial lands into eligible for land auction. We are expecting to initiate the first batch of land auction during the second half of 2013.

As for the industrial land development, we are glad to present that we have completed 22 prefabricated factories as our first phase of HKT industrial park, which is focused in light industry from Guangdong coastal area, such as footwear, automotive parts production, and environmental friendly equipment. These prefabricated factories have been fully occupied by the Guangdong coastal and domestic occupants who participated in the abovementioned industries and the ownership of these prefabricated factories will be transferred back to the Committee in return to recover the cost of the construction and the guaranteed profit.

We are planning to replicate this successful story in our phase two HKT industrial park which is expected to have a land area of 3,000 MOU and targeting for PCB and related industry in Guangdong coastal area.

CEO's Statement

Further, in order to promote the HKT industrial park, as well as the Zone, we actively cooperate with the Committee in the investment promotion work to bring in companies which are considering to establish their manufacturing plants in the Zone. We recently have cooperated with the Shenzhen Printed-Circuit Board Association in promoting our HKT industrial park phase 2, the successful promotion event has been carried out in Shenzhen and the responses have been very positive.

ENTERTAINMENT EQUIPMENT AND SERVICES OPERATIONS

Our entertainment equipment unit focuses predominantly on supply of song selection/video-on-demand equipment to karaoke venues and our entertainment services unit on royalty collection on behalf of copyright owners from karaoke venues. During this reporting period, the performance of the operation has significant decrease from Year 2012 due to the litigation regarding the shareholding of our royalty collection arm in which affected our accounting treatment to this operation from jointly controlled entity to become an available for sales asset after the event of 2013 reporting period. However, the Board and the Company still consider the holding company of this royalty collection arm, China Culture Digital Development Technology Limited, remain as a jointly controlled entity. Details please refer to the announcement dated 16 August 2013. Further information please refer to notes 41 and 45 of Notes to the Consolidated Financial Statements.

FUTURE OUTLOOK AND PROSPECTS

Our strong research and development capability and pioneer distribution strategy assisted us to capture opportunities to strengthen our market position, such as expanding our business coverage to Jilin, securing new business contract in Tianjin and Chongqing, in Year 2013. We believe the market needs on widening lottery customers' base via exploring of new distribution channels or new games in China, is still strong in future. With our well-equipped team and visionary development direction, our lottery-related operations is expected to remain as one of the key revenue growth drivers for the Group.

As for our property division, the commercial and industrial land development in the Zone has gone through the establishment stage and advancing to the growth stage. We expect the phase two HKT industrial park which target the PCB industry will be a further successful to our phase one HKT industrial park and bringing us to achieve the next milestone in our industrial land development. Meanwhile, we expect the first batch of commercial lands in the Zone to be ready for auction by the end of 2013. Our property division is believed to fuel our future growth, as well as becoming a material revenue contributor, for our Group.

Mr. CHAN Ting
CEO and Executive Director

Hong Kong, 24 September 2013

Management Discussion and Analysis

FINANCIAL REVIEW

Result

The Group recorded revenue of HK$62 million for Year 2013, a decrease of 40% from 2012 of HK$105 million. Loss attributable to equity holders for Year 2013 was HK$42 million, a decrease of 96% from 2012 of HK$1,108 million, HK$1,060 million of which were due to extraordinary losses in 2012. The Group core operating cost amounted to HK$86 million in Year 2013, a decrease of 14% from Year 2012 of HK$100 million.

The Group's operating revenue decreased by 40% Year 2013 to HK$62 million, 62% of the Group's revenue was derived from the lottery-related services business which decreased by 28% to HK$39 million as compared to Year 2012. Entertainment VAS operations contributed to another 37% of the Group's operating revenue and decreased by 48% to HK$23 million in Year 2013.

Revenue	**2013** **HK$'000**	2012 HK$'000	Change
Lottery-related services	**38,959**	53,985	(28%)
Entertainment VAS	**23,311**	44,453	(48%)
Others	**139**	6,400	(98%)
	62,409	104,838	(40%)

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

Gross Profit	**2013** **Gross Profit** **HK$'000**	**2013** **Gross Profit Ratio**	2012 Gross Profit HK$'000	2012 Gross Profit Ratio	Change Gross Profit	Change Gross Profit Ratio
Lottery-related services	**37,379**	**96%**	49,663	92%	(25%)	4%
Entertainment VAS	**7,549**	**32%**	16,432	37%	(54%)	(14%)
Others	**(48)**	**(34%)**	810	13%	(106%)	(362%)
	44,880	**72%**	66,905	64%	(33%)	13%

The Group's gross profit decreased by 33% in 2013 to HK$45 million. However, the Group's gross profit ratio was 72%, increased by 13% in Year 2013 as compared with 64% Year 2012.

The Group's operating costs comprising selling and distribution costs and administrative expenses, decreased by 14% to HK$86 million.

The finance costs for Year 2013 and Year 2012 was stable around HK$10 million.

Management Discussion and Analysis

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at 30 June 2013, shareholders' fund amounted to HK$59 million (2012: HK$67 million). Current assets amounted to HK$81 million (2012: HK$134 million), mainly comprising of trade and other receivables and prepayments, available-for-sale financial assets. Current liabilities amounted to HK$77 million (2012: HK$103 million) mainly comprising of its trade and other payables and bank and other borrowings. In particular, the Group has bank borrowings of about HK$30 million (2012: HK$12 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$0.08 (2012: about HK$0.02). The gearing ratio of the Group was 130% (2012: 111%) on the basis of non-current liabilities divided by shareholders' funds.

CONVERTIBLE BONDS

As at 30 June 2013, the Group has no convertible bonds in issue (as at 30 June 2012: US$710,000).

CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

For details of the Group's contingent liabilities and pledge of assets as at 30 June 2013, please refer to notes 33 and 38 of the consolidated financial statements respectively.

WARRANTS

As at 30 June 2013, the Group has no warrants in issue (as at 30 June 2012: Nil).

CAPITAL STRUCTURE

On 18 December 2012, the Company has issued 500,000,000 ordinary shares of the Company by capitalizing a loan in the amount of HK$35,500,000 at a subscription price of HK$0.071 per share.

On 31 January 2013, an ordinary resolution has been passed by shareholders to consolidate five issued and unissued ordinary shares each with a par value of HK$0.01 into one consolidated share with a par value of HK$0.05 each. As at 30 June 2013, the Company has in issue a total of 754,378,767 ordinary shares each with a par value of HK$0.05 (2012: 3,271,893,839 ordinary shares each with a par value of HK$0.01).

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 HK$, RMB or US$. The Group's major investment and financing strategies are to invest in domestic projects in the PRC by RMB, HK$ and US$ borrowings. As the exchange rate of RMB against HK$ 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$ and HK$ exchange rate movement.

Management Discussion and Analysis

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND JOINTLY CONTROLLED ENTITY

As disclosed in the Company's 2012 annual report, the Group had disputes with the joint venture partner in respect of the operations and future development of the business of a jointly controlled entity, Excellent Union Group. In this regard, The joint venture partner commenced arbitration proceedings in 2011 against the Group to claim for the return of 20% equity interests in Excellent Union, which is the holding Company of Excellent Union Group and damages of RMB10 million. Refer to the final decision of the arbitration made on 30 July 2012, the Group shall return the 20% equity interests in Excellent Union and the transfer of 20% equity interests in Excellent Union to the join venture partner was completed on 29 October 2012. Upon completion of the transfer, the effective equity interests in Excellent Union held by the Group was decreased from 24.5% to 14.7% accordingly.

At a shareholder meeting of Excellent Union held on 8 October 2012, a resolution was passed to change the memorandum and articles of association of Excellent Union and additional members of board of directors were appointed on 11 January 2013. In this regard, the Group lost control over the Excellent Union, and consequently, Excellent Union became derecognized as a jointly controlled entity of the Group. In the opinion of the Directors, the Group has not exercise significant influence to Excellent Union by participating in financial and operating policies of Excellent Union, Excellent Union is accounted for as available-for-sale financial assets in the consolidated financial statements accordingly.

Except for the above, the Group did not make any material acquisition or disposal of subsidiaries and jointly controlled entity during the year ended 30 June 2013.

EMPLOYMENT AND REMUNERATION POLICIES

As at 30 June 2013, the Company and its subsidiaries employed 34 staff in Hong Kong (2012: 34), and 171 staff in the PRC (2012: 174). Staff costs excluding directors' remuneration amounted to about HK$30 million (2012: about HK$37 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 75, one of the founders of the Group, is the Chairperson and an Executive Director and chairman of the nomination committee of the Company. She has served the Group for more than 13 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 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, being Executive and Non-Executive Directors of the Company respectively.

Mr. CHAN Ting, aged 43, is the Deputy Chairman, Chief Executive Officer, an Executive Director, Compliance Officer and Authorized Representative 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 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 20 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 and Mr. Chan and the brother of Ms. Chan Siu Sarah being Executive and Non-Executive Directors of the Company respectively. He joined the Group in July 2001.

Ms. CHAN Siu Sarah, aged 48, is the General Counsel of the Group. Ms. Chan is the director of various subsidiaries 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 and Mr. Chan, and the sister of Mr. Chan Ting, being Executive and Non-Executive Directors of the Company respectively. She joined the Group in May 2008. Ms. Chan resigned as an Executive Director and authorised representative of the Company on 30 July 2013 and remains as General Counsel of the Group.

Non-Executive Director

Mr. CHAN Tung Mei, aged 77, is one of the founders of the Group and a Non-Executive Director of the Company. He has served the Group for more than 13 years and is the director of various subsidiaries of the Group. He graduated from Shanxi Industrial University (now known as Shanxi Taiyuan University of Technology) in the PRC and received a bachelor degree in Civil Engineering in August 1960. Mr. Chan has over 16 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, all being Executive Directors of the Company.

Profile of Directors and Senior Management

Independent Non-Executive Directors

Mr. ZHANG Xiu Fu, aged 79, is an Independent Non-Executive Director and a member of each of the audit committee, remuneration and nomination committee of the Company. He devoted himself to the Chinese Revolution in August 1948 and joined in the Communist Party in March 1950. He had served as the Head of the Municipal Police of Hangzhou City, Zhejiang Province, the Chief Officer of the Provincial Police of Zhejiang Province, a member of the Communist Party's Provincial Standing Committee in Zhejiang Province and the Secretary of the Political and Legislative Affairs Committee. He had also served as the Commissar of the Chinese People's Armed Police, the Vice Minister and the Vice Head of the party organization of the Chinese Ministry of Legislation, a representative of the Nine National People's Congress, a member of the Legislation Committee of the National People's Congress and the Vice President of China Law Science Association. He currently 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 66, is an Independent Non-Executive Director and member of each of the audit committee, remuneration committee and nomination committee of the Company. 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.

Mr. TO Yan Ming Edmond, aged 41, is an Independent Non-Executive Director of the Company, chairman of the audit committee and remuneration committee of the Company. 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 12 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 is as an independent non-executive director, a member of remuneration committee, audit committee and nomination committee of China Household Holdings Limited (formerly known as Bao Yuan Holdings Limited) (a Main Board listed company) since 24 April 2012. Mr. To was appointed as an independent non-executive director and a member of audit committee of Wai Chun Mining Industry Group Company Limited on 22 August 2013. 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 39, is the Group's Chief Financial Officer, the Company Secretary and Authorized Representative of the Company. Mr. Lo has over 16 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.

Profile of Directors and Senior Management

Mr. FUNG King Him Daniel, aged 43, 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.

Ms. HO Ping Ping, aged 64, is the Personal Assistant to the Chairperson and the director of various subsidiaries of the Group. Ms. Ho holds a degree in Foreign Trade from Shanghai Institute of Foreign Trade (now refers to Shanghai Foreign Trade University), and has the title of Economist and International Economist. Prior to joining the Group, she was the manager of the third branch office of the Anhui Import and Group. She joined the Group in July 2001.

Mr. HO Wai Keung Denis, aged 40, is the deputy Director of Lottery (New Market) Operation & Strategic Alliance. 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 (holding company of Air China) 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 37, 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 12 years of experience in human resources and administration management. Prior to joining the Group in July 2008, she worked as human resources managerial positions with a listed company and a sizeable investment company.

Mr. LV Jie, aged 36, is the General Manager of 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 38, is the General Manager of 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 maintain a high standard of corporate governance which serves as a vital element of risk management throughout the growth of the Company. The Directors devotes to best practice on corporate governance and to comply to the extent practicable, with the code on corporate governance practices contained in Appendix 15 of the Listing Rules. The Directors firmly believe that to maintain a good, solid and sensible framework of corporate governance will ensure the Company to run its business in the best interest of its shareholders as a whole.

COMPLIANCE WITH THE CODE

During the year ended 30 June 2013, the Company has complied with the code provisions in the CG Code, except for the deviation described below:

Under code provision A.4.1 of the CG Code, Non-Executive Directors should be appointed for a specific term subject to re-election. The 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 years in accordance with the Articles of Association. The reason for the deviation is that the Company does not believe that arbitrary term limits on Directors' service are appropriate given that Directors ought to be committed to representing the long term interests of the Company's shareholders, and the retirement and re-election requirements of INEDs have given the Company's shareholders the right to approve continuation of INEDs' offices.

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 six members. Among them, two are Executive Directors, one is Non-Executive Director and three are INEDs. Madam Cheung, the Chairperson of the Board, is the mother of Mr. Chan Ting and the spouse of Mr. Chan, being Executive Director and Non-Executive Director of the Company respectively. 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 15 of this annual report.

During the year ended 30 June 2013, the Board at all times met the requirements of rule 5.05 of Listing Rules. The Company has received, from each of the INEDs, an annual confirmation of independence pursuant to Rule 5.09 of Listing Rules. On 24 September 2013, the nomination committee of the Company has reviewed and assessed each individual INED's annual confirmation of independence based on the independence criteria as set out in Listing Rules, and affirmed that all INEDs remained independent.

Chairperson and CEO

The role of Chairperson 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 Chairperson, Madam Cheung and the CEO, Mr. Chan Ting in accordance with the CG Code.

Director's Appointment and Re-election

All the Executive Directors and Non-Executive Director have entered into a service contract with the Company with effect from the date of appointment and will continue thereafter unless and until terminated by either party by giving not less than six months' notice in writing served by either party on the other. All INEDs 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 20 of this annual report.

Notices of Board meeting are given to each director and draft 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 committee. 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 Group 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 Listing Rules as the code for dealing in securities of the Directors. 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 2013.

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 committee. 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

The nomination committee comprises three members, namely Mr. Zhang Xiu Fu, Mr. Yang Qing Cai and Madam Cheung as Chairperson of the committee. 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. During the year ended 30 June 2013, nomination committee met once and individual attendance of committee members is set out on page 20 of this annual report.

Remuneration committee

The remuneration committee comprises four members, a majority of them being INEDs. The remuneration committee is 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 during the reporting period and individual attendance of committee members is set out on page 20 of this annual report. Details of the emolument of the Directors are set out in note 12 to the consolidated financial statements.

Corporate Governance Report

Audit Committee

The audit committee currently comprises of three INEDs. The major duties of audit committee are (i) to oversee the Company's relationship with external auditors; (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 2013, 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 2012 and unaudited quarterly and interim results; and (iii) to consider the re-appointment of auditors. Individual attendance of audit committee members are set out on page 20 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 review. 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 2013 and is responsible for presenting a balanced, clear and understandable assessment of annual, interim and quarterly reports, insider information announcement and other disclosure required under the 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 internal control system of the Group. Such review covered the financial, operational, compliance and risk management aspects of the significant subsidiaries of the Group and included the adequacy of resources, qualifications and experience of staff, 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 Chairperson and assistance from the CEO, the Board commits to promote corporate governance which serves as a vital element of risk management throughout the growth and expansion of the Company.

Professional Development

The Company provides regular updates on the business development of the Group. The Directors are regularly briefed in the latest development regarding the Listing Rules and other applicable statutory requirements to ensure compliance and upkeep of good corporate governance practices. In addition, the Company has been encouraging the Directors to enroll in professional development courses and seminars relating to the Listing Rules, companies ordinance and corporate governance practices organized by professional bodies or chambers in Hong Kong. All Directors are requested to provide the Company with their respective training records pursuant to the CG Code.

All the Directors have participated in appropriate continuous professional development and refresh their knowledge and skills during the year. Such professional development was completed either by way of attending briefings, conference, forum, courses and seminars and self-reading which are relevant to the business or directors' duties.

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 27 to 28 of this annual report. During the reporting period, the remuneration paid/payable to the Group'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	1,115
Non-Audit Services	–
Total	1,115

Company Secretary

The Company Secretary of the Company is Mr. Lo Kam Fan, who is also the Chief Financial Officer and Authorized Representative of the Company and is a fellow member of Hong Kong Institute of Certified Public Accountants. Mr. Lo has complied with Rule 3.29 of the Listing Rules for taking not less than 15 hours of relevant professional training during the year.

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 Units 307-313, 3/F., Wireless Centre, Hong Kong Science Park Phase One, Pak Shek Kok, Hong Kong on 7 November 2013. Details please refer to the notice of annual general meeting and the circular sent to shareholders on 30 September 2013. 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 to lodge their questions together with their detailed contact information for the prompt response from the Company if it deems appropriate.

Constitutional Documents

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 annual general meeting held during the reporting period are set out below:

Name of Director	Board Meeting	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting
No. of meeting held	9	4	1	1	1
Executive Directors					
Madam Cheung Kwai Lan	5/9	N/A	N/A	1/1	0/1
Mr. Chan Ting	8/9	N/A	1/1	N/A	1/1
Mr. Wang Yong Chun *(Note 1)*	2/8	N/A	N/A	N/A	N/A
Ms. Chan Siu Sarah *(Note 4)*	9/9	N/A	N/A	N/A	1/1
Mr. Lau Hin Kun *(Note 2)*	3/4	N/A	N/A	N/A	0/1
Non-executive Director					
Mr. Chan Tung Mei (Re-designated on 6 November 2012)	9/9	N/A	N/A	N/A	1/1
INEDs					
Mr. Zhang Xiu Fu	3/9	3/4	0/1	0/1	0/1
Mr. Yang Qing Cai	1/9	1/4	1/1	1/1	0/1
Mr. To Yan Ming Edmond	7/9	4/4	1/1	N/A	0/1
Mr. Tian He Nian *(Note 3)*	0/4	0/1	N/A	N/A	0/1

Madam Cheung Kwai Lan could not attend the 2012 Annual General Meeting due to an important business engagement.

Notes:

1. Mr. Wang Yong Chun resigned as an Executive Director on 30 April 2013.

2. Mr. Lau Hin Kun resigned as an Executive Director on 6 November 2012.

3. Mr. Tian He Nian retired as an Independent Non-Executive Director on 6 November 2012.

4. Ms. Chan Siu Sarah resigned as an Executive Director and authorized representative on 30 July 2013.

Directors' Report

The Directors present their annual report and the audited consolidated financial statements for the year ended 30 June 2013.

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 42 to the consolidated financial statements.

An analysis of the Group's performance for Year 2013 by business is set out in note 8 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for Year 2013 are set out in the consolidated statement of profit or loss and other comprehensive income on page 29 and 30.

The Directors do not recommend the payment of any dividend for the year ended 30 June 2013.

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 30 and 31 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 32.

The Group's reserves available for distribution to shareholders as at 30 June 2013 amounted to Nil under applicable provisions of the Companies Law in the Cayman Islands (30 June 2012: Nil).

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the five financial years is set out on page 102 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 *(resigned on 30 April 2013)*
Ms. Chan Siu Sarah *(resigned on 30 July 2013)*
Mr. Lau Hin Kun *(resigned on 6 November 2012)*

Non-Executive Director

Mr. Chan Tung Mei *(re-designated on 6 November 2012)*

Independent Non-Executive Directors

Mr. Zhang Xiu Fu
Mr. Tian He Nian *(retired on 6 November 2012)*
Mr. Yang Qing Cai
Mr. To Yan Ming Edmond

In accordance with Article 116 of the Articles of Association, Mr. Chan Tung Mei, Mr. Yang Qing Cai and Mr. Zhang Xiu Fu will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

All the Executive Directors and Non-Executive Director 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.

All the INEDs 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 INEDs has confirmed his independence to the Company pursuant to Rule 5.09 of the Listing Rules for the year 2013 and the Company considers the INEDs 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 TRANSACTION AND CONNECTED TRANSACTION

Details of the significant related party transactions are set out to note 40 to the consolidated financial statements. During the year, the Company has not entered into any transaction with Connected Person.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 30 June 2013, the Group made 98% of its entire sales to five customers and sales to the largest customer included therein amounted to approximately 49%.

Purchases from the Group's five largest suppliers accounted for approximately 96% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 56%. None of Directors, or any of their associates or any other shareholders, which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital, had any beneficial interest in the Group's five customers or five largest suppliers during the year.

DIRECTORS' 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 2013, the interests and short positions 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 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 referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the 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 Director	Company/ Name of associated corporation	Interest in controlled corporation	Beneficial owner	Family interest	Total interest	Approximate percentage of shareholding
Madam Cheung	Company	335,291,464 *(Note 1)*	414,000 *(Note 2)*	–	335,705,464	44.50%
Mr. Chan	Company	–	–	335,705,464 *(Notes 1& 2)*	335,705,464	44.50%
Madam Cheung	Best Frontier	–	909	1 *(Note 3)*	910	–
Mr. Chan	Best Frontier	–	1	909 *(Note 3)*	910	–

Notes:

1. The 335,291,464 shares are owned by Best Frontier which is owned as to 99.89% and 0.11% by Madam Cheung and Mr. Chan respectively, who are spouse to each other. Accordingly, Madam Cheung is deemed to be interested in the shares held by Best Frontier and Mr. Chan is deemed to be interested in all 335,291,464 shares by virtue of being the spouse of Madam Cheung under the SFO.

2. The 414,000 shares are owned by Madam Cheung who is the spouse of Mr. Chan. Accordingly, Mr. Chan 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 and Madam Cheung who are spouse to each other. Accordingly, Madam Cheung and Mr. Chan are deemed to be interested in the shares held by each other under the SFO.

(2) Share option of the Company

Details of the share options scheme adopted by the Company are set out in note 31 to the consolidated financial statements.

The Company has adopted the share option scheme under which the Board may, at its discretion, invite eligible persons to take up options to subscribe for the shares in the Company. Eligible persons shall include any employee, directors (including executive, non-executive and independent non-executive directors) and consultants of the Company or of any subsidiary of the Company or such other persons who at the sole determination of the Board have contributed to the Group at the time when an option is granted to such person.

The share option scheme will remain valid for a period of 10 years commencing from 31 January 2013. For the year ended 30 June 2013, no share option had been granted or agreed to be granted.

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 2013, 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 5% 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

		Number of Shares held		Approximate
Name of Shareholder	Capacity	Long Position	Short Position	percentage of shareholding
Best Frontier	Beneficial Owner	335,291,464 *(Note)*	–	44.45%
Tarascon	Beneficial Owner	62,420,000	–	8.27%

Note:

The 335,291,464 Shares are owned by Best Frontier which is owned as to 99.89% and 0.11% by Madam Cheung and Mr. Chan respectively, who are spouse to each other.

Save as disclosed above, as at 30 June 2013, 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 5% 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.

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 2012: Nil).

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 2013.

Directors' Report

COMPETING INTERESTS

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

CORPORATE GOVERNANCE

The Company is committed to maintain a high standard of corporate governance which is set out in the "Corporate Governance Report" on pages 16 to 20 of this report.

AUDIT COMMITTEE

The Company has established an audit committee consist of three INEDs namely Mr. Zhang Xiu Fu, Mr. Yang Qing Cai and Mr. To Yan Ming Edmond who is the chairman of the audit committee.

The Group's audited results for the year ended 30 June 2013 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 2013.

EVENTS AFTER REPORTING PERIOD

Details of the significant events after reporting period of the Group are set out in note 45 to the financial statements.

AUDITORS

A resolution will be submitted to the forthcoming AGM of the Company to re-appoint W.H. Tang & Partners CPA Limited. There is no change to the auditors of the Company in the preceding 3 years.

On behalf of the Board

Madam CHEUNG Kwai Lan
Chairperson and Executive Director

Hong Kong, 24 September 2013

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 29 to 101, which comprise the consolidated statement of financial position as at 30 June 2013, and the consolidated statement of profit or loss and other 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 2013 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, 24 September 2013

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2013

	Notes	**Year ended 30-6-2013 HK$'000**	Year ended 30-6-2012 HK$'000
Revenue	9	**62,409**	104,838
Cost of sales		**(17,529)**	(37,933)
Gross profit		**44,880**	66,905
Other revenue	9	**1,273**	1,318
Selling and distribution costs		**(6,554)**	(10,833)
Administrative expenses		**(79,195)**	(89,323)
Operating loss		**(39,596)**	(31,933)
Impairment loss on goodwill		**–**	(996,373)
Impairment loss on available-for-sale financial assets		**–**	(63,783)
Loss on disposal of subsidiaries		**–**	(2,606)
Loss on disposal of available-for-sale financial assets		**–**	(21)
Gain on disposal of a jointly controlled entity		**6,640**	–
Gain on changes in fair value of derivative financial instruments		**–**	116
Finance costs	10	**(10,135)**	(10,315)
Loss before taxation	11	**(43,091)**	(1,104,915)
Income tax expenses	14	**(749)**	(3,036)
LOSS FOR THE YEAR		**(43,840)**	(1,107,951)
Other comprehensive income (expenses) for the year, after tax:			
Items that will not be reclassified to profit or loss:			
Changes of interests in subsidiaries and a subsidiary of a jointly controlled entity		**–**	(27,270)
Release on disposal of a jointly controlled entity		**(6,015)**	–
		(6,015)	(27,270)
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas operations		**6,071**	2,173
		6,071	2,173
Other comprehensive income (expenses) for the year, net of tax		**56**	(25,097)
TOTAL COMPREHENSIVE EXPENSES FOR THE YEAR		**(43,784)**	(1,133,048)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2013

	Notes	**Year ended 30-6-2013 HK$'000**	Year ended 30-6-2012 HK$'000
Loss attributable to:			
Equity holders of the Company		**(41,522)**	(1,107,505)
Non-controlling interests		**(2,318)**	(446)
		(43,840)	(1,107,951)
Total comprehensive expenses attributable to:			
Equity holders of the Company		**(34,031)**	(1,094,297)
Non-controlling interests		**(9,753)**	(38,751)
		(43,784)	(1,133,048)
			(Restated)
Loss per share			
Basic	*16*	**(HK5.87 cents)**	(HK169.65 cents)

Consolidated Statement of Financial Position

At 30 June 2013

	Notes	30-6-2013 HK$'000	30-6-2012 HK$'000
Non-current assets			
Property, plant and equipment	*17*	**31,478**	16,154
Goodwill	*18*	**94,608**	94,475
Other intangible assets	*19*	**–**	–
Available-for-sale financial assets	*20*	**–**	–
Prepaid lease payments	*21*	**4,255**	–
		130,341	110,629
Current assets			
Available-for-sale financial assets	*20*	**18,578**	–
Prepaid lease payments	*21*	**121**	–
Inventories	*22*	**4,170**	3,936
Trade and other receivables and prepayments	*23*	**49,479**	43,543
Pledged bank deposits	*38*	**5,262**	5,223
Bank balances and cash	*24*	**3,879**	81,186
		81,489	133,888
Current liabilities			
Trade payables, accrued liabilities and other payables	*25*	**15,269**	60,676
Tax liabilities		**1,837**	2,271
Bank and other borrowings	*26*	**54,265**	32,419
Amounts due to directors	*27*	**5,520**	584
Convertible bonds	*29*	**–**	7,365
		76,891	103,315
Net current assets		**4,598**	30,573
Total assets less current liabilities		**134,939**	141,202
Non-current liabilities			
Bank and other borrowings	*26*	**–**	74,331
Loan from shareholder	*28*	**76,352**	–
		76,352	74,331
Net assets		**58,587**	66,871
Capital and reserves			
Share capital	*30*	**37,719**	32,719
Reserves		**14,416**	17,947
Equity attributable to equity holders of the Company		**52,135**	50,666
Non-controlling interests		**6,452**	16,205
Total equity		**58,587**	66,871

The consolidated financial statements on pages 29 to 101 were approved and authorized for issue by the Board of Directors on 24 September 2013 and are signed on its behalf by:

CHEUNG KWAI LAN	**CHAN TING**
Director	*Director*

Consolidated Statement of Changes in Equity

For the year ended 30 June 2013

	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$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
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 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 and 1 July 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
Loss for the year	–	–	–	–	–	–	–	–	(41,522)	(41,522)	(2,318)	(43,840)
Exchange differences on translation of financial statements of overseas operations	–	–	–	–	–	7,454	–	–	–	7,454	(1,383)	6,071
Release on disposal of a jointly controlled entity	–	–	–	–	–	37	–	–	–	37	(6,052)	(6,015)
Total comprehensive income (expenses) for the year	–	–	–	–	–	7,491	–	–	(41,522)	(34,031)	(9,753)	(43,784)
Shares issued on loan capitalization	5,000	30,500	–	–	–	–	–	–	–	35,500	–	35,500
Share options lapsed	–	–	–	–	(11,092)	–	–	–	11,092	–	–	–
At 30 June 2013	37,719	2,195,554	234	35,572	–	31,226	(1)	10,195	(2,258,364)	52,135	6,452	58,587

Consolidated Statement of Changes in Equity

For the year ended 30 June 2013

Notes:

(a) The employee share-based compensation reserve comprises the cumulative value of employee services received for the issue of shares under share award scheme.

(b) The share option 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.

(c) The translation reserve comprises:

(i) 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.

(ii) The exchange differences on monetary items which form part of the Group's net investment in the foreign operations.

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

During the year ended 30 June 2012, the Group acquired a 49% equity interest in Cheerfull, a 1% equity interest in SZLFC and disposed a 2.94% equity interest in 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%)	

Consolidated Statement of Cash Flows

For the year ended 30 June 2013

	Notes	Year ended 30-6-2013 HK$'000	Year ended 30-6-2012 HK$'000
OPERATING ACTIVITIES			
Loss before taxation		**(43,091)**	(1,104,915)
Adjustment for:			
Interest income		**(168)**	(649)
Interest expenses		**10,135**	10,315
Allowances for doubtful receivables		**93**	–
Amortization of prepaid lease payments		**109**	–
Depreciation of property, plant and equipment		**6,723**	15,642
Impairment loss on goodwill		**–**	996,373
Impairment loss on available-for-sale financial assets		**–**	63,783
Loss (gain) on disposal of property, plant and equipment		**732**	(187)
Loss on disposal of subsidiaries	*32(e)*	**–**	2,606
Loss on disposal of available-for-sale financial assets		**–**	21
Gain on disposal of a jointly controlled entity	*32(b)&(c)*	**(6,640)**	–
Gain on changes in fair value of derivative financial instruments		**–**	(116)
Written-off of deposits and other receivables		**115**	–
Operating cash flows before movements in working capital		**(31,992)**	(17,127)
(Increase) decrease in inventories		**(231)**	369
Increase in trade and other receivables and prepayments		**(10,021)**	(14,089)
(Decrease) increase in trade payables, accrued liabilities and other payables		**(2,720)**	22,972
Cash used in operations		**(44,964)**	(7,875)
Tax paid		**(1,255)**	(2,178)
NET CASH USED IN OPERATING ACTIVITIES		**(46,219)**	(10,053)

Consolidated Statement of Cash Flows

For the year ended 30 June 2013

	Notes	Year ended 30-6-2013 HK$'000	Year ended 30-6-2012 HK$'000
INVESTING ACTIVITIES			
Interest received		**168**	649
Purchases of property, plant and equipment		**(22,993)**	(5,267)
Increase in pledged bank deposits		**(39)**	(66)
Proceeds from disposal of property, plant and equipment		**120**	294
Proceed from disposal of available-for-sale financial assets		**–**	336
Cash inflows on acquisition of a subsidiary	*32(a)*	**1,457**	–
Payment to acquire additional interests in subsidiaries		**–**	(27,504)
Cash outflows on disposal of subsidiaries	*32(e)*	**–**	(321)
Cash outflows on disposal of a jointly controlled entity	*32(b)&(c)*	**(52,112)**	–
NET CASH USED IN INVESTING ACTIVITIES		**(73,399)**	(31,879)
FINANCING ACTIVITIES			
Interest paid		**(1,077)**	(1,126)
Issue of shares		**–**	6,720
Net raising of bank and other borrowings		**22,894**	42,960
Increase in bank overdraft, secured		**13**	2,841
Capital contribution from non-controlling interests		**–**	3,763
Dividend paid to non-controlling interests		**–**	(3,397)
Repayment of convertible bonds		**(4,003)**	–
Amounts due to directors		**4,936**	584
Loan from shareholder		**12,730**	–
NET CASH FROM FINANCING ACTIVITIES		**35,493**	52,345
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(84,125)**	10,413
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**81,186**	68,155
Effects of foreign exchange rate changes		**6,818**	2,618
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**3,879**	81,186
Represented by:			
Bank balances and cash		**3,879**	81,186

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 GEM. 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 Units 307-313, 3/F., Wireless Centre, Hong Kong Science Park Phase One, Pak Shek Kok, Hong Kong.

The consolidated financial statements are presented in 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 42 and 43 respectively.

2. APPLICATION OF NEW AND REVISED 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 HKICPA.

HKAS 1 (Amendments)	Presentation of items of other comprehensive income
HKAS 12 (Amendments)	Deferred tax: Recovery of underlying assets

The amendments to HKAS 1 "Presentation of items of other comprehensive income" introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a "statement of comprehensive income" is renamed as a "statement of profit or loss and other comprehensive income" and an "income statement" is renamed as a "statement of profit or loss".

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 do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Except for the amendments to HKAS 1 as described above, the application of the new and revised HKFRSs in the current year has had no material effect on the amounts reported or disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HKFRSs – continued

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

HKAS 19 (As revised in 2011)	Employee benefits[1]
HKAS 27 (As revised in 2011)	Separate financial statements[1]
HKAS 28 (As revised in 2011)	Investments in associates and joint ventures[1]
HKAS 32 (Amendments)	Offsetting financial assets and financial liabilities[2]
HKAS 36 (Amendments)	Recoverable amount disclosure for non-financial assets[2]
HKAS 39 (Amendments)	Novation of derivatives and continuation of hedge accounting[2]
HKFRSs (Amendments)	Annual improvements to HKFRSs 2009-2011 cycle[1]
HKFRS 1 (Amendments)	Government loan[1]
HKFRS 7 (Amendments)	Disclosures – Offsetting financial assets and financial liabilities[1]
HKFRS 9	Financial instruments[3]
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory effective date of HKFRS 9 and transition disclosures[3]
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidation financial statements, joint arrangements and disclosure of interests in other entities: transition guidance[1]
HKFRS 10, HKFRS 12 and HKAS 27	Investments entities[2]
HKFRS 10	Consolidated financial statements[1]
HKFRS 11	Joint arrangements[1]
HKFRS 12	Disclosure of interests in other entities[1]
HKFRS 13	Fair value measurement[1]
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine[1]
HK(IFRIC) – INT 21	Levies[2]

1 Effective for annual periods beginning on or after 1 January 2013
2 Effective for annual periods beginning on or after 1 January 2014
3 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.

Notes to the Consolidated Financial Statements

2. APPLICATION OF NEW AND REVISED HKFRSs – continued

HKFRS 9 Financial instruments – continued

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.

The Directors 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 2013. In the opinion of the Directors, 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.

Consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (As revised in 2011) and HKAS 28 (As revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements. HK (SIC) – Int 12 "Consolidation – Special Purpose Entities" will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 "Interests in Joint Ventures". HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK (SIC) – Int 13 "Jointly Controlled Entities – Non-monetary Contributions by Venturers" will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

2. APPLICATION OF NEW AND REVISED HKFRSs – continued

Consolidation, joint arrangements, associates and disclosures – continued

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time. These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided all of these standards are applied at the same time.

The directors of the Company anticipate that the application of HKFRS 10, HKFRS 12, HKAS 27 (As revised in 2011) and HKAS 28 (As revised 2011) will have no significant impact on the Group's financial performance and position and/or on the disclosures set out in these consolidated financial statements.

Moreover, the application of HKFRS 11 will change the classification and subsequent accounting of the Group's jointly controlled entities which are currently presented under HKAS 31 and have been accounted for using the proportionate consolidation method. Under HKFRS 11, investments in jointly controlled entities will be classified as joint ventures and will be accounted for using the equity method, resulting in the aggregation of the Group's proportionate share of jointly controlled entities' respective net assets and items of profit or loss and other comprehensive income into a single line item which will be presented in the consolidated statement of financial position and in the consolidated statement of profit or loss and other comprehensive income as 'investment in joint ventures' and 'share of profits (loss) of joint ventures' respectively. The summarised financial information in respect of jointly controlled entities are disclosed in note 43.

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.

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 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 profit or loss and other 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

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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Business combinations

Business combinations that took place on or after 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.

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Business combinations – continued

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

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

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

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

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

Subsidiaries

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

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

Interests in jointly controlled entities

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

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

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.

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Goodwill

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

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

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

Revenue recognition

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

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

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

Revenue from the provision of entertainment VAS 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 FVTPL) 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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Property, plant and equipment

Property, plant and equipment, comprising leasehold land and buildings, furniture, fixtures and equipment, plant and machinery, leasehold improvement, motor vehicles and 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 profit or loss and other 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%-31%
Plant and machinery	3%-12%
Leasehold improvement	Over the lease term
Motor vehicles	6%-20%
Computer equipment	20%-25%

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognized in profit or loss.

Inventories

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

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES – continued

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 profit or loss and other comprehensive income on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as expenses on a straight-line basis over the lease term.

The Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognized as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land and 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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

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 CGU 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 profit or loss and other comprehensive income in the year the intangible asset is derecognized.

Technical know-how

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

Computer software

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

Research and development expenditures

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

An internally generated intangible asset arising from development expenditure is recognized only if it is anticipated that the development costs incurred on a clearly defined project will be recovered through future commercial activity.

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

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Foreign currencies – continued

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.

Employee benefits

(a) Reirement benefits schemes

The Group operates a defined contribution 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 profit or loss and other 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 PRC 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 profit or loss and other comprehensive income as they become payable in accordance with the rules of the pension schemes.

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Employee benefits – continued

(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 profit or loss and other comprehensive income with a corresponding increase in an employee share-based compensation reserve under equity.

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.

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 profit or loss and other 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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Borrowing costs

Borrowing costs are directly attributable to the acquisition, construction or production of qualifying asset that necessarily take a substantial period of time to get ready for its intended use or sale are capitalized as part of the costs of that asset. Capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are charged to the consolidated statement of profit or loss and other 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.

(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); or

(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.

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES – continued

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 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 FVTPL 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.

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 profit or loss and other 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).

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Impairment of financial assets

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

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

For 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.

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.

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

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.

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, amounts due to directors, loan from shareholder 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 or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortized over that the period of the convertible bonds using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

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 FVTPL. 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.

Notes to the Consolidated Financial Statements

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

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the CGU to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Where the actual cash flows are less than expected, a material impairment loss may arise. As at 30 June 2013, the carrying amount of goodwill is approximately HK$94,608,000 (30-6-2012: approximately HK$94,475,000) with impairment loss of Nil (Year ended 30-6-2012: approximately HK$996,373,000) was recognized in consolidated statement of profit or loss and other comprehensive income. Details of impairment test for goodwill are set out in note 18.

Income taxes

As at 30 June 2013, 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$77,734,000 (30-6-2012: approximately HK$75,994,000) 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 profit or loss and other 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.

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

Estimated allowances of doubtful receivables

The Group makes allowances of trade and other receivables based on an assessment of the recoverability of receivables. Allowance is applies to doubtful receivables when 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 and other receivables is different from the original estimate, such difference will impact the carrying value of trade and other receivables and doubtful debts expenses in the period which such estimate has been changed.

Exclusive rights of entertainment VAS

In recognition of the acquisition of entertainment VAS business, exclusive rights of entertainment VAS 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. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The capital structure of the Group consists of debt, which includes the bank and other borrowings and convertible bonds disclosed in notes 26 and 29 respectively, and equity attributable to equity holders of the Company, comprising issued share capital disclosed in note 30, 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 issuance of new debt or the redemption of existing debt. The Group's overall strategy remains unchanged throughout the year.

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	30-6-2013 HK$'000	30-6-2012 HK$'000
Financial assets		
Available-for-sale financial assets	**18,578**	–
Loans and receivables (including cash and cash equivalents)	**46,188**	117,533
Financial liabilities		
Amortized cost	**138,974**	162,956

Notes to the Consolidated Financial Statements

7. 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, amounts due to directors and loan from shareholder. 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.

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

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

Foreign currency risk

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

At the end of reporting date, the Group has convertible bonds, certain bank balances and bank and other borrowings denominated in HK$ and 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**	
	30-6-2013	30-6-2012	**30-6-2013**	30-6-2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
HK$	**106,158**	106,789	**113,685**	119,217
US$	**2,341**	2,345	**–**	7,365

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

Foreign currency risk – continued

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 2013 would have been increased/decreased by approximately HK$335,000 as a result of foreign exchange losses/gains on translation of transactions denominated in HK$ (Year ended 30-6-2012: increased/decreased loss by approximately HK$419,000).

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.

Interest rate risk

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

The Group's interest rate risk arises from bank and other borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk. Details of the Group's bank and other borrowings are set out in note 26.

Sensitivity analysis

At 30 June 2013, 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$543,000 (Year ended 30-6-2012: increase/decrease loss by approximately HK$868,000). 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 2012.

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

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

Liquidity risk – continued

The following tables analyse 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:

30-6-2013

	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	**15,269**	**15,269**	**15,269**	**–**	**–**	**–**
Bank and other borrowings	**54,265**	**61,236**	**61,236**	**–**	**–**	**–**
Amounts due to directors	**5,520**	**5,520**	**5,520**	**–**	**–**	**–**
Loan from shareholder	**76,352**	**78,515**	**–**	**78,515**	**–**	**–**
	151,406	**160,540**	**82,025**	**78,515**	**–**	**–**

30-6-2012

	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	60,676	60,676	60,676	–	–	–
Bank and other borrowings	106,750	128,591	36,420	92,171	–	–
Amounts due to directors	584	584	584	–	–	–
Convertible bonds	7,365	7,807	7,807	–	–	–
	175,375	197,658	105,487	92,171	–	–

Fair value estimation

The fair values of financial assets with standard terms and conditions are 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.

8. 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:

(a) Provision of lottery-related services

(b) Provision of entertainment VAS

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

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:

Year ended 30-6-2013

	Lottery-related services HK$'000	Entertainment VAS HK$'000	Others HK$'000	Total HK$'000
Segment revenue:				
Sales to external customers	**38,959**	**23,311**	**139**	**62,409**
Segment results	**3,502**	**(4,886)**	**(2,395)**	**(3,779)**
Unallocated income				**41**
Unallocated expenses				**(35,858)**
Finance costs				**(10,135)**
Gain on disposal of a jointly controlled entity				**6,640**
Loss before taxation				**(43,091)**
Income tax expenses				**(749)**
Loss for the year				**(43,840)**

Notes to the Consolidated Financial Statements

8. SEGMENT INFORMATION – continued

(a) Segment revenue and results – continued

Year ended 30-6-2012

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

(b) Segment assets and liabilities

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

30-6-2013

	Lottery-related services HK$'000	**Entertainment VAS HK$'000**	**Others HK$'000**	**Total HK$'000**
Assets				
Segment assets	**144,653**	**35,784**	**8,109**	**188,546**
Unallocated assets				**23,284**
Total assets				**211,830**
Liabilities				
Segment liabilities	**26,704**	**5,141**	**5,272**	**37,117**
Unallocated liabilities				**79,504**
Bank and other borrowings				**36,622**
Total liabilities				**153,243**

8. SEGMENT INFORMATION – continued

(b) Segment assets and liabilities – continued

30-6-2012

	Lottery-related services HK$'000	Entertainment VAS HK$'000	Others HK$'000	Total HK$'000
Assets				
Segment assets	137,239	76,859	4,517	218,615
Unallocated assets				25,902
Total assets				244,517
Liabilities				
Segment liabilities	8,016	43,808	971	52,795
Unallocated liabilities				10,736
Bank and other borrowings				106,750
Convertible bonds				7,365
Total liabilities				177,646

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

8. SEGMENT INFORMATION – continued

(c) Other segment information

Year ended 30-6-2013

	Lottery-related services HK$'000	Entertainment VAS HK$'000	Others HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:				
Additions to property, plant and equipment	**20,171**	**216**	**622**	**21,009**
Loss on disposal of property, plant and equipment	**–**	**(6)**	**(711)**	**(717)**
Allowances for doubtful receivables	**–**	**93**	**–**	**93**
Written-off of bad debts	**–**	**49**	**–**	**49**
Written-off of inventories	**–**	**121**	**306**	**427**
Written-off of deposits and other receivables	**–**	**–**	**115**	**115**
Depreciation and amortization	**4,283**	**1,656**	**385**	**6,324**

Year ended 30-6-2012

	Lottery-related services HK'000	Entertainment VAS HK'000	Others HK'000	Total 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
Gain (loss) on disposal of property, plant and equipment	(6)	46	147	187
Written-off of bad debts	775	–	84	859
Written-off of inventories	15	31	296	342
Impairment loss on available-for-sale financial assets	–	–	63,783	63,783
Impairment loss on goodwill	–	996,373	–	996,373
Depreciation and amortization	11,929	2,828	885	15,642

8. 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	
	Year ended 30-6-2013 HK$'000	Year ended 30-6-2012 HK$'000
PRC	**62,355**	104,714
Hong Kong	**54**	124
	62,409	104,838

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	
	30-6-2013 HK$'000	30-6-2012 HK$'000	**30-6-2013 HK$'000**	30-6-2012 HK$'000
PRC	**206,297**	134,673	**21,201**	4,923
Hong Kong	**5,533**	109,844	**2,076**	344
	211,830	244,517	**23,277**	5,267

Revenue from major products and services

The Group's revenue from its products is as follows:

	Year ended 30-6-2013 HK$'000	Year ended 30-6-2012 HK$'000
Lottery-related services	**38,959**	53,985
Entertainment VAS	**23,311**	44,453
Others	**139**	6,400
	62,409	104,838

Notes to the Consolidated Financial Statements

8. 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 is as follows:

	The Group	
	Year ended 30-6-2013 HK$'000	Year ended 30-6-2012 HK$'000
Customer A – Provision of entertainment VAS	**14,549**	27,785
Customer B – Provision of lottery-related services	**30,599**	43,956

9. REVENUE AND OTHER REVENUE

The principal activities of the Group are (i) provision of lottery-related services, (ii) provision of entertainment VAS and (iii) 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:

	Year ended 30-6-2013 HK$'000	Year ended 30-6-2012 HK$'000
Revenue		
Provision of lottery-related services	**38,959**	53,985
Provision of entertainment VAS	**23,311**	44,453
Sales of goods	**32**	25
Catering services	**53**	6,251
Distribution of natural supplementary products	**54**	124
	62,409	104,838

	Year ended 30-6-2013 HK$'000	Year ended 30-6-2012 HK$'000
Other revenue		
Interest income	**168**	649
Others	**1,105**	669
	1,273	1,318

10. FINANCE COSTS

	Year ended 30-6-2013 HK$'000	Year ended 30-6-2012 HK$'000
Interest on:		
– Borrowings wholly repayable within five years	**9,927**	9,589
– Convertible bonds	**208**	726
	10,135	10,315

11. LOSS BEFORE TAXATION

	Year ended 30-6-2013 HK$'000	Year ended 30-6-2012 HK$'000
Loss before taxation has been arrived at after charging:		
Staff costs (excluding Directors' emoluments *(note 12)*):		
– Wages and salaries	**29,328**	36,106
– Retirement benefits scheme contributions	**316**	440
Total staff costs	**29,644**	36,546
Cost of inventories sold	**17,529**	37,933
Auditors' remuneration:		
– Provide for the year	**1,115**	1,389
– Over provision in prior year	**–**	(50)
Depreciation of property, plant and equipment	**6,723**	15,642
Allowances for doubtful receivables	**93**	–
Amortization of prepaid lease payments	**109**	–
Impairment loss on goodwill	**–**	996,373
Impairment loss on available-for-sale financial assets	**–**	63,783
Loss on disposal of subsidiaries	**–**	2,606
Loss on disposal of available-for-sale financial assets	**–**	21
Loss (gain) on disposal of property, plant and equipment	**732**	(187)
Minimum lease payments under operating leases:		
– Land and buildings	**6,505**	8,348
– Office equipment	**11**	–
Written-off of amount due from a related company	**2,801**	–
Gain on disposal of a jointly controlled entity	**(6,640)**	–
Gain on changes in fair value of derivative financial instruments	**–**	(116)
Written-off of bad debts	**49**	859
Written-off of inventories	**427**	342
Written-off of deposits and other receivables	**115**	–
Exchange losses, net	**5,937**	1,356

Notes to the Consolidated Financial Statements

12. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

Emoluments paid or payables to each of the 10 (Year ended 30-6-2012: 10) directors of the Company during the year were as follows:

For the year ended 30 June 2013

	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	696	–	774
Chan Ting	78	1,776	15	1,869
Chan Siu Sarah (resigned on 30 July 2013)	78	1,800	15	1,893
Lau Hin Kun (resigned on 6 November 2012)	27	58	3	88
Wang Yong Chun (resigned on 30 April 2013)	100	–	–	100
Non-Executive Director				
Chan Tung Mei (re-designated on 6 November 2012)	78	–	–	78
Independent Non-Executive Directors				
Zhang Xiu Fu	120	–	–	120
Yang Qing Cai	120	–	–	120
To Yan Ming Edmond	144	–	–	144
Tian He Nian (retired on 6 November 2012)	42	–	–	42
	865	4,330	33	5,228

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

(a) Directors' emoluments – continued

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

Notes to the Consolidated Financial Statements

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

(b) Senior management's emoluments

The 5 (Year ended 30-6-2012: 5) individuals whose emoluments were the highest in the Group for the year include 2 (Year ended 30-6-2012: 2) directors whose emoluments are set out in the above. The emoluments payable to the remaining 3 (Year ended 30-6-2012: 3) individuals during the year as follows:

	Year ended 30-6-2013 HK$'000	Year ended 30-6-2012 HK$'000
Salaries, allowances and other benefits	**3,308**	3,994
Contributions to retirement benefits scheme	**36**	36
	3,344	4,030

The emoluments fell with the following bands:

	No. of individuals Year ended 30-6-2013	No. of individuals Year ended 30-6-2012
Emoluments bands:		
HK$1,000,001 – HK$2,000,000	**3**	3

During the year ended 30 June 2013, no emoluments have been paid by the Group to the 2 directors (Year ended 30-6-2012: 2) or the 3 (Year ended 30-6-2012: 3) highest paid individuals as an inducement to join the Group or as compensation for loss of office.

13. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 30-6-2013 HK$'000	Year ended 30-6-2012 HK$'000
Wages and salaries	**34,523**	41,590
Retirement benefits scheme contributions	**349**	475
Total staff costs	**34,872**	42,065

14. INCOME TAX EXPENSES

The amount of tax charged to the consolidated statement of profit or loss and other comprehensive income represents:

	Year ended 30-6-2013 HK$'000	Year ended 30-6-2012 HK$'000
The charge comprises:		
Current year		
– Hong Kong Profits Tax	**–**	–
– Other jurisdiction	**728**	2,947
	728	2,947
Under provision in prior years		
– Hong Kong Profits Tax	**–**	–
– Other jurisdiction	**21**	89
	21	89
Income tax expenses charged for the year	**749**	3,036

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.

Notes to the Consolidated Financial Statements

14. INCOME TAX EXPENSES – continued

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

	Year ended 30-6-2013 HK$'000	Year ended 30-6-2012 HK$'000
Loss before taxation	**(43,091)**	(1,104,915)
Tax at the Hong Kong Profits Tax rate	**(7,110)**	(182,311)
Tax concession	**(395)**	(708)
Tax effect of expenses that are not deductible for tax purposes	**2,075**	178,405
Tax effect of income that is not taxable for tax purposes	**(3,138)**	(6,137)
Tax effect of tax losses not recognized	**8,909**	12,160
Tax effect of utilization of tax losses previously not recognized	**–**	(11)
Effect of different tax rates of subsidiaries operating in other jurisdiction	**159**	1,575
Others	**228**	(26)
Tax effect of under provision in prior years	**21**	89
Income tax expenses	**749**	3,036

Note: The applicable tax rate for Hong Kong is 16.5% (Year ended 30-6-2012: 16.5%) and applicable tax rate in the PRC is 25% (Year ended 30-6-2012: 24%-25%).

At the end of the reporting period, the Group has unused tax losses of approximately HK$77,734,000 (30-6-2012: approximately HK$75,994,000) 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$34,251,000 (30-6-2012: approximately HK$33,944,000) that will expire within 1 to 5 years from the year origination. Other losses may be carried forward indefinitely.

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

	Year ended 30-6-2013 HK$'000	Year ended 30-6-2012 HK$'000
Deductible temporary differences:		
Unutilized tax losses	**77,734**	75,994
Others	**11,804**	7,645
Accelerated tax allowances	**–**	643
Taxable temporary differences:		
Accelerated tax allowances	**(370)**	–
	89,168	84,282

15. DIVIDENDS

No dividend was paid or proposed during the year ended 30 June 2013, nor has any dividend been proposed since the end of reporting date (30-6-2012: Nil).

16. LOSS PER SHARE

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

	Year ended 30-6-2013 HK$'000	Year ended 30-6-2012 HK$'000
Loss for the year attributable to the equity holders of the Company	**(41,522)**	(1,107,505)
Number of shares		
		(Restated)
	'000	'000
Weighted average number of ordinary shares for the purpose of basic loss per share	**707,803**	652,794

The comparative amount of the basic loss per share for the year ended 30 June 2012 has been adjusted to reflect the impact of the share consolidation during the year.

As the Company did not have outstanding share option and convertible bond as at 30 June 2013, the calculation of diluted loss per share is the same as the basic loss per share.

For year ended 30 June 2012, outstanding share options and convertible bonds of the Company are anti-dilutive since their exercise or concession would result in a decrease in loss per share.

Notes to the Consolidated Financial Statements

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 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 and 1 July 2012	1,379	19,528	45,822	4,231	7,958	5,582	84,500
Additions	–	540	19,486	2,447	176	344	22,993
Acquisition of a subsidiary	–	–	–	181	103	–	284
Disposal	–	(757)	(38,948)	(2,830)	(194)	(235)	(42,964)
Disposal of a jointly controlled entity	–	(1,099)	–	(515)	(2,412)	(337)	(4,363)
Exchange realignment	49	645	1,619	103	216	172	2,804
At 30 June 2013	1,428	18,857	27,979	3,617	5,847	5,526	63,254
DEPRECIATION							
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 and 1 July 2012	246	12,538	41,343	3,640	5,954	4,625	68,346
Charged for the year	44	2,335	3,028	342	833	141	6,723
Eliminated on disposal	–	(468)	(38,948)	(2,363)	(98)	(235)	(42,112)
Eliminated on disposal of a jointly controlled entity	–	(907)	–	(513)	(2,061)	(139)	(3,620)
Exchange realignment	10	472	1,508	79	219	151	2,439
At 30 June 2013	300	13,970	6,931	1,185	4,847	4,543	31,776
NET BOOK VALUES							
At 30 June 2013	**1,128**	**4,887**	**21,048**	**2,432**	**1,000**	**983**	**31,478**
At 30 June 2012	1,133	6,990	4,479	591	2,004	957	16,154

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

At 30 June 2013, none of the Group's property, plant and equipment was held under finance lease (30-6-2012: Nil).

The Group has pledged plant and machinery having a net book value of HK$17,427,000 (30-6-2012: Nil) to secure a bank loan granted to the Group.

18. GOODWILL

	Lottery-related services HK$'000	Entertainment VAS HK$'000	Wineries HK$'000	Total HK$'000
COST				
At 1 July 2011, 30 June 2012 and 1 July 2012	94,475	2,016,496	–	2,110,971
Acquisition of a subsidiary	–	–	133	133
At 30 June 2013	94,475	2,016,496	133	2,111,104
IMPAIRMENT				
At 1 July 2011	–	1,020,123	–	1,020,123
Impairment loss recognized for the year	–	996,373	–	996,373
At 30 June 2012 and at 1 July 2012	–	2,016,496	–	2,016,496
Impairment loss recognized for the year	–	–	–	–
At 30 June 2013	–	2,016,496	–	2,016,496
CARRYING VALUES				
At 30 June 2013	**94,475**	**–**	**133**	**94,608**
At 30 June 2012	94,475	–	–	94,475

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 2013, the Group recognized an impairment loss of Nil (Year ended 30-6-2012: approximately HK$996,373,000) in relation to goodwill arising on entertainment VAS business.

The recoverable amounts of 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

On 22 June 2011, a joint venture partner of entertainment VAS business started arbitration proceeding in Beijing, the PRC against the Group's jointly controlled entity for operation of entertainment VAS business. On 30 July 2012, the Company received arbitration decision. The joint venture partner of entertainment VAS has applied for an order from the Beijing Second Intermediate People's Court for implementation of the arbitration decision in September 2012 that:

(i) the joint venture agreement dated 15 July 2007 was terminated;

(ii) the share transfer agreement signed in August 2007 was terminated and 20% interest in the joint venture which was transferred back to the joint venture partner from the Group's jointly controlled entity, CCDDT.

In determining the recoverable amount of the goodwill regarding the provision of entertainment VAS, the directors of the Company have taken the assumption that the operation of the provision of entertainment VAS would be adversely affected by the arbitration decision together with unfavourable result of operations for early termination of joint venture agreement in accordance with the arbitration decision. As a result, impairment loss of approximately HK$996,373,000 was provided on goodwill from entertainment VAS for the year ended 30 June 2012.

(b) Lottery-related services

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

	Year				
	2014	**2015**	**2016**	**2017**	**2018**
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%.

(c) Wineries

As the amount of goodwill from wineries is immaterial, the directors of the Company considered that impairment test is not necessary.

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 2011	5,123	7,087	10,161	22,371
Exchange realignment	71	98	141	310
At 30 June 2012 and 1 July 2012	5,194	7,185	10,302	22,681
Disposal of a jointly controlled entity	–	(82)	(267)	(349)
Exchange realignment	183	254	364	801
At 30 June 2013	5,377	7,357	10,399	23,133
AMORTIZATION				
At 1 July 2011	–	6,070	2,127	8,197
Charged for the year	–	–	–	–
Exchange realignment	–	84	29	113
At 30 June 2012 and 1 July 2012	–	6,154	2,156	8,310
Charged for the year	–	–	–	–
Eliminated on disposal of a jointly controlled entity	–	(9)	(90)	(99)
Exchange realignment	–	217	76	293
At 30 June 2013	–	6,362	2,142	8,504
IMPAIRMENT				
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 and 1 July 2012	5,194	1,031	8,146	14,371
Impairment loss recognized for the year	–	–	–	–
Eliminated on disposal of a jointly controlled entity	–	(73)	(177)	(250)
Exchange realignment	183	37	288	508
At 30 June 2013	5,377	995	8,257	14,629
CARRYING VALUES				
At 30 June 2013	**–**	**–**	**–**	**–**
At 30 June 2012	–	–	–	–

No impairment loss was recognized for the year ended 30-6-2013 (Year ended 30-6-2012: Nil).

Notes to the Consolidated Financial Statements

20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Listed investment HK$'000	Unlisted investment HK$'000	Total HK$'000
COST			
At 1 July 2011, 30 June 2012 and 1 July 2012	3	63,780	63,783
Recognized on disposal of a jointly controlled entity	–	18,285	18,285
Exchange realignment	–	293	293
At 30 June 2013	3	82,358	82,361
IMPAIRMENT			
At 1 July 2011	–	–	–
Impairment loss recognized for the year	3	63,780	63,783
At 30 June 2012 and 1 July 2012	3	63,780	63,783
Impairment loss recognized for the year	–	–	–
At 30 June 2013	3	63,780	63,783
CARRYING VALUES			
At 30 June 2013	**–**	**18,578**	**18,578**
At 30 June 2012	–	–	–
	(Note a)	*(Note b)*	

	30-6-2013 HK$'000	30-6-2012 HK$'000
Analysis for reporting purpose:		
Non-current portion	**–**	–
Current portion	**18,578**	–
	18,578	–

(a) Listed investment represents investment in an equity securities listed in Hong Kong. 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 2013, impairment loss of Nil has been made (Year ended 30-6-2012: approximately HK$3,000).

(b) Unlisted investment represents investment in an unlisted equity securities issued by private entities incorporated in the PRC. In the opinion of 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 assets.

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 2013, impairment loss of Nil had been made (Year ended 30-6-2012: approximately HK$63,780,000).

21. PREPAID LEASE PAYMENTS

	HK$'000
COST	
At 1 July 2011, 30 June 2012 and 1 July 2012	–
Acquisition of a subsidiary	4,328
Exchange realignment	159
At 30 June 2013	4,487
AMORTIZATION	
At 1 July 2011, 30 June 2012 and 1 July 2012	–
Charged for the year	109
Exchange realignment	2
At 30 June 2013	111
CARRYING VALUES	
At 30 June 2013	**4,376**
At 30 June 2012	–
Analysis for reporting purposes:	
Non-current portion	4,255
Current portion	121
At 30 June 2013	4,376

The amount represented land use rights situated in the PRC under operating leases which has expired in year 2049.

22. INVENTORIES

	30-6-2013 HK$'000	30-6-2012 HK$'000
Raw materials and consumables	**3,190**	3,297
Finished goods	**980**	639
	4,170	3,936

All inventories are stated at cost.

Notes to the Consolidated Financial Statements

23. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	30-6-2013 HK$'000	30-6-2012 HK$'000
Trade receivables	**12,698**	16,813
Other receivables and prepayments	**39,427**	29,164
	52,125	45,977
Less: Allowances for doubtful receivables	**(2,646)**	(2,434)
	49,479	43,543

Payment terms with customers are mainly on credit. Invoices are normally payable within 30 to 180 days of issuance. The following is an aged analysis of trade receivables at the end of reporting dates:

	30-6-2013 HK$'000	30-6-2012 HK$'000
0 to 30 days	**4,788**	5,756
31 to 60 days	**2,740**	1,483
61 to 180 days	**2,832**	7,471
181 to 365 days	**2,242**	1,950
Over 1 year	**96**	153
	12,698	16,813

The trade receivables with carrying amount of approximately HK$8,979,000 (30-6-2012: approximately HK$10,876,000) 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 collectability 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 2013, the Group made an allowance of approximately HK$93,000 (Year ended 30-6-2012: 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 allowances for bad and doubtful debts:

	30-6-2013 HK$'000	30-6-2012 HK$'000
Balance at the beginning of the year	**2,434**	10,012
Charged for the year – trade receivables	**93**	–
Amount written off	**–**	(7,610)
Exchange adjustments	**119**	32
Balance at the end of the year	**2,646**	2,434

23. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS – continued

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

Included in the Group's trade receivables with a carrying amount of approximately HK$3,550,000 (30-6-2012: approximately HK$5,863,000) 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 aging of these overdue trade receivables but not impaired is as follows:

	30-6-2013 HK$'000	30-6-2012 HK$'000
0-30 days	**–**	691
31-60 days	**1,050**	684
61-180 days	**–**	2,606
181-365 days	**2,254**	1,803
Over 1 year	**246**	79
	3,550	5,863

The fair value of the Group's trade receivables as at 30 June 2013 approximates to the corresponding carrying amount.

24. BANK BALANCES AND CASH

	30-6-2013 HK$'000	30-6-2012 HK$'000
Cash and bank deposits denominated in:		
Hong Kong dollar	**2,016**	4,489
Renminbi	**1,862**	76,696
United States dollar	**1**	1
	3,879	81,186

Included in the bank balances were approximately HK$1,826,000 (30-6-2012: approximately HK$76,696,000), representing bank deposits denominated in RMB 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.

Notes to the Consolidated Financial Statements

25. TRADE PAYABLES, ACCRUED LIABILITIES AND OTHER PAYABLES

	30-6-2013 HK$'000	30-6-2012 HK$'000
Trade payables	**782**	32,259
Accrued liabilities and other payables	**14,487**	28,417
	15,269	60,676

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:

	30-6-2013 HK$'000	30-6-2012 HK$'000
0 to 30 days	**28**	716
31 to 120 days	**157**	21,212
121 to 180 days	**568**	310
181 to 365 days	**–**	8,965
Over 1 year	**29**	1,056
	782	32,259

The fair value of the Group's trade payables, accrued liabilities and other payables as at 30 June 2013 approximates to the corresponding carrying amount.

26. BANK AND OTHER BORROWINGS

	30-6-2013 HK$'000	30-6-2012 HK$'000
Other loan, secured *(Note a)*	**24,174**	20,000
Other loan, unsecured *(Note b)*	**16**	74,331
Bank overdraft, secured *(Note c)*	**12,432**	12,419
Bank loan, secured *(Note d)*	**17,643**	–
	54,265	106,750

Bank and other borrowings are repayable as follows:

	30-6-2013 HK$'000	30-6-2012 HK$'000
On demand or within one year	**54,265**	32,419
One to two years	**–**	74,331
	54,265	106,750
Less: Amounts shown under current liabilities	**(54,265)**	(32,419)
Non-current portion	**–**	74,331

26. BANK AND OTHER BORROWINGS – continued

Notes:

(a) Other loan of approximately HK$24,174,000 (30-6-2012: HK$20,000,000) is interest charged at 20%-22% (30-6-2012: 20%) per annum, secured by pledge of shares of a subsidiary and repayable in next twelve months.

(b) Other loan of approximately HK$16,000 (30-6-2012: approximately HK$74,331,000) is interest free (30-6-2012: 12% per annum), unsecured and repayable in next twelve months.

(c) Bank overdraft of approximately HK$12,432,000 (30-6-2012: approximately HK$12,419,000) is interest charged at prime rate and 8% over prime rate (30-6-2012: 5.25%) per annum, secured by pledge bank deposit and corporate guarantee by the Company.

(d) Bank loan of approximately HK$17,643,000 (30-6-2012: Nil) is interest charged at 7.5% per annum, secured by plant and machinery, shares of a subsidiary, corporate guarantee by third party, the Company and its subsidiaries, personal guarantee by directors and repayable in next twelve months.

27. AMOUNTS DUE TO DIRECTORS

	30-6-2013 HK$'000	30-6-2012 HK$'000
Cheung Kwai Lan	**3,702**	584
Chan Ting	**1,818**	–
	5,520	584

The amounts are unsecured, interest free and have no fixed repayment terms.

28. LOAN FROM SHAREHOLDER

	30-6-2013 HK$'000	30-6-2012 HK$'000
Best Frontier Investments Limited	**76,352**	–

The amount is interest charged at 2% per annum, unsecured and repayable on 29 November 2014.

Notes to the Consolidated Financial Statements

29. 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$35,000,000. The convertible bonds are denominated in US$. The convertible bonds was redeemed on maturity date.

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 or 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 was summarized as follows:

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

With regards to the GPIL Bonds, the Group and the GPIL Bond holders have undergone a series of amendments and undertaking during the year ended 30 June 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 HKLG 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.

29. 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 HKLG 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 HKLG 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 2012	–	7,365
Imputed finance cost	–	208
Exchange differences	–	46
Redemption on maturity date	–	(7,619)
At 30 June 2013	–	–
	(Note a)	*(Note a)*

Note a: Both components are recorded as current liabilities.

Notes to the Consolidated Financial Statements

30. SHARE CAPITAL

	Number of shares '000	HK$'000
Authorized:		
At 1 July 2011, 30 June 2012 and 1 July 2012, ordinary shares of HK$0.01 each	20,000,000	200,000
Less: share consolidation *(Note c)*	(16,000,000)	–
At 30 June 2013, ordinary shares of HK$0.05 each	4,000,000	200,000
Issued and fully paid:		
At 1 July 2011, ordinary shares of HK$0.01 each	3,221,894	32,219
Shares issued on exercise of warrants *(Note a)*	50,000	500
At 30 June 2012 and 1 July 2012, ordinary shares of HK$0.01 each	3,271,894	32,719
Shares issued on loan capitalization *(Note b)*	500,000	5,000
Less: share consolidation *(Note c)*	(3,017,515)	–
At 30 June 2013, ordinary shares of HK$0.05 each	754,379	37,719

Notes:

(a) During the year ended 30 June 2012, 40,000,000 and 10,000,000 warrants of HK$0.168 each have been exercised in August 2011 and October 2011 respectively and 10,000,000 warrants were expired in January 2012. As at 30 June 2013, the Company did not have outstanding warrants.

(b) On 18 December 2012, 500,000,000 ordinary shares of HK$0.01 each were issued at a subscription price of HK$0.071 by the way of loan capitalization of HK$35,500,000.

(c) At an extraordinary general meeting of the Company held on 31 January 2013, an ordinary resolution was passed for every five authorized and issued shares of HK$0.01 each were consolidated into one consolidated share of HK$0.05 each. As a result, the adjusted share capital of the Company became HK$37,718,938 consisting of 754,378,767 ordinary shares of HK$0.05 each.

31. SHARE-BASED PAYMENT TRANSACTION

Pre-IPO Share Option Scheme

The Pre-IPO Share Option Scheme was approved by the shareholders of the Company on 18 October 2002 valid for a term of 10 years and expired on 17 October 2012. 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.

As at 30 June 2013, all options granted under the Pre-IPO Share Option Scheme were exercised.

31. SHARE-BASED PAYMENT TRANSACTION – continued

Share Option Scheme

(a) The share option scheme adopted by the Company on 18 October 2002 valid for a term of 10 years commencing from 18 October 2002 and expired on 17 October 2012. As at 1 July 2012, there are 83,050,000 outstanding share options which are expired on 17 October 2012.

(b) The Company has adopted a new share option scheme on 31 January 2013 which will remain valid for a period of 10 years commencing from 31 January 2013. The Board may, at its discretion, invite eligible persons to take up options to subscribe for the shares in the Company. Eligible persons shall include any employee, directors (including executive, non-executive and independent non-executive directors) and consultants of the Company or of any subsidiary of the Company or such other persons who at the sole determination of the Board have contributed to the Group at the time when an option is granted to such person.

The exercise price of the share options is determinable by the directors, and may not be less than the highest of:

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

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

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

No share option is granted under the new share option scheme for the year ended 30 June 2013.

At 30 June 2013, the number of the shares in respect of which options had been granted and remained outstanding under the scheme was 0% (30-6-2012: 2.54%) of the shares of the Company in issue at that date.

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. The Group recognized the total expenses of Nil for the year ended 30 June 2013 (Year ended 30-6-2012: Nil) in relation to share options granted by the Company.

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.

Notes to the Consolidated Financial Statements

32. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Acquisition of a subsidiary

For the year ended 30 June 2013, the Group acquired 100% equity interest in Huai Lai Sai Shang Wineries Company Limited at a consideration of approximately HK$244,000 (RMB200,000). Detail of the acquisition was summarized as follows:

	HK$'000
NET ASSETS ACQUIRED	
Property, plant and equipment	284
Prepaid lease payments	4,328
Inventories	3
Trade and other receivables and prepayments	719
Cash and cash equivalents	1,701
Trade payables, accrued liabilities and other payables	(744)
Other loan	(2,438)
Amount due to related companies	(3,742)
Net assets	111
Goodwill arising on consolidation	133
Consideration	244
Net cash inflows arising on consolidation:	
Cash consideration	(244)
Cash and cash equivalents	1,701
	1,457

32. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS – continued

(b) Disposal of a jointly controlled entity

On 29 October 2012, the Group disposed 20% of investments in a jointly controlled entity, Excellent Union, a company incorporated in the PRC. Detail of the disposal was summarized as follows:

	HK$'000
NET ASSETS DISPOSED	
Property, plant and equipment	287
Accounts receivables	789
Prepayments, deposits and other receivables	2,284
Cash and cash equivalents	26,446
Accounts payables	(15,159)
Accrued liabilities and other payables	(5,677)
Amount due to a related company	(1,914)
Other loan	(2)
Net assets	7,054
Release of exchange reserve	97
Release of non-conrolling interests	(2,362)
Loss on disposal of a jointly controlled entity	(4,789)
Total consideration	–
Net cash outflows arising on disposal:	
Cash and cash equivalents	26,446

As disclosed in the Company's 2012 annual report, the Group had disputes with the joint venture partner in respect of the operations and future development of the business of a jointly controlled entity, Excellent Union Group. In this regard, the joint venture partner commenced arbitration proceedings in 2011 against the Group to claim for the return of 20% equity interests in Excellent Union, which is the holding Company of Excellent Union Group and damages of RMB10 million. Refer to the final decision of the arbitration made on 30 July 2012, the Group returned the 20% equity interests in Excellent Union and the transfer of 20% equity interests in Excellent Union to the joint venture partner was completed on 29 October 2012. Upon completion of the transfer, the effective equity interests in Excellent Union held by the Group was decreased from 24.5% to 14.7% accordingly and the Group recognized a loss on disposal of a jointly controlled entity of approximately HK$4,789,000.

Notes to the Consolidated Financial Statements

32. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS – continued

(c) Deemed disposal of a jointly controlled entity

On 11 January 2013, the Group deemed disposed investments in a jointly controlled entity, Excellent Union. Detail of the disposal was summarized as follows:

	HK$'000
NET ASSETS DISPOSED	
Property, plant and equipment	456
Accounts receivables	716
Prepayments, deposits and other receivables	688
Cash and cash equivalents	25,666
Accounts payables	(12,790)
Accrued liabilities and other payables	(3,096)
Amount due to a related company	(1,149)
Net assets	10,491
Release of exchange reserve	348
Release of non-controlling interests	(3,690)
Recognized of available-for-sale financial assets on disposal of a jointly controlled entity	(18,578)
Gain on disposal of a jointly controlled entity	11,429
Total consideration	–
Net cash outflows arising on disposal:	
Cash and cash equivalents	25,666

At a shareholder meeting of Excellent Union held on 8 October 2012, a resolution was passed to change the memorandum and articles of association of Excellent Union and additional members of board of directors were appointed on 11 January 2013. In this regard, the Group lost control over the Excellent Union, and consequently, Excellent Union became derecognized as a jointly controlled entity of the Group. In the opinion of the Directors, the Group has not exercise significant influence to Excellent Union by participating in financial and operating policies of Excellent Union, Excellent Union is accounted for as available-for-sale financial assets in the consolidated financial statements accordingly. And the Group recognized a gain on deemed disposal of a jointly controlled entity of approximately of HK$11,429,000.

32. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS – continued

(d) Major non-cash transactions

During the year, the Group incurred imputed interest on convertible bonds of approximately HK$208,000 (Year ended 30-6-2012: approximately HK$726,000).

During the year, impairment loss on goodwill of Nil (Year ended 30-6-2012: approximately HK$996,373,000) was recognized in the consolidated statement of profit or loss and other comprehensive income.

During the year, impairment loss on available-for-sale financial assets of Nil (Year ended 30-6-2012: approximately HK$63,783,000) was recognized in the consolidated statement of profit or loss and other comprehensive income.

Repayment of other loan of HK$35,500,000 was satisfied by issuing ordinary share capital 500,000,000 of HK$0.071 each to the lender.

By an assignment of debt agreement signed on 30 November 2012, an other loan of approximately HK$62,835,000 was assigned to loan from shareholder.

(e) 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 at a consideration of approximately HK$7.8 (US$1). Detail of the disposal was summarized as follows:

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

Notes to the Consolidated Financial Statements

33. CONTINGENT LIABILITIES

The Company and its subsidiaries provided corporate guarantees to the extent of approximately HK$30,221,000 (30-6-2012: HK$10,000,000) to banks to secure general banking facilities and bank loan granted to subsidiaries.

The total facilities utilized by the Group at 30 June 2013 amounted to approximately HK$30,075,000 (30-6-2012: approximately HK$12,419,000).

34. OPERATING LEASE COMMITMENTS

The Group as lessee

As at 30 June 2013, the Group had commitments for future minimum lease payments in respect of rented premises under non-cancellable operating leases which fall due as follows:

	30-6-2013	30-6-2012
	HK$'000	HK$'000
Within one year	**3,671**	4,477
In the second to fifth years inclusive	**3,321**	1,806
	6,992	6,283

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

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

The Group as lessor

As at 30 June 2013, the Group had commitments for future minimum lease arrangement in respect of rented premises under non-cancellable operating leases which fall due as follows:

	30-6-2013	30-6-2012
	HK$'000	HK$'000
Within one year	**63**	61
In the second to fifth years inclusive	**127**	183
	190	244

35. CAPITAL COMMITMENTS

	30-6-2013	30-6-2012
	HK$'000	HK$'000
Capital expenditure in respect of acquisition of additional equity interest in subsidiaries	**46,167**	44,591
Capital expenditure in respect of acquisition of property, plant and equipment	**47,053**	–
	93,220	44,591

36. RETIREMENT BENEFITS SCHEME

With the introduction of 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 profit or loss and other 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 profit or loss and other comprehensive income of approximately HK$349,000 (Year ended 30-6-2012: approximately HK$475,000) represent contributions payable to the MPF Scheme in respect of the current accounting period.

The employees of the Group's subsidiaries that operated in the PRC 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.

37. 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 2013 (30-6-2012: Nil).

38. PLEDGE OF ASSETS

(a) As at 30 June 2013, the Group has pledged its bank deposits of approximately HK$5,262,000 (30-6-2012: approximately HK$5,223,000) as securities for the general banking facilities granted to the Group.

(b) As at 30 June 2013, 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 for a loan and interest in aggregate of HK$20,000,000.

(c) As at 30 June 2013, the Group has pledged its plant and machinery with a net book values of approximately HK$17,427,000 (30-6-2012: Nil) and all the issued and outstanding shares of Shenzhen Bozone IT Co. Limited and its subsidiaries as securities for a bank loan of approximately HK$17,643,000 (30-6-2012: Nil) granted to the Group.

Notes to the Consolidated Financial Statements

39. 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 2013 (Year ended 30-6-2012: 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.

40. RELATED PARTY TRANSACTIONS

(a) Transaction with connected or related parties

	Year ended 30-6-2013 HK$'000	Year ended 30-6-2012 HK$'000
Interest expenses to a shareholder:		
Best Frontier Investments Limited	**864**	–

In the opinion of directors of the Company, the above transactions were undertaken in the normal course of business activities and on normal commercial terms.

(b) Balances with related parties

Balances with related parties are disclosed in notes 27 and 28 to the consolidated financial statements.

(c) Compensation of directors and key management personnel

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

	Year ended 30-6-2013 HK$'000	Year ended 30-6-2012 HK$'000
Short term benefits	**10,990**	12,388
Post-employment benefits	**126**	119
	11,116	12,507

41. LEGAL LITIGATION

On 22 June 2011, a joint venture partner of the entertainment VAS – copyright collection operation started arbitration proceeding in Beijing, the PRC against the Group's jointly controlled entity, CCDDT.

On 30 July 2012, the Company received arbitration decision:

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

(ii) 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 venture partner to CCDDT.

The joint venture partner has applied for an order from Beijing Second Intermediate People's Court to implement the decision of arbitration in September 2012. The transfer of 20% equity interest in joint venture to the joint venture partner was completed in October 2012.

By a series of board and shareholders meetings that were convened in contravention to the articles of association of Excellent Union and Company Law in the PRC, Excellent Union has changed its legal representative and nominated additional directors to its board in order for CCDDT to lose control over the board. CCDDT has engaged external legal counsels in Beijing to commence administrative procedures to rectify the Beijing Administration for Industry and Commerce records and is at the same time contemplating legal proceedings.

CCDDT has approximately RMB20,000,000 due from Excellent Union since arbitration. CCDDT has also engaged external legal counsels in Beijing for debt collection and is at the same time contemplating legal proceedings.

Notes to the Consolidated Financial Statements

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

Particulars of the Company's principal subsidiaries as at 30 June 2013 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	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
Best Delight Group Limited	BVI	Ordinary share US$1	–	100%	Investment holding
Birdview Group Limited	Hong Kong	Ordinary share HK$1	–	100%	Investment holding
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
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

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

Particulars of the Company's principal subsidiaries as at 30 June 2013 are as follows: – continued

Name	Place of incorporation and operations	Nominal value of issued and paid-up share	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
黑龍江省博眾信息技術有限公司# (Heilongjiang Bozone IT Co. Limited†)	PRC	Registered capital RMB500,000	–	65%	Provision of lottery-related hardware and software systems
懷來塞尚葡萄酒庄園有限公司# (Huai Lai Sai Shang Wineries Company Limited†)	PRC	Registered capital RMB1,000,000	–	100%	Real estate development and wineries resorts
Jovial Sky 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
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

Notes to the Consolidated Financial Statements

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

Particulars of the Company's principal subsidiaries as at 30 June 2013 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
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	Rgistered capital US$6,809,751	100%	–	Investment holding
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%	Sales of animal feeds
Step Gain Limited	BVI	Ordinary shares US$10	–	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.

43. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

The Group had interests in the following significant jointly controlled entities at 30 June 2013:

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
昆明文中科技有限公司# (Kunming Wen 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 assets, liabilities, revenue and expenses of the jointly controlled entities and are included in the consolidated statement of financial position and consolidated statement of profit or loss and other comprehensive income as a result of proportionate consolidation:

	30-6-2013 HK$'000	30-6-2012 HK$'000
Current assets	**33,117**	72,041
Non-current assets	**2,667**	4,818
Current liabilities	**5,141**	43,808
Non-controlling interests	**2,200**	9,317

	Year ended 30-6-2013 HK$'000	Year ended 30-6-2012 HK$'000
Revenue	**30,133**	45,342
Expenses	**(28,469)**	(51,526)
Non-controlling interests	**1,372**	244
Profit (loss) for the year	**3,036**	(5,940)

Notes to the Consolidated Financial Statements

44. SUMMARIZED STATEMENT OF FINANCIAL INFORMATION OF THE COMPANY

(a) Statement of Financial Position

	30-6-2013 HK$'000	30-6-2012 HK$'000
Property, plant and equipment	**2,413**	706
Interest in subsidiaries	**131,015**	2,074,064
Deposits, prepayments and other receivables	**1,675**	2,570
Bank balances and cash	**2,023**	4,180
Trade and other payables	**(2,870)**	(12,573)
Borrowings	**(24,189)**	(94,331)
Loan from shareholder	**(76,352)**	–
Convertible bonds	**–**	(7,365)
Net assets	**33,715**	1,967,251
Share capital	**37,719**	32,719
Reserves	**(4,004)**	1,934,532
Total equity	**33,715**	1,967,251

(b) Reserve of the Company

	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Employee share-based compensation reserve HK$'000	Share option reserve HK$'000	Special reserve HK$'000	Retained profits/ (Accumulated losses) HK$'000	Total HK$'000
At 1 July 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 and 1 July 2012	32,719	2,165,054	234	35,572	11,092	2,569	(279,989)	1,967,251
Shares issued on loan capitalization	5,000	30,500	–	–	–	–	–	35,500
Share options lapsed	–	–	–	–	(11,092)	–	11,092	–
Total comprehensive expenses for the year	–	–	–	–	–	–	(1,969,036)	(1,969,036)
At 30 June 2013	37,719	2,195,554	234	35,572	–	2,569	(2,237,933)	33,715

45. EVENTS AFTER REPORTING PERIOD

Pursuant to the loan agreement entered into between the Company and Tarascon in June 2012 and the supplementary document in June 2013, the maturity date for the Company to repay Tarascon of a total amount of approximately HK$24,622,000 was 31 July 2013. Tarascon had made demand for immediate repayment of the outstanding amount of the loan and accrued interest and appointed receiver for the security on 9 August 2013 pursuant to the terms of loan documents.

On 17 September 2013, Tarascon sent a one-sided letter to the Company that Tarascon and its receiver agree not to exercise any rights arising pursuant to the occurence and continuation of any existing event of default under the loan document from the date of the letter to 17 March 2014.

46. COMPARATIVE FIGURES

Amounts due to directors of approximately HK$584,000 has been reclassified from trade payables, accrued liabilities and other payables to conform to the current year's presentation.

Five Year Financial Summary

For the year ended 30 June 2013

RESULTS

	For the year ended 30 June				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**62,409**	104,838	118,351	119,613	191,882
Cost of sales	**(17,529)**	(37,933)	(40,222)	(53,609)	(121,202)
Gross profit	**44,880**	66,905	78,129	66,004	70,680
Other revenue	**1,273**	1,318	18,142	15,064	9,691
Gain (loss) on changes in fair value for derivative financial instruments	**–**	116	1,666	(37,150)	25,629
Selling and distribution costs	**(6,554)**	(10,833)	(15,350)	(11,093)	(20,161)
Administrative expenses	**(79,195)**	(1,149,500)	(191,905)	(983,919)	(113,649)
Gain on disposal of a jointly controlled entity	**6,640**	–	–	–	–
(Loss) gain on disposal of subsidiaries and associates	**–**	(2,606)	5,810	–	1,166
Gain on deconsolidation of a subsidiary	**–**	–	183,339	–	–
Finance costs	**(10,135)**	(10,315)	(7,340)	(37,165)	(66,112)
Share of results of associates	**–**	–	–	–	124
(Loss) profit before taxation	**(43,091)**	(1,104,915)	72,491	(988,259)	(92,632)
Income tax expenses	**(749)**	(3,036)	(4,327)	(20,026)	(2,634)
(Loss) profit for the year	**(43,840)**	(1,107,951)	68,164	(1,008,285)	(95,266)

ASSETS AND LIABILITIES

	30-6-2013	30-6-2012	30-6-2011	30-6-2010	30-6-2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**211,830**	244,517	1,292,537	2,482,042	2,988,059
Total liabilities	**(153,243)**	(177,646)	(101,384)	(506,449)	(817,185)
Net assets	**58,587**	66,871	1,191,153	1,975,593	2,170,874
Equity attributable to equity holders of the Company	**52,135**	50,666	1,136,563	1,506,573	2,134,803
Non-controlling interests	**6,452**	16,205	54,590	469,020	36,071
Total equity	**58,587**	66,871	1,191,153	1,975,593	2,170,874

GLOSSARY

"AGM" or "Annual General Meeting"	The annual general meeting of the Company to be held on 7 November 2013
"Articles of Association"	Articles of Association of the Company
"Best Frontier"	Best Frontier Investments Limited, a company incorporated in British Virgin Islands
"Board"	the Board of Directors
"Bozone"	Shenzhen Bozone IT Co. Ltd.
"BVI"	British Virgin Islands
"CCDDT"	China Culture Development Digital Technology Co., Ltd.
"CEO"	Chief Executive Officer
"CG Code"	"Code on Corporate Governance and Corporate Governance Report", Appendix 15 of Listing Rules
"CGU(s)"	Cash generating unit(s)
"Cheerfull"	Cheerfull Group Holdings Limited
"CLTD"	Chongqing Lightsoft Technology Development Co., Limited
"Code of Conduct"	Rules 5.48 to 5.67 of the Listing Rules as the code for dealing in securities of the Directors
"Committee"	Guizhou Dalong Economic Development Zone Management Committee
"Company" or "China Vanguard" or "CVG"	China Vanguard Group Limited
"Connected Person(s)"	Has the meaning ascribed to this term under Listing Rules
"Directors"	the Directors of the Company
"Excellent Union"	Excellent Union Communication Group Co., Limited
"Excellent Union Group"	Excellent Union and its subsidiaries from time to time
"FVTPL"	Fair value through profit or loss
"GEM"	The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited
"Group"	the Company and its subsidiaries
"Guizhou Dalong" or "Property Subsidiary" or "GDCVG"	Guizhou Dalong China Vanguard Development Company Limited
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"HKAS"	Hong Kong Accounting Standard
"HKFRSs"	Hong Kong Financial Reporting Standards
"HKICPA"	Hong Kong Institute of Certified Public Accountants

GLOSSARY

"HKLG"	Hong Kong Life Group Holdings Limited
"HLJB"	Heilongjiang Bozone IT Co. Limited, a subsidiary of the Company incorporated in PRC
"Huiyuan"	Guizhou Dalong Huiyuan Development Investment Company Limited
"INEDs"	Independent Non-Executive Directors
"Listing Rules"	Rules Governing the Listing of Securities on the GEM
"Madam Cheung"	Madam Cheung Kwai Lan
"MPF scheme"	Mandatory provident fund retirement benefits scheme
"Mr. Chan"	Mr. Chan Tung Mei
"POS"	Point of sales
"PRC"	People's Republic of China
"RMB"	Renminbi
"SFO"	Securities and Futures Ordinance
"Shares"	Ordinary share(s) of HK$0.05 each in the share capital of the Company
"Shenzhen Huarong"	Shenzhen Hua Rong Sheng Shi Investment Management Company Limited
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"SZLFC"	Shenzhen Longjiang Fengcai IT Co. Limited, a wholly-owned subsidiary of the Company incorporated in PRC
"Tarascon"	Tarascon Asia Absolute Fund (Cayman) Ltd, a company incorporated in Cayman Islands
"US$"	United States Dollars, the lawful currency of United States of America
"VAS"	Value-added services
"Welfare Lottery"	Selected Welfare lottery products in China
"WLA"	World Lottery Association
"WLA SCS"	WLA Security Control Standard
"Year 2012"	financial year ended 30 June 2012
"Year 2013"	financial year ended 30 June 2013
"Zone"	Guizhou Dalong Economic Development Zone in Guizhou Province