



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 2015

\*For identification purposes only

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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Madam CHEUNG Kwai Lan (*Chairman*)

Mr. CHAN Ting (*Deputy Chairman & Chief Executive Officer*)

### Non-executive Director

Mr. CHAN Tung Mei

### Independent Non-executive Directors

Mr. TO Yan Ming Edmond

Mr. ZHANG Xiu Fu

Mr. YANG Qing Cai

## AUDIT COMMITTEE

Mr. TO Yan Ming Edmond (*Chairman*)

Mr. ZHANG Xiu Fu

Mr. YANG Qing Cai

## REMUNERATION COMMITTEE

Mr. TO Yan Ming Edmond (*Chairman*)

Mr. CHAN Ting

Mr. ZHANG Xiu Fu

Mr. YANG Qing Cai

## NOMINATION COMMITTEE

Madam CHEUNG Kwai Lan (*Chairman*)

Mr. ZHANG Xiu Fu

Mr. YANG Qing Cai

## COMPANY SECRETARY

Mr. CHOW Chun Hong

## COMPLIANCE OFFICER

Mr. CHAN Ting

## AUTHORISED REPRESENTATIVES

Mr. CHAN Ting

Mr. CHOW Chun Hong

## AUDITORS

W. H. Tang & Partners CPA Limited

## PRINCIPAL BANKERS

Nanyang Commercial Bank, Limited

The Hongkong and Shanghai Banking Corporation 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

Phase One Hong Kong Science Park

Pak Shek Kok, New Territories

Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Appleby Trust (Cayman) Ltd.

Clifton House, 75 Fort Street, P. O. Box 1350

Grand Cayman KY1-1108

Cayman Islands

## BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Standard Limited

Level 22, Hopewell Centre

183 Queen's Road East

Wanchai, Hong Kong

## STOCK CODE

8156

## COMPANY WEBSITE

[www.cvg.com.hk](http://www.cvg.com.hk)

# Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors of China Vanguard Group Limited, I take pleasure in presenting to our Shareholders the results of the Company and its subsidiaries for the financial year ended 30 June 2015. We are pleased with the progress which we have made during the year as our team has achieved several key milestones which I am confident shall pave way for our growth and instrumental to actualizing our strategic objectives.

The last couple of years have been a busy time for our teams as they set out to explore new business opportunities across the country. We are glad to see that our hard work has allowed us to build a solid foundation upon which shall lead us into a sustained growth trajectory. Specifically, we have secured more new cooperation licenses with Provincial Lottery Centres of strategic importance, establishing a network of operational outposts across the country and essentially expanding our footprint in the lottery market in the PRC to 21 provinces and municipals. The extended reach has enabled us the access to over 65% of the PRC's population. We believe the growth potential is tremendous. These remarkable achievements have attested to our hard work and dedication, in addition to our commitment to develop our lottery-related operations.

As a technology partner to our customers and as an innovator in the industry, we have also been observing the different formats, delivery channels, products and technologies that are becoming available domestically and globally. At present, we maintain our view that self-service lottery, given the flexibility in its delivery and high user-engagement levels, will continue to grow as a key method for lottery consumption in the PRC. Self-service lottery shall remain as a key focus of the Group though we shall continue to keep abreast of the latest developments in technologies and formats that is offered by our peers, both domestically and from abroad, in order to offer solutions that will best meet our customers' needs.

During the year we have continued to see new lottery content being offered in interactive formats as the convergence between traditional lottery in ticket form sold over-the-counter versus greater traction for gamified lottery where interactive or games elements are introduced via self-service lottery terminals. This has led to higher entertainment and recreational value for lottery. The "gamification" of lottery has also changed customer behaviour, yielding longer interval per play as well as creating greater needs for high-frequency lottery games. With that in view, we believe gamification of lottery content will continue to be a prevalent influence in shaping the industry, bringing about fundamental changes in our strategic directions and in the way we grow our business. We believe enhancements in user engagement will be another opportunity and key growth driver for us, as enriched content will strengthen market penetration for lottery products and services with greater mass appeal. We have always been in agreement with policy directive in highlighting the societal contribution of lottery as a form of healthy entertainment. We see lottery consumption as one of the key drivers in economic development, and believe the healthy growth in lottery consumption and its contributions to society's charitable initiatives will bring value to the public in funding its public services in addition to generating value to our Shareholders.

Ever since we have entered into the lottery services business, we have seen many changes and advancements that are made possible through the rapid technology and economic developments in the PRC. From the early days when we have started out as a software and system service provider, we have successfully expanded the scope of our services to encapsulate a comprehensive, end-to-end solution for lottery centres across the country, making us a reliable partner for lottery centres to effectively roll out products and services to the public. The idea is that we can offer our customers, municipal and provincial lottery centres, a one-stop solution from ground zero to reach out to each lottery consumer with quality and professional services.



As our business develops our unique role and contribution to our customers and end-users are becoming increasingly apparent. Our operating model, essentially unique as a distribution platform, has brought about the greatest benefit to our customers as an effectively designed lottery service solutions that is unique to every province or municipal which we have worked with. Similarly, working with different partners across the country, we can provide keen market knowledge gathered from across the country as valuable insight to actualize regionalized marketing strategies, starting from the drawing board throughout the other spectrum of the value chain, that has ensured service delivery in the most efficient and effective manner.

We believe these unique attributes and strengths have enabled us to build a national operation, the ability to deliver strategies and solutions that will meet our customers and partners' needs and will be a solid ground for sustained growth in the next few years, which shall in turn yield favourable return to our Shareholders.

**CHEUNG Kwai Lan**

*Chairman and Executive Director*

Hong Kong, 30 September 2015

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# CEO's Statement

Dear Shareholders,

## LOTTERY RELATED OPERATIONS

The Group is a pioneer in providing comprehensive, end-to-end hardware and software solutions, in marketing promotion and distribution services, as well as downstream channel management services to Sports Lottery and Welfare Lottery Centres in the PRC, focusing on interactive self-service lottery. Since 2011, the Group has been focusing on developing our lottery-related businesses. We have been providing PRC's Sports and Welfare Lottery Centres, as the regulatory bodies overseeing the implementation of lottery services at the regional and municipal levels, with end-to-end services that will enable the roll-out of lottery distribution. Our core business is to facilitate Lottery Centres to seamlessly integrate different aspects necessary for lottery distribution. This includes the development, provision and maintenance of the interactive self-service lottery solutions and implementation through self-operated stores, franchise stores and alternative means including community channels, in addition to overseeing the upgrading of eligible existing stores as well as to increase lottery sales through new marketing and distribution channels.

As we started out with the specific goal to become a leading lottery service provider and a trusted partner to Lottery Centres, I am delighted to report to our Shareholders that during the reporting period, we have been moving ever closer to our goal.

During the year we have continued to expand our foothold in PRC's lottery market by adding more new contracts for lottery operations to our portfolio. These additional contracts have allowed us to expand our reach into 21 municipals and provinces in total. These provinces and municipalities which we serve boasts an aggregate population of close to 900 million\* which translates into direct access to over 65% of the PRC's total population, rendering the Group immense growth potential once POS roll-out is in full-swing in each contracted area.

In addition to making significant inroads in terms of geographic coverage, our teams have been working towards developing new avenues to augment the distribution of lottery products beyond traditional channels. We have formed a number of strategically important alliances during and beyond the reporting period that should be the lynchpins in taking the Group onto the next level. Our initial goal is to ensure that our services, as well as hardware and software that we are offering, will all work towards facilitating lottery sales. Our strategy is to broaden the distribution of lottery products through widening the platform for distribution, first of all through enhancing in-store value-added services, while also bringing information beyond the physical confinement of stores and lounges, ultimately enhancing lottery sales. Essentially, the Group is building a nation-wide service platform that is enabled to offer innovative products and services to penetrate different markets at the community-level.

\* Sources: National Bureau of Statistics (<http://data.stats.gov.cn/english/easyquery.htm?cn=E0103>)

In my previous report to our Shareholders, I have mentioned that we have begun to turn traditional stores into VIP lounges that would cater to changes in customer behaviour since enriched, interactive contents have extended interval per play. While that is an on-going process, this year an additional key direction is to offer value-added services to lottery store owners. In May 2015 we have completed share acquisition in a company that is principally engaged in the provision of an interactive electronic marketing platform and administrative services to Lottery Centres to enable more effective information management and enhance end-user experience. We believe this project should enrich the content of information offered in-stores and facilitate the quality of information flow while creating additional revenue potentials for the Group combining infomercial elements into our service portfolio. As mentioned by our Chairman in the previous section of this report, we believe the quality of our content or games will also be a contributing factor to our success in the coming seasons. In June 2014, we also have announced our collaboration with a PRC company specialized in content design and development which will help the Group in the creation of interactive, more engaging lottery solutions.

As we continued to bring valuable information out of the physical boundaries of stores and lounges, we have been working with a dedicated unit under TCL Communications Groups since August 2014 to explore opportunities to deliver lottery related information to users through its SmartTV platforms. Within the same month we have also entered into a strategic cooperation agreement with payment solutions service provider Yunbo Digital Synergy Group Limited, to explore e-payment options for non-cash online and offline payment systems, including China Telecom's Bestpay platform (翼支付) in order to bring greater convenience to lottery users in the future. Furthermore, since the end of the review period, in August and September 2015, we have also announced the collaboration with All-In-Pay, a payment solutions specialist, and a leading smart-city technology developer to potentially offer our lottery-related services through a community-based, innovative smart-city technology service platform in different cities in the PRC. Innovation is at the core of our development strategy, hence we will continue to explore the latest technologies in order to offer state-of-the-art solutions to our customer and to end-users.

While the Group is committed to strictly adhere to the regulatory framework of the PRC government, and is presently not engaged in Internet-based lottery sales and services, we have nonetheless set out to explore available technologies and options in order to ensure that the standards and qualities of our services are in-keeping with global standards. Hence in June 2015, we have started to explore business synergies with a company primarily engaged in providing data marketing, data analytics, software and application development and consultation services. We believe its proven expertise in mobile applications development and application-based data marketing for lottery operations will help in actualizing the Group's offsite-lottery strategies for Sports and Welfare lottery operations in the future, should it become accessible within the regulatory and legal framework in the PRC.

It is safe to state that in the past year we have built a rather comprehensive platform where all the necessary moving parts would enable us a major roll-out and ramp-up of our operation. We are already beginning to see our hard work coming into fruition, with certain stores seeing significant growth in business through new lounges and revamped stores with self-service lottery terminals, churning in decent sales during the reporting period. The Board is confident in seeing even more significant growth in the coming periods as these moving parts integrate seamlessly to the advantage for our customers for an escalated scaling up of our operation.

## OTHER OPERATIONS

As we continue to focus on developing our lottery-related operations, the Group do not anticipate material contributions from this segment going forward and will dedicate its resources on the lottery-related businesses. This segment made insignificant contributions to the Group for the period under review.



## OUTLOOK

Our focus in the past year has gone beyond merely improving in-store environment as we are moving towards becoming a nation-wide distribution service platform. These initiatives that were put in place in the past eighteen months shall set the tone for the Group's growth and will enable us to achieve our goal in becoming a leading comprehensive lottery service provider in the PRC. We are confident that as the Group enter into a next phase of its development, with the integration of different components of our service platform, we will be able to reap the fruit from a proven business model that can be replicated and adjusted to different markets, catering to the distribution of new and innovative products on a nation-wide basis.

Looking ahead, as we continue to offer more enriched content and services while expanding our geographic coverage, our team will seek to penetrate target markets via leveraging community-based distribution channels with the objective to better serve our target markets, enhance value-added services to store operators, and facilitate lottery sales for Lottery Centres.

The Group will strengthen our existing operations, closely monitor both macroeconomic environment and the latest industry trends amidst a rapidly evolving landscape and respond with timely and innovative solutions, in order to capture upcoming opportunities arising from such dynamic and exciting times in China's lottery industry.

As we review this year's achievement and progress, I would like to take this opportunity to express our sincere gratitude towards our customers, partners, suppliers, and to our Shareholders, for your invaluable insights, catapulting our development and encouraging our teams to keep forging ahead. I look forward to your continuous feedback and partnerships in the coming years.

### **CHAN Ting**

*Executive Director and Chief Executive Officer*

Hong Kong, 30 September 2015



# Management Discussion and Analysis

## FINANCIAL REVIEW

### Results

The Group recorded revenue of HK\$124 million for Year 2015, an increase of 29% from Year 2014 of HK\$96 million. Profit attributable to equity holders for Year 2015 was HK\$19 million, representing an increase of 28% as compared to HK\$15 million in Year 2014. The profits generated from the lottery-related business was the major contributor of the profit for the year.

<b>Net Profit</b>	<b>Year 2015</b> <b>HK\$'000</b>	Year 2014 HK\$'000	<b>Improved</b> <b>by</b>
Profit attributable to equity holders	<b>19,107</b>	14,887	28%

The Group's operating revenue for Year 2015 increased by 29% to HK\$124 million, almost all the Group's revenue was derived from the lottery-related services business which has increased by 51% to HK\$124 million as compared to Year 2014.

<b>Revenue</b>	<b>Year 2015</b> <b>HK\$'000</b>	Year 2014 HK\$'000	<b>Change</b>
Lottery-related services	<b>123,722</b>	81,961	51%
Land and property development, trading and consulting services	–	13,800	(100%)
Others	<b>14</b>	25	(44%)
	<b>123,736</b>	95,786	29%

The Group's gross profit increased by 31% to HK\$118 million in Year 2015. The Group's gross profit ratio was 95%, increased by 1% for the Year 2015 as compared with 94% in Year 2014.

The Group's operating costs comprising selling and distribution costs and administrative expenses, increased by 38% to HK\$95 million in Year 2015.

The finance costs for Year 2015 and Year 2014 amounted to about HK\$11 million and HK\$10 million respectively.

### LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at 30 June 2015, Shareholder's fund amounted to HK\$358 million (2014: HK\$337 million). Current assets amounted to HK\$246 million (2014: HK\$263 million), mainly comprising of trade and other receivables and prepayments, bank balances and cash. Current liabilities amounted to HK\$33 million (2014: HK\$30 million) mainly comprising of trade payables, accrued liabilities and other payables and tax liabilities.

The Group's bank balances and cash amounted to HK\$93 million (2014: HK\$152 million). Net asset value per share was HK\$0.11 (2014: adjusted to HK\$0.11 to reflect impact from share subdivision).

The gearing ratio of the Group was 21% as at 30 June 2015 (2014: 20%) on the basis of non-current liabilities divided by total equity excluding assets and liabilities classified as held for sale.

### CAPITAL STRUCTURE

On 16 December 2014, Shareholders of the Company approved the ordinary resolution in relation to the proposed share subdivision at an extraordinary general meeting of the Company. Pursuant to which, with effect from 17 December 2014, each existing issued and unissued share of HK\$0.050 each in the share capital of the Company was divided into four subdivided shares of HK\$0.0125 each (the **"Share Subdivision"**). Upon the Share Subdivision on 17 December 2014, the authorized share capital of the Company was HK\$200,000,000 divided into 16,000,000,000 shares of HK\$0.0125 each, of which 3,217,207,068 shares of HK\$0.0125 each have been issued and fully paid for or credited as fully paid. As a result of the Share Subdivision, adjustments to the share option scheme adopted on 31 January 2013 and to the convertible bonds issued on 17 January 2014 have been made respectively.

As at 30 June 2015, the issued share capital of the Company was 3,207,765,068 Shares.

### CONVERTIBLE BONDS

On 17 January 2014, the Company issued unlisted convertible bonds due on 17 January 2017 with a principal amount of HK\$89,625,000 at an annual rate of 2% per annum as general working capital and for the repayment of borrowings (the **"Bonds"**). A maximum number of 37,500,000 shares would be issued by the Company upon full conversion of the Bonds at the conversion price of HK\$2.390 per share into fully-paid ordinary shares of the Company. As the Company completed its Share Subdivision on 17 December 2014, the number of Shares fallings to be issued upon full conversion of the Bonds was adjusted to 150,000,000 at the conversion price of HK\$0.598 per Share. Save for the adjustment, all other terms and conditions of the Bonds shall remain unchanged.

As at 30 June 2015, no conversions have been made for the Bonds issued by holders of the Bonds or redeemed by the Company.

### CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

The Company has no contingent liabilities as at 30 June 2015 (30 June 2014: Nil).

No assets of the Group was pledged as securities to any third parties as at 30 June 2015 (30 June 2014: Nil).

## COMMITMENTS

The Group had capital commitments of HK\$58 million and operating lease commitments as lessee of HK\$7 million from operations as at 30 June 2015 (30 June 2014: capital commitments of HK\$80 million and operating lease commitments of HK\$6 million respectively).

## MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

On 22 May 2015, the Group completed the acquisition of 100% equity interest in Trans Pacific Associates Ltd. for the consideration of an aggregate sum of approximately HK\$9,005,000 by way of cash in RMB3,000,000 and the issue of 4,000,000 consideration shares. Upon completion of the acquisition, Trans Pacific Associates Ltd. and its subsidiaries have become indirect wholly-owned subsidiaries of the Company.

On 4 June 2015, the Group completed the acquisition of 100% equity interest in Zhong Li Group Limited for a cash consideration of approximately RMB31,950,000 (approximately HK\$40,501,000). Upon completion of the acquisition, Zhong Li Group Limited and its subsidiaries have become indirect wholly-owned subsidiaries of the Company.

On 19 June 2015, the Group completed the disposal of 100% equity interest in Huai Lai Sai Shang Wineries Company Limited, and proceeds from the disposal of RMB6,000,000 (approximately HK\$7,519,000) was received. Upon completion of the disposal, the Company no longer have any interests in Huai Lai Sai Shang Wineries Company Limited.

Except for the above, the Group did not make any material acquisition nor disposal of subsidiaries and/or joint ventures during the year ended 30 June 2015.

## EMPLOYMENT AND REMUNERATION POLICIES

As at 30 June 2015, the Group had 39 and 243 (2014: 35 and 185) employees in Hong Kong and the PRC respectively, including the Directors. Total staffs costs excluding Directors' remuneration for the year under review amounted to approximately HK\$44 million (2014: HK\$31 million).

Employees' remunerations are determined with reference to their performance, qualifications, experience, positions and the current trend. Apart from the basic salary and participation in the mandatory provident fund scheme and staff benefits including medical and training programs, share options may be granted to individual employee based on performance evaluation in order to provide incentives and rewards.

## FOREIGN EXCHANGE EXPOSURE

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 period. 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.

# Profile of Directors and Senior Management

## DIRECTORS

### Executive Directors

**Madam CHEUNG Kwai Lan**, aged 77, one of the founders of the Group, is the Chairman and Executive Director of the Company. She is also the Chairman of the Nomination Committee of the Company. She has served the Group for more than 15 years and is the director of various subsidiaries of the Group. Madam CHEUNG is responsible for corporate development and strategic planning of the Group. Madam CHEUNG graduated from Shanxi Taiyuan Medical School in 1960 and was a researcher at Shanxi Province Taiyuan (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. Madam CHEUNG has been engaged in commercial development in Hong Kong for almost 40 years.

Madam CHEUNG takes a keen interest in social welfare and charity works. She is currently the chairperson of Zhang Xueliang Foundation, permanent honorary chairperson of the World of Chinese & Overseas Chinese Peace Promote Association, director of the China Legal Aid Foundation under the Ministry of Justice, vice chairperson of the "Chinese Charitable Work Development Association" (中國公益事業發展聯合會), and honorary director of "Chinese Si Hai Tong Xin Association in Taiwan" (台灣中華四海同心會). Madam CHEUNG attended the 2nd conference of the 11th National Committee of the Chinese People's Political Consultative Conference as an overseas compatriot by special invitation. She has also been awarded as "China Philanthropy Outstanding Contribution Individual", "Most Influential Entrepreneur in China", "International Philanthropic Celebrity", "International Philanthropic Stars" and "Progeny of the PRC for the 60 Years Development of New China".

Madam CHEUNG is the mother of Ms. CHAN Siu Sarah and Mr. CHAN Ting, and is the spouse of Mr. CHAN Tung Mei, being the Group General Counsel, Executive and Non-executive Directors of the Company respectively.

**Mr. CHAN Ting**, aged 45, is the Deputy Chairman, Executive Director, Chief Executive Officer, Compliance Officer and Authorised Representative of the Company. He is also a member of the Remuneration Committee of the Company. He has served the Group for more than 14 years and is the director of various subsidiaries of the Group. He is responsible for the marketing, business development, strategic planning and operations of the Group. He was awarded a bachelor's degree in Economics from Macquarie University in Australia in 1993. He is currently a member of the National Committee of Chinese People's Political Consultative Conference Jilin Province Committee and the Vice President of the Zhang Xueliang Foundation. Mr. CHAN has over 20 years of working experience in establishing and managing companies in the PRC.

Mr. CHAN is the son of Madam CHEUNG Kwai Lan and Mr. CHAN Tung Mei, being the Chairman and Executive Director, and Non-executive Director respectively, and the brother of Ms. CHAN Siu Sarah being the Group General Counsel. He joined the Group in July 2001.

## Non-executive Director

**Mr. CHAN Tung Mei**, aged 79, is one of the founders of the Group and a Non-executive Director of the Company. Mr. CHAN has served the Group for more than 15 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 has received a bachelor's degree in Civil Engineering in August 1960. Mr. CHAN has over 18 years of experience in establishing and managing companies.

Mr. CHAN is the father of Ms. CHAN Siu Sarah and Mr. CHAN Ting and the spouse of Madam CHEUNG Kwai Lan, being the Group General Counsel and Executive Directors of the Company respectively.

## Independent Non-executive Directors

**Mr. TO Yan Ming, Edmond**, aged 43, is an Independent Non-executive Director of the Company. He is also the Chairman of both the Audit Committee and Remuneration Committee of the Company. Mr. TO holds a bachelor's degree in Commerce in Accounting from Curtin University of Technology in Western Australia. He is a Certified Public Accountant (Practising) in Hong Kong, and also a member of both the CPA Australia and Hong Kong Institute of Certificate Public Accountants. He worked for one of the international accounting firms, Deloitte Touche Tohmatsu and has over 14 years of experience in auditing, accounting, public offerings and taxation matters. Mr. TO is the director of Edmond To CPA Limited, R.C.W (HK) CPA Limited and Zhonglei (HK) CPA Limited respectively. He was previously an independent non-executive director of Theme International Holdings Limited, and also he is currently an independent non-executive director of Wai Chun Group Holdings Limited, Wai Chun Mining Industry Group Company Limited and China Household Holdings Limited, shares of all which are listed on the main board of the Stock Exchange. Mr. TO joined the Group in January 2006.

**Mr. ZHANG Xiu Fu**, aged 81, is an Independent Non-executive Director of the Company. He is also a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company, respectively. Mr. ZHANG 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 Ninth 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 joined the Group in January 2008.

**Mr. YANG Qing Cai**, aged 68, is an Independent Non-executive Director of the Company. He is also a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company, respectively. Mr. YANG 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.

### Senior Management

**Mr. CHOW Chun Hong**, aged 49, is the Group Regional Chief Financial Officer, Company Secretary and Authorised Representative of the Company. He is also the director of various subsidiaries of the group. Mr. CHOW graduated from the University of Hong Kong with a Bachelor of Science (Physics and Mathematics) honours degree and obtained a Master of Business Administration degree from the Chinese University of Hong Kong. Currently, he is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in England and Wales and the Association of Chartered Certified Accountants. Mr. CHOW has served various accounting and financial management roles in Hong Kong, China and Southeast Asia for more than two decades. He has extensive knowledge and experience in accounting, financial management, taxation, auditing and financial control relating to Hong Kong and China businesses. He had previously spent 16 years working for the IT operating business of Jardine Matheson Group and has held a number of senior financial controller positions in several business operations during the period. Having first joined the Group in February 2010 and left in September 2012, he rejoined the Group in June 2014.

**Ms. CHAN Siu Sarah**, aged 50, is the General Counsel of the Group and the director of various subsidiaries of the Group. She has been in charge of the business activities of Bozone, the Group's main subsidiary for its traditional lottery business since 2011. Ms. CHAN obtained her law degree from the London School of Economics and Political Science and is qualified to practice law as solicitor in Hong Kong and England and Wales. She did her solicitor's training with the international firm of Baker & McKenzie in Hong Kong and, after qualification, worked at the international firm of Linklaters in Hong Kong specializing in projects and project finance with a particular focus on China. She then became a corporate counsel with the Asia Pacific regional headquarter of Lucent Technologies in Hong Kong attending to legal matters in the region and later was appointed to be 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 was an executive director of Avon Products Co., Ltd. which was listed on the JASDAQ Securities Exchange, Inc. for the period from March 2006 to December 2007. She joined the Group in May 2008 as Executive Director and General Counsel. Ms. CHAN resigned as an Executive Director of the Company on 30 July 2013 and has remained as General Counsel of the Group.

Ms. CHAN is the daughter of Madam CHEUNG Kwai Lan and Mr. CHAN Tung Mei, being the Chairman and Executive Director and Non-executive Director of the Company respectively, and the sister of Mr. CHAN Ting, being the Deputy Chairman, Chief Executive Officer and Executive Director of the Company.

**Mr. FUNG King Him Daniel**, aged 45, is the Director of Group Corporate Strategy, Investor Relations, Group Property Development, and the director of various subsidiaries of the Group. He has been responsible for corporate strategy, investor relations and property development of the Group. Mr. FUNG has obtained a bachelor's 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 Celebrate International Holdings Limited, which was previously known as Aptus Holdings Limited and a non-wholly owned subsidiary of the Group from 27 August 2004 to 30 December 2010. He joined the Group in February 2002.

**Ms. KWOK Shuk Yi**, aged 39, is the Director of Group Human Resources and Administration and the director of a subsidiary of the Group. She holds a bachelor's degree in Human Resources Management from The Royal Melbourne Institute of Technology University in Australia and graduated with Distinction. She has over 14 years of experience in human resources and administration management. Prior to joining the Group in July 2008, she worked in human resources and administrative managerial positions with a listed company and a sizeable investment company.

**Mr. SHEN Ni**, aged 38, is the Director of Group Lottery Technology. He is responsible for product planning as well as development, testing and maintenance of system software and hardware equipment, etc. amongst all subsidiaries of the Group in China. Mr. SHEN has 15 years of extensive experience in lottery technology development, system maintenance, market expansion and team management. He has previously served in Shenzhen Sinodata Technology Co., Ltd. and Shenzhen Sino Internet Technology Co., Ltd. for 14 years. He was awarded a diploma in computer application from Hunan Radio and TV University and a bachelor's degree of computer science and technology from Hunan University of Science and Technology. He joined the Group in November 2014.

**Mr. WU Zi Qiang**, aged 53, is currently the Director of Group Sport Lottery Business, and he is also the director and general manager of various subsidiaries. He is mainly responsible for marketing and overall management of the sport lottery business of the Group. Mr. WU has 11 years of experience in the lottery industry and has served in senior management positions in various listed companies in Hong Kong for 15 years. He has over 30 years of experience in the IT software development industry. From 2006 to 2010, he served as the chief executive officer of Greater China Region of the Group and Managing Director of Bozone. In 2000, he served as the co-chief executive officer and executive director of China LotSynergy Holdings Limited (formerly known as WorldMetal Holdings Limited), the vice president of TradeLink Electronic Commerce Limited, general manager of UNI-Tech Software Engineering (Shenzhen) Co., Limited etc. Mr. WU graduated from the National University of Defence Technology with a master's degree in Computer Communication Engineering, and a bachelor's degree in Digital Transmission Engineering. He joined the Group in November 2006.

**Mr. HO Wai Keung**, aged 42, is the Deputy Director of Group Welfare Lottery Business, responsible for the overall management and assisting the Group in attaining World Lottery Association Associate membership, Security Control Standard Certificate and Asia Pacific Lottery Association Associate membership. Prior to joining the Group, Mr. HO held tenures at the Hong Kong-listed China National Aviation Corporation Group (holding company of Air China), specializing in air-ticket digitalization and sino-foreign Joint-ventures. Mr. HO also held management positions at NYSE-listed 3M/Imation as a Top Performer in 2000, and at Jardine One Solution as a Sales and Project Manager. Mr. HO holds a master's degree in Business Administration from the University of Birmingham, U.K and MSc. of E-commerce and Internet Computing from the University of Hong Kong. He joined the Group in August 2010.

**Mr. LYU Dong**, aged 49, is the Deputy General Manager of Anhui Ao Cai Information Technology Limited. He graduated from Beijing Sport University, majoring in sports training. He was an investor and founder of Beijing Dong Qiang Trading Limited, Beijing Dong Sheng Rui Fa Sport Equipment Limited and Anhui Ao Cai Information Technology Limited. He has accumulated extensive management experience and was well connected within the sports and lottery related departments. He joined the Group in April 2014.



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# Corporate Governance Report



The Board is committed to maintaining and achieving a high standard of corporate governance practices with an emphasis on a quality Board, an effective accountability system and a healthy corporate culture in order to safeguard the interests of the Shareholders and enhance the business growth of the Group.

## CORPORATE GOVERNANCE PRACTICE

The Company has adopted and complied with the applicable code of provisions as set out in CG Code contained in Appendix 15 of the GEM Listing Rules on the Stock Exchange during the year ended 30 June 2015, except for the following deviations which are summarized below:

### Code Provision A.4.1

The Non-executive Director and the INEDs of the Company were not appointed under specific terms but are subject to retirement by rotation in annual general meetings of the Company at least once every three years in accordance with the Articles of Association of the Company. The Company does not believe that arbitrary term limits on Directors' services are appropriate given that Directors ought to be committed to representing the long term interests of the Company's Shareholders. The retirement and re-election requirements of INEDs have given the rights to the Company's Shareholders to approve the continuation of INEDs' offices.

### Code Provision A.6.7

An Executive Director, a NED and two INEDs were unable to attend an extraordinary general meeting of the Company held on 16 December 2014 due to their respective commitments elsewhere.

The corporate governance practices of the Company will be reviewed and updated from time to time in order to comply with Listing Rules requirements when the Board considers appropriate.

## DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted the required standards of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the Code of Conduct for securities transactions by the Directors in respect of the Shares of the Company. Having made specific enquiries, the Company has confirmed with all the Directors that they have complied with the required standards as set out in the Code of Conduct throughout the year ended 30 June 2015.

## BOARD OF DIRECTORS

### Board Composition

As at 30 June 2015, the Board comprised of six Directors, including two Executive Directors, one Non-executive Director and three INEDs. The composition of the Board during the year is set out as follows:

Executive Directors

Madam CHEUNG Kwai Lan (*Chairman*)

Mr. CHAN Ting (*Deputy Chairman and Chief Executive Officer*)



Non-executive Director

Mr. CHAN Tung Mei

Independent Non-executive Directors

Mr. TO Yan Ming Edmond

Mr. ZHANG Xiu Fu

Mr. YANG Qing Cai

The biographical details of the Directors are set out in the section headed “Profile of Directors and Senior Management”. The relationships (including financial, business, family or other material or relevant relationships) between members of the Board are also disclosed therein.

### Responsibilities of the Board

The Board is responsible for the leadership and control of, and promoting the success of the Group. Apart from its statutory and fiduciary responsibilities, the Board is responsible for reviewing the financial performance of the Group and approving and monitoring the Group’s strategic plans, major investments, internal control policies. The Board is also responsible for monitoring managerial performance in achieving return for the Shareholders of the Company each year.

The Board is also responsible for supervising the management of the Group (the “**Management**”) and has delegated the responsibility for day-to-day operations and management of the Group’s businesses to the Management, but material transactions such as acquisitions and disposals of assets of the Group would require the approval from the Board. The Management, led by the Chief Executive Officer (“**CEO**”), and comprising of a team of senior managers with a broad variety of experience and expertise in different areas, is responsible for managing the day-to-day operations, implementing strategies set by the Board, and assisting the Board in formulating and implementing corporate strategies.

### Independent Non-executive Directors

The Company has appointed three INEDs; and at least one of whom has appropriate professional qualifications or accounting or related financial management expertise under Rule 5.05 of the GEM Listing Rules. The Company has received from each of the INED an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers all of the INEDs to be independent.

Each INEDs is required to inform the Company as soon as practicable if there is any change that may affect his/her independence.

### Directors’ Appointment and Re-election

All the Executive Directors and Non-executive Directors 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 a written notice served by either party to the other with no less than six months’ notice. 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 Articles of Association.

## Continuing Professional Development

The Company provides the Directors regular updates on the business development of the Group. The Directors are regularly briefed on the latest developments on GEM Listing Rules and other applicable statutory requirements to ensure that they are compliant with and for the upkeeping of good corporate governance practices. The Company also recommends them to attend relevant seminars to develop and refresh their knowledge and skills. All Directors are requested to provide the Company with their respective training records pursuant to the CG Code. During the year, all of the Directors have participated in appropriate continuous professional development activities either by attending external seminars or by reading materials relevant to the Company's business or to the Directors' duties and responsibilities.

## Directors' and Officers' Liability Insurance

The Company has arranged for appropriate insurance coverage in respect of legal action against the Directors and senior management of the Group in the course of execution of their duties in good faith. The insurance coverage is reviewed on an annual basis.

## Board Meetings

The Company conducts scheduled Board meetings on a quarterly basis to discuss strategies and business issues, including financial performance of the Group.

The attendance of individual members of the Board at Board meetings, meetings of the Board committees and general meetings during the year ended 30 June 2015, as well as the number of such meetings held, is set out as follows:

Name of Directors	Meetings Attended/Held					
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting	Extraordinary General Meeting
<b>Number of Meetings</b>	4	4	1	1	1	1
<b>Executive Directors</b>						
Madam CHEUNG Kwai Lan	4/4	N/A	N/A	1/1	1/1	1/1
Mr. CHAN Ting	4/4	N/A	1/1	N/A	1/1	0/1
<b>Non-executive Director</b>						
Mr. CHAN Tung Mei	4/4	N/A	N/A	N/A	1/1	0/1
<b>INEDs</b>						
Mr. TO Yan Ming Edmond	4/4	4/4	1/1	N/A	1/1	1/1
Mr. YANG Qing Cai	3/4	3/4	1/1	0/1	1/1	0/1
Mr. ZHANG Xiu Fu	1/4	1/4	0/1	1/1	1/1	0/1

All Directors have access to relevant and timely information at all times as the Management will supply the Board and the Board Committees with all relevant information in a timely manner. They may make further enquiries if in their opinion it is necessary or appropriate to request for further information. They also have unrestricted access to the advice and services of the Company Secretary, who is responsible to the Board for providing Directors with Board papers and related materials,

and ensuring that all Board procedures and all applicable rules and regulations are followed. If considered to be necessary and appropriate by the Directors, they may upon reasonable request seek independent professional advice at the Company's expense.

Except for those circumstances permitted by the Articles of Association and the GEM Listing Rules, when a Director who has a material interest in any transaction, arrangement, contract or any other kind of proposal put forward to the Board for consideration, he or she shall abstain from voting on the relevant resolution.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

In compliance with code provision A.2.1 of the CG Code, The Company has arranged for the roles of chairman and chief executive officer to be separate and not performed by the same individual. Madam CHEUNG Kwai Lan, as the Chairman is responsible for overseeing the functions of the Board and formulating the overall strategies and policies of the Company. Mr. CHAN Ting as CEO, is responsible for the day-to-day management of the business of the Group, implementing major strategies, making day-to-day decisions and the overall coordination of business operations.

## BOARD COMMITTEES

The Board has maintained three board committees (the "**Board Committees**"), namely the Audit Committee, the Remuneration Committee and the Nomination Committee, throughout the year to oversee particular aspects of the Group's affairs. Each Committee has specific terms of reference clearly defining its powers, duties and responsibilities. The terms of reference of the Board Committees are published on the websites of the Company and the Stock Exchange. The Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses. All Board Committees have adopted the applicable practices and procedures used in Board meetings in conducting their respective meetings.

### Audit Committee

The Audit Committee comprises three INEDs, namely, Mr. TO Yan Ming Edmond, Mr. YANG Qing Cai and Mr. ZHANG Xiu Fu. Mr. TO was appointed as the Chairman of the Audit Committee. The major duties and functions of Audit Committee are (i) to review the financial information of the Company; (ii) to review the accounting policies, financial position and results, financial reporting system and internal control procedures of the Group; (iii) to oversee the relationship between the Company and the external auditors and (iv) to provide recommendations and advices to the Board on the appointment, re-appointment and removal of external auditors as well as their term of appointment. During the year ended 30 June 2015, 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 2015 and unaudited quarterly and interim results; and (iii) to consider the re-appointment of auditors of the Company. Individual attendance of Audit Committee members are set on page 17 of this annual report.

The Group's audited consolidated results for the year ended 30 June 2015 has been reviewed by the Audit Committee of the Company.

### Remuneration Committee

The Remuneration Committee comprises four members, a majority of them being INEDs, namely Mr. TO Yan Ming Edmond, Mr. CHAN Ting, Mr. YANG Qing Cai and Mr. ZHANG Xiu Fu. Mr. TO was appointed as the Chairman of the Remuneration Committee. The major duties of the Remuneration Committee include assisting the Board to develop and administer fair and

transparent procedures, for setting policies on the remuneration of the Directors and senior management of the Company and in determining remuneration packages of the Directors and senior management of the Company. During the year ended 30 June 2015, one meeting was held by the Remuneration Committee. At the meeting, the Remuneration Committee has performed its duties to determine and made recommendations to the Board on the remuneration packages of the Directors. Individual attendance of Audit Committee members are set on page 17 of this annual report.

### Nomination Committee

The Nomination Committee comprises three members, namely Madam CHEUNG Kwai Lan, Mr. YANG Qing Cai and Mr. ZHANG Xiu Fu. Madam CHEUNG was appointed as the Chairman of the Nomination Committee. The major roles and functions of the Nomination Committee include reviewing the structure, size, composition and diversity of the Board at least once a year; making recommendations to the Board on the appointment and re-appointment of the Directors and succession planning of the Directors; and assessing the independence of INEDs. During the year ended 30 June 2015, one meeting was held by the Nomination Committee. In the meeting, the Nomination Committee has performed its duties to determine and made recommendations on the appointment and reappointment of the Directors and review the independence of the INEDs. Individual attendance of Nomination Committee members are set on page 17 of this annual report.

## ACCOUNTABILITY AND AUDIT

### Financial Reporting

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Group that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine as necessary to enable the preparation of consolidated financial statements of the Group that are free from material misstatement, whether due to fraud or error. The responsibility of the external auditors is to form an independent opinion, based on their audit, on the Group's consolidated financial statements prepared by the Directors and to report its opinion to the Shareholders of the Company.

A statement by the external auditors about their reporting responsibility is set out in the section headed "Independent Auditors' Report".

### Internal Control

The Board is responsible for maintaining an adequate internal control system to safeguard Shareholders' interests and the Company's assets with the support of the Audit Committee, reviewing the effectiveness of such system on an annual basis. The Board has conducted an annual review of the effectiveness of the internal control system of the Group. Such review covers the financial, operational, compliance and risk management aspects of the significant subsidiaries of the Group which included the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting functions, and their training programmes and budgets.

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

## AUDITORS' REMUNERATION

The Company reviews the appointment of external auditors on an annual basis including a review of the scope of audit and approval of the audit fee. During the year, the fees paid/payable to the Company's external auditor for audit services amounted to HK\$1,005,000 and fees for non-audit related activities amounted to HK\$30,000.

## COMPANY SECRETARY

Mr. CHOW Chun Hong was appointed as Company Secretary of the Company on 9 June 2014, and is currently the Group Regional Chief Financial Officer. The biographical details of Mr. CHOW are set out in the section headed "Profile of Directors and Senior Management".

During the year ended 30 June 2015, Mr. CHOW has complied with Rule 5.15 of GEM Listing Rules for taking no less than 15 hours of relevant professional training.

## SHAREHOLDERS' RIGHTS

### Right to Convene an Extraordinary General Meeting

In accordance with Article 72 of the Company's Articles of Association, any one or more Shareholders holding at the date of deposit of the requisition no less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require for an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

### Right to Direct Enquiries to the Board

The Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary by addressing them to the principal place of business of Company in Hong Kong at: Units 307-313, 3/F, Wireless Centre, Phase One Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong. The Shareholders may also make enquiries to the Board at the general meetings of the Company.

### Right to Put Forward Proposals at a General Meeting

The Shareholders of the Company are welcomed to suggest proposals relating to the operations, strategy and/or management of the Group. Shareholders are requested to follow Article 72 of the Articles of Association for including a resolution at EGM. The requirements and procedures are set out in paragraph headed "Right to Convene an Extraordinary General Meeting" above.

## INVESTORS RELATIONS

The Company has established a range of communication channels between itself and its Shareholders, investors and other stakeholders. These include the annual general meetings; the annual, interim and quarterly reports; notices; announcements, circulars, Memorandum and Articles of Association; and media releases on the Company's website, [www.cvg.com.hk](http://www.cvg.com.hk)

## CONSTITUTIONAL DOCUMENT

There is no change in the constitutional documents during the year.

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# Directors' Report



The Directors are pleased to present the report together with the audited consolidated financial statements for the year ended 30 June 2015.

## PRINCIPAL ACTIVITIES AND ANALYSIS OF OPERATION

The principal activity of the Company is investment holding and the activities of the subsidiaries are set out in Note 41 to the consolidated financial statements.

An analysis of the Group's performance for the year ended 30 June 2015 by segments are set out in Note 8 to the consolidated financial statements.

## RESULTS AND APPROPRIATIONS

The results of the Group for year ended 30 June 2015 are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on pages 31 and 32.

The Board does not recommend the payment of any dividend for the year ended 30 June 2015. (2014: Nil)

## FIVE-YEAR FINANCIAL SUMMARY

A summary of results and of the assets and liabilities of the Group for the past five financial years is set out on page 128 of this annual report.

## 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

Details of the movements in the share capital of the Company during the year are set out in Note 30 to the consolidated financial statements.

## 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.

## CHARITABLE DONATIONS

During the year, the Group made charitable donations amounting to HK\$188,000 (2014: HK\$25,000)

## RESERVES

Details of movements in the reserves of the Group during the year are set out in the Consolidated Statement of Changes in Equity on page 35.

## MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 30 June 2015, the Group made 68% of its total sales from five customers and sales to the largest customer included therein amounted to approximately 15%. Purchases from the Group's five largest suppliers accounted for approximately 66% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 45%.

To the best of the Directors' knowledge, none of the Directors of the Company, or any of their close associates or any other Shareholders, own more than 5% of the Company's issued share capital, nor had any beneficial interests in these major customers and suppliers.

## RELATED PARTY AND CONNECTED PARTY TRANSACTIONS

Details of the significant related party transactions are set out to Note 40 to the consolidated financial statements. During the year, the Company has entered into consultancy service agreement amounted HK\$360,000 with a related party.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

### Issue of Shares Upon Exercise of Share Options of the Company

During the year ended 30 June 2015, 19,623,000 Shares were issued to eligible participants after they had exercised their Share Option rights. Net proceeds exclusive of handling fees of HK\$8,594,874 was received.

### Repurchase of Shares

During the year ended 30 June 2015, the Company repurchased a total of 24,265,000 Shares of the Company on the Stock Exchange at an aggregate consideration (before expenses) of HK\$17,794,273, and all of the Shares repurchased were subsequently cancelled. Particulars of the Shares repurchased are as follows:

Month of Repurchases	Number of Shares Repurchased	Highest Price Paid Per Share HK\$	Lowest Price Paid Per Share HK\$	Aggregate Consideration Paid (before expenses) HK\$
December 2014	20,400,000	0.840	0.655	14,623,846
January 2015	3,865,000	0.850	0.790	3,170,427
	<u>24,265,000</u>			<u>17,794,273</u>

The repurchases were made for the benefit of the Company and its Shareholders as a whole with a view to enhancing the earnings per Share of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's Shares during the year ended 30 June 2015.



## DIRECTORS

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

### Executive Directors

Madam CHEUNG Kwai Lan (*Chairman*)

Mr. CHAN Ting (*Deputy Chairman and Chief Executive Officer*)

### Non-executive Director

Mr. CHAN Tung Mei

### Independent Non-executive Directors

Mr. TO Yan Ming Edmond

Mr. ZHANG Xiu Fu

Mr. YANG Qing Cai

In accordance with Article 116 of the Articles of Association, Madam CHEUNG Kwai Lan and Mr. CHAN Tung Mei will retire and, being eligible, offer themselves for re-election at the forthcoming annual meeting.

The Company has received from each of the INEDs, an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers all the INEDs to be independent.

## 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 no less than six months' written notice served by either party to 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.

## DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

## COMPETING INTERESTS

None of Directors, the substantial Shareholders nor the controlling Shareholder of the Company or any of their respective close associates (as defined under the GEM Listing Rules) have any interest in any business which competes or is likely to compete, directly or indirectly, with the business of the Group.

## 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 2015, the interests and short positions of the Directors and chief executive in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (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 were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

### 1. Long Positions in the Shares of the Company or any of its Associated Corporations

Name of Directors	The Company/ Name of Associated Corporation	Number of Shares Held				Approximate Percentage of Shareholding
		Interest in Controlled Corporation	Beneficial Owner	Family Interest	Total Interest	
Madam CHEUNG Kwai Lan ("Madam CHEUNG") (Notes 1 & 2)	The Company	1,203,565,856	1,656,000	160,000	1,205,381,856	37.58%
Mr. CHAN Tung Mei ("Mr. CHAN") (Notes 1 & 3)	The Company	–	160,000	1,205,221,856	1,205,381,856	37.58%
Madam CHEUNG	Best Frontier (Note 1)	–	909	1 (Note 1)	910	–
Mr. CHAN	Best Frontier	–	1	909 (Note 1)	910	–
Mr. YANG Qing Cai ("Mr. YANG") (Note 4)	The Company	–	200,000	–	200,000	0.01%

Notes:

- 1,203,565,856 Shares are owned by Best Frontier which is owned as to 99.89% and 0.11% by Madam CHEUNG and Mr. CHAN respectively. In addition, Madam CHEUNG and Mr. CHAN directly holds 1,656,000 Shares and 160,000 Shares respectively. Accordingly, Madam CHEUNG is the spouse of Mr. CHAN and so both of them are deemed to be interested in the Shares.
- The personal interests of Madam CHEUNG represents the interest in 1,656,000 Shares and interest in 3,000,000 underlying Shares in respect of the share options granted by the Company, the details of which are stated in the following section "Share Options".
- The personal interests of Mr. CHAN represents the interest in 160,000 Shares and interest in 2,860,000 underlying Shares in respect of the share options granted by the Company, the details of which are stated in the following section "Share Options".
- The personal interests of Mr. YANG represents the interest in 200,000 Shares and interest in 1,800,000 underlying Shares in respect of the share options granted by the Company, the details of which are stated in the following section "Share Options".

## 2. Share Options

The Company conditionally adopted a share option scheme on 31 January 2013 under which the Board may, at its discretion, invite eligible persons to take up options to subscribe for the Shares in the Company (the "Share Option Scheme"). Eligible persons shall include any directors, employees and consultants of the Company or of any subsidiary of the Company or such other persons whom at the sole discretion of the Board are deemed to 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 the date of adoption of the Share Option Scheme. Details of the Share Option Scheme adopted by the Company are set out in Note 31 to the consolidated financial statements.

The details of the movements in the Share Options under Share Option Scheme during the period were as follows:–

Name/Category of Participants	Grant Date	Exercise Price HK\$	Adjusted Exercise Price HK\$ (Note 1)	Exercisable Period	Number of Share Options						
					Balance as at 1 July 2014	Adjusted Balance as at 17 December 2014 (Note 1)	Granted	Exercised	Cancelled	Lapsed	Balance as at 30 June 2015
<b>Directors</b>											
Madam CHEUNG Kwai Lan	10/12/2013	1.752	0.438	01/04/2014 – 31/03/2017	225,000	900,000	–	–	–	–	900,000
	10/12/2013	1.752	0.438	01/01/2015 – 31/03/2017	225,000	900,000	–	–	–	–	900,000
	10/12/2013	1.752	0.438	01/01/2016 – 31/03/2017	300,000	1,200,000	–	–	–	–	1,200,000
Mr. CHAN Ting	10/12/2013	1.752	0.438	01/04/2014 – 31/03/2017	225,000	900,000	–	–	–	–	900,000
	10/12/2013	1.752	0.438	01/01/2015 – 31/03/2017	225,000	900,000	–	–	–	–	900,000
	10/12/2013	1.752	0.438	01/01/2016 – 31/03/2017	300,000	1,200,000	–	–	–	–	1,200,000
Mr. CHAN Tung Mei	10/12/2013	1.752	0.438	01/04/2014 – 31/03/2017	190,000	760,000	–	–	–	–	760,000
	10/12/2013	1.752	0.438	01/01/2015 – 31/03/2017	225,000	900,000	–	–	–	–	900,000
	10/12/2013	1.752	0.438	01/01/2016 – 31/03/2017	300,000	1,200,000	–	–	–	–	1,200,000
Mr. TO Yan Ming Edmond	10/12/2013	1.752	0.438	01/01/2015 – 31/03/2017	150,000	600,000	–	(600,000)	–	–	–
	10/12/2013	1.752	0.438	01/01/2016 – 31/03/2017	200,000	800,000	–	–	–	–	800,000
Mr. ZHANG Xiu Fu	10/12/2013	1.752	0.438	01/04/2014 – 31/03/2017	150,000	600,000	–	–	–	–	600,000
	10/12/2013	1.752	0.438	01/01/2015 – 31/03/2017	150,000	600,000	–	–	–	–	600,000
	10/12/2013	1.752	0.438	01/01/2016 – 31/03/2017	200,000	800,000	–	–	–	–	800,000
Mr. YANG Qing Cai	10/12/2013	1.752	0.438	01/04/2014 – 31/03/2017	150,000	600,000	–	(200,000)	–	–	400,000
	10/12/2013	1.752	0.438	01/01/2015 – 31/03/2017	150,000	600,000	–	–	–	–	600,000
	10/12/2013	1.752	0.438	01/01/2016 – 31/03/2017	200,000	800,000	–	–	–	–	800,000
Sub-total					3,565,000	14,260,000	–	(800,000)	–	–	13,460,000

Name/Category of Participants	Grant Date	Exercise Price HK\$	Adjusted Exercise Price HK\$ (Note 1)	Exercisable Period	Number of Share Options						
					Adjusted Balance		Granted	Exercised	Cancelled	Lapsed	Balance as at 30 June 2015
					as at 1 July 2014	Balance as at 17 December 2014 (Note 1)					
Employees	10/12/2013	1.752	0.438	01/04/2014 – 31/03/2017	1,458,000	5,832,000	-	(3,736,000)	-	(32,000)	2,064,000
	10/12/2013	1.752	0.438	01/01/2015 – 31/03/2017	4,536,000	18,144,000	-	(11,327,000)	-	(1,040,000)	5,777,000
	10/12/2013	1.752	0.438	01/01/2016 – 31/03/2017	6,048,000	24,192,000	-	-	-	(1,488,000)	22,704,000
	13/06/2014	3.806	0.952	01/07/2015 – 30/06/2018	1,413,000	5,652,000	-	-	(372,000)	(528,000)	4,752,000
	13/06/2014	3.806	0.952	01/07/2016 – 30/06/2018	1,413,000	5,652,000	-	-	(372,000)	(528,000)	4,752,000
	13/06/2014	3.806	0.952	01/07/2017 – 30/06/2018	1,884,000	7,536,000	-	-	(496,000)	(704,000)	6,336,000
					Sub-total	16,752,000	67,008,000	-	(15,063,000)	(1,240,000)	(4,320,000)
Other Eligible Participants (Note 2)	10/12/2013	1.752	0.438	01/04/2014 – 31/03/2017	2,892,000	11,568,000	-	(528,000)	-	-	11,040,000
	10/12/2013	1.752	0.438	01/07/2014 – 31/03/2017	12,250,000	49,000,000	-	(3,000,000)	-	-	46,000,000
	10/12/2013	1.752	0.438	01/01/2015 – 31/03/2017	207,000	828,000	-	(232,000)	-	-	596,000
	10/12/2013	1.752	0.438	01/04/2015 – 31/03/2017	2,700,000	10,800,000	-	-	-	-	10,800,000
	10/12/2013	1.752	0.438	01/07/2015 – 31/03/2017	12,250,000	49,000,000	-	-	-	-	49,000,000
	10/12/2013	1.752	0.438	01/01/2016 – 31/03/2017	276,000	1,104,000	-	-	-	-	1,104,000
	13/06/2014	3.806	0.952	01/07/2015 – 30/06/2018	5,400,000	21,600,000	-	-	-	-	21,600,000
	13/06/2014	3.806	0.952	01/07/2016 – 30/06/2018	5,400,000	21,600,000	-	-	-	-	21,600,000
				Sub-total	41,375,000	165,500,000	-	(3,760,000)	-	-	161,740,000
				Total	61,692,000	246,768,000	-	(19,623,000)	(1,240,000)	(4,320,000)	221,585,000

## Notes:

- As a result of Share Subdivision becoming effective on 17 December 2014, the total number of Shares that would be eligible to be issued upon full exercise of the Share Options of the Company granted 10 December 2013 and 13 June 2014 were adjusted to 246,768,000 share and also with exercise price of HK\$1.752 and HK\$3.806 was adjusted to HK\$0.438 and HK\$0.952 per Share respectively.
- Other Eligible Participants include certain business partners and consultants of the Group.

Save as disclosed above, as at 30 June 2015, none of the Directors and chief executive of the Company had or was deemed to have any interests or short positions in any Shares, debentures or underlying Shares of the Company and its associated corporations (within the meaning of Part XV of the SFO) that are required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered into the register referred to therein or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange.

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURE

Save as disclosed in the section headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company or any associated corporation" above, at no time during the period 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.

## UPDATE ON DIRECTORS' INFORMATION PURSUANT TO RULE 17.50A(1) OF THE GEM LISTING RULES

In accordance with Rule 17.50A(1) of the GEM Listing Rules, the changes in information of Directors of the Company are set out below:

Mr. TO Yan Ming Edmond, INED, has resigned as independent non-executive director of Theme International Holding Limited (stock code: 990) with effect from 31 May 2015.

Save as disclosed above, there is no other changes in the directors' information required to be disclosed pursuant to Rule 13.17.50A(1) of the GEM Listing Rules.

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

As at 30 June 2015, according to the register kept by the Company pursuant to section 336 of SFO, and so far as is known to any Directors or chief executive of the Company, the following persons (other than the Directors or chief executive of the Company) had, or was deemed or taken to have, 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 were as follow:

### Long Positions in the Shares

Name of Shareholder	Capacity	Number of Issued Shares Held	Approximate Percentage of Shareholding
Best Frontier & its concert parties (Note 1)	Beneficial Owner	1,205,381,856	37.58%
Integrated Asset Management Limited (" <b>Integrated Asset</b> ") & its concert parties (Note 2)	Beneficial Owner	304,788,000	9.50%
GAM Hong Kong Limited	Investment Manager	246,065,000	7.67%
Tarascon Asia Absolute Fund (Cayman) Ltd.	Beneficial Owner	168,225,000	5.24%

*Notes:*

- 1,203,565,856 shares are owned by Best Frontier which is owned as to 99.89% and 0.11% by Madam CHEUNG and Mr. CHAN who are spouses to each other. In addition, Madam CHEUNG and Mr. CHAN directly beneficially holds 1,656,000 and 160,000 Shares respectively. Madam CHEUNG is the spouse of Mr. CHAN and so both of them are deemed to have interests in the Shares.
- 304,788,000 Shares are owned by Integrated Asset which is wholly owned by Mr. YAM Tak Cheung. A 2% coupon convertible bonds in aggregate amount of HK\$89,625,000 for a term of three years was issued to Integrated Assets pursuant to the subscription agreement dated 13 January 2014. A maximum of 150,000,000 Shares will be allotted and issued to Integrated Asset upon conversion of the Bonds in full and thereafter the shareholding of Integrated Asset will be increased to approximately 14.18% of the current issued share capital of the Company and approximately 13.54% of the enlarged issued share capital of the Company. The initial conversion price is HK\$0.598 per conversion share subject to adjustment.



Save as disclosed above, as at 30 June 2015, 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.

## CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance which is set out in the "Corporate Governance Report" on pages 15 to 20.

## AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with the GEM Listing Rules. The Audit Committee comprises three INEDs, Mr. TO Yan Ming Edmond, Mr. YANG Qing Cai and Mr. ZHANG Xiu Fu. The Chairman of the Audit Committee is Mr. TO Yan Ming Edmond. Details of the roles and work performed by the committee are set out in "Corporate Governance Report" in the annual report for the year ended 30 June 2015.

The audited consolidated results of the Group for the year ended 30 June 2015 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure have been made.

## SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 30 June 2015.

## EVENTS AFTER REPORTING PERIOD

The Company did not have significant event after reporting period to be disclosed.

## AUDITORS

The consolidated financial statements for the year ended 30 June 2015 have been audited by W. H. Tang & Partners CPA Limited.

On behalf of the Board

**CHEUNG Kwai Lan**

*Chairman and Executive Director*

Hong Kong, 30 September 2015



# Independent Auditors' Report

## 鄧偉雄會計師事務所有限公司

Level 20, Parkview Centre,  
7 Lau Li Street,  
Causeway Bay, Hong Kong.

香港銅鑼灣琉璃街七號  
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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 31 to 127, which comprise the consolidated statement of financial position as at 30 June 2015, 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.



## 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 2015 and of their financial performance 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*

### **CHAN Yip Ngar**

*Practising Certificate Number P06100*

Hong Kong, 30 September 2015



# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2015

	Notes	Year ended 30-6-2015 HK\$'000	Year ended 30-6-2014 HK\$'000
Revenue	9	123,736	95,786
Cost of sales		(5,950)	(5,980)
Gross profit		117,786	89,806
Other revenue	9	3,876	10,451
Gain on disposal of a subsidiary		4,665	–
Selling and distribution costs		(5,246)	(1,268)
Administrative expenses		(89,283)	(67,171)
Operating profit		31,798	31,818
Finance costs	10	(10,720)	(9,753)
Share of result of a joint venture		(905)	(2,881)
<b>Profit before taxation</b>	11	<b>20,173</b>	19,184
Income tax expenses	14	(2,329)	(6,038)
<b>PROFIT FOR THE YEAR</b>		<b>17,844</b>	13,146
<b>Other comprehensive income (expenses) for the year, after tax:</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of financial statements of overseas operations		133	(2,085)
Other comprehensive income (expenses) for the year, net of tax		133	(2,085)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>17,977</b>	11,061



Consolidated Statement of Profit or Loss  
and Other Comprehensive Income  
For the year ended 30 June 2015

	<i>Notes</i>	<b>Year ended 30-6-2015 HK\$'000</b>	Year ended 30-6-2014 HK\$'000
Profit (loss) attributable to:			
Equity holders of the Company		<b>19,107</b>	14,887
Non-controlling interests		<b>(1,263)</b>	(1,741)
		<b>17,844</b>	13,146
Total comprehensive income (expenses) attributable to:			
Equity holders of the Company		<b>19,229</b>	12,810
Non-controlling interests		<b>(1,252)</b>	(1,749)
		<b>17,977</b>	11,061
			(Restated)
Earnings per share			
Basic	16	<b>HK0.60 cent</b>	HK0.48 cent
Diluted	16	<b>HK0.57 cent</b>	HK0.48 cent

# Consolidated Statement of Financial Position

At 30 June 2015

	Notes	30-6-2015 HK\$'000	30-6-2014 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	17	11,783	10,281
Goodwill	18	174,050	145,099
Other intangible assets	19	19,541	776
Available-for-sale financial assets	20	–	–
Interests in a joint venture	21	16,077	16,974
		<b>221,451</b>	173,130
<b>Current assets</b>			
Inventories	22	1,425	1,081
Trade and other receivables and prepayments	23	151,478	104,948
Bank balances and cash	24	92,942	151,850
		<b>245,845</b>	257,879
Assets classified as held for sale	25	–	5,469
		<b>245,845</b>	263,348
<b>Current liabilities</b>			
Trade payables, accrued liabilities and other payables	26	27,665	18,947
Tax liabilities		5,265	7,717
Amount due to a director	27	45	1,089
		<b>32,975</b>	27,753
Liabilities associated with assets classified as held for sale	25	–	2,610
		<b>32,975</b>	30,363
<b>Net current assets</b>		<b>212,870</b>	232,985
<b>Total assets less current liabilities</b>		<b>434,321</b>	406,115

# Consolidated Statement of Financial Position

At 30 June 2015

	<i>Notes</i>	<b>30-6-2015 HK\$'000</b>	30-6-2014 HK\$'000
<b>Non-current liabilities</b>			
Convertible bonds	28	<b>73,238</b>	64,311
Deferred taxation	29	<b>3,132</b>	4,310
		<b>76,370</b>	68,621
<b>Net assets</b>			
		<b>357,951</b>	337,494
<b>Capital and reserves</b>			
Share capital	30	<b>40,097</b>	40,155
Reserves		<b>305,412</b>	286,709
Equity attributable to equity holders of the Company		<b>345,509</b>	326,864
Non-controlling interests		<b>12,442</b>	10,630
<b>Total equity</b>		<b>357,951</b>	337,494

The consolidated financial statements on pages 31 to 127 were approved and authorized for issue by the Board of Directors on 30 September 2015 and are signed on its behalf by:

**CHEUNG Kwai Lan**  
*Director*

**CHAN Ting**  
*Director*

# Consolidated Statement of Changes in Equity

For the year ended 30 June 2015

	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 (Note a)	Share option reserve HK\$'000 (Note b)	Translation reserve HK\$'000 (Note c)	Convertible bonds reserve HK\$'000 (Note d)	Special reserve HK\$'000	Capital reserve HK\$'000 (Note e)	Retained profits/ (Accumulated losses) HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 July 2013	37,719	2,195,554	234	35,572	-	19,278	-	(1)	10,184	(2,258,463)	40,077	4,814	44,891
Profit for the year	-	-	-	-	-	-	-	-	-	14,887	14,887	(1,741)	13,146
Exchange differences arising on translation of financial statements of overseas operations	-	-	-	-	-	(2,077)	-	-	-	-	(2,077)	(8)	(2,085)
Total comprehensive income (expenses) for the year	-	-	-	-	-	(2,077)	-	-	-	14,887	12,810	(1,749)	11,061
Equity component of convertible bonds	-	-	-	-	-	-	28,963	-	-	-	28,963	-	28,963
Deferred tax liabilities arising from the issuance of convertible bonds	-	-	-	-	-	-	(4,779)	-	-	-	(4,779)	-	(4,779)
Recognition of equity-settled share-based payments	-	-	-	-	8,794	-	-	-	-	-	8,794	-	8,794
Exercise of share options	-	-	-	-	(2,357)	-	-	-	-	-	(2,357)	-	(2,357)
Share options lapsed	-	-	-	-	(235)	-	-	-	-	235	-	-	-
Acquisition of interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	2,669	2,669
Contributions from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	4,896	4,896
Share repurchased	(947)	(68,828)	947	-	-	-	-	-	-	(947)	(69,775)	-	(69,775)
Shares issued upon exercise of share options	177	8,396	-	-	-	-	-	-	-	-	8,573	-	8,573
Shares issued upon placement of shares	2,720	267,506	-	-	-	-	-	-	-	-	270,226	-	270,226
Shares issued on acquisition of a subsidiary	486	33,846	-	-	-	-	-	-	-	-	34,332	-	34,332
At 30 June 2014 and 1 July 2014	40,155	2,436,474	1,181	35,572	6,202	17,201	24,184	(1)	10,184	(2,244,288)	326,864	10,630	337,494
Profit for the year	-	-	-	-	-	-	-	-	-	19,107	19,107	(1,263)	17,844
Exchange differences arising on translation of financial statements of overseas operations	-	-	-	-	-	122	-	-	-	-	122	11	133
Total comprehensive income (expenses) for the year	-	-	-	-	-	122	-	-	-	19,107	19,229	(1,252)	17,977
Recognition of equity-settled share-based payments	-	-	-	-	8,617	-	-	-	-	-	8,617	-	8,617
Share options lapsed	-	-	-	-	(466)	-	-	-	-	466	-	-	-
Release on disposal of a subsidiary	-	-	-	-	-	(1)	-	-	-	-	(1)	-	(1)
Contributions from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	3,064	3,064
Share repurchased	(303)	(17,491)	303	-	-	-	-	-	-	(303)	(17,794)	-	(17,794)
Shares issued upon exercise of share options	245	11,741	-	-	(3,392)	-	-	-	-	-	8,594	-	8,594
At 30 June 2015	40,097	2,430,724	1,484	35,572	10,961	17,322	24,184	(1)	10,184	(2,225,018)	345,509	12,442	357,951



## Consolidated Statement of Changes in Equity

For the year ended 30 June 2015

### 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) On 17 January 2014, the Company issued convertible bonds with a principal amount of HK\$89,625,000. Equity component of the convertible bonds of approximately HK\$28,963,000 was recognized in the convertible bonds reserve account.
- (e) Capital reserve represents gain on acquisition and disposal of interests in subsidiaries.



# Consolidated Statement of Cash Flows

For the year ended 30 June 2015

Note	Year ended 30-6-2015 HK\$'000	Year ended 30-6-2014 HK\$'000
<b>OPERATING ACTIVITIES</b>		
Profit before taxation	20,173	19,184
Adjustment for:		
Interest income	(3,225)	(257)
Interest expenses	10,720	9,753
Amortization of prepaid lease payments	–	121
Amortization of other intangible assets	102	–
Depreciation of property, plant and equipment	3,746	6,120
Gain on disposal of property, plant and equipment	–	(8,852)
Gain on dissolve of subsidiaries	(21)	–
Gain on disposal of a subsidiary	(4,665)	–
Impairment on other intangible assets	268	–
Written-off of deposits and other receivables	43	381
Written-off of amount due from a joint venture	–	380
Written-off of obsolete stocks	418	–
Equity-settled share-based payment	8,617	8,794
Share of result of a joint venture	905	2,881
Operating cash flows before movements in working capital	37,081	38,505
(Increase) decrease in inventories	(683)	373
Increase in trade and other receivables and prepayments	(33,624)	(42,077)
(Decrease) increase in trade payables, accrued liabilities and other payables	(9,394)	3,244
Cash (used in) from operations	(6,620)	45
Tax paid	(5,979)	(537)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(12,599)</b>	<b>(492)</b>

# Consolidated Statement of Cash Flows

For the year ended 30 June 2015

	Note	Year ended 30-6-2015 HK\$'000	Year ended 30-6-2014 HK\$'000
<b>INVESTING ACTIVITIES</b>			
Interest received		366	257
Purchases of research and development		–	(268)
Purchases of property, plant and equipment		(5,222)	(3,860)
Decrease in pledged bank deposits		–	5,262
Proceeds from disposal of property, plant and equipment		–	636
Proceeds from disposal of a subsidiary		7,519	–
Cash outflows on acquisition of subsidiaries	32(a)	(40,109)	(12,442)
Cash outflow arising on disposal of a subsidiary	32(b)	(24)	–
		<b>(37,470)</b>	<b>(10,415)</b>
<b>FINANCING ACTIVITIES</b>			
Interest paid		(1,793)	(1,312)
Issue of shares		8,594	278,799
Exercise of share options		–	(2,357)
Cash paid on share repurchase		(17,730)	(69,525)
Transaction cost on share repurchase		(64)	(250)
Proceeds from issue of convertible bonds		–	89,625
Net repayment of bank and other borrowings		–	(44,863)
Decrease in bank overdraft, secured		–	(12,433)
Capital contribution from non-controlling interests		3,064	4,896
Amount due to a director		(1,044)	(4,431)
Repayment of loan from shareholder		–	(77,308)
		<b>(8,973)</b>	<b>160,841</b>
		<b>(59,042)</b>	<b>149,934</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>		<b>151,870</b>	<b>3,637</b>
Effects of foreign exchange rate changes		114	(1,701)
		<b>92,942</b>	<b>151,870</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>		<b>92,942</b>	<b>151,870</b>
Represented by:			
Bank balances and cash		92,942	151,850
Bank balances and cash under assets classified as held for sale		–	20
		<b>92,942</b>	<b>151,870</b>



# 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, Phase One Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong.

The consolidated financial statements are presented in Hong Kong Dollar 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 joint ventures are set out in notes 41 and 21 respectively.

## 2. APPLICATION OF NEW AND REVISED HKFRSs

For the purpose of preparing and presenting the consolidated financial statements for the year ended 30 June 2015, the Group has adopted all the HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are effective for the Group's financial year beginning on 1 July 2014.

The application of the amendments to HKFRSs and the new Interpretation in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or the disclosures set out in these consolidated financial statements.

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle <sup>1</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>1</sup>
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations <sup>1</sup>
HKFRS 9	Financial Instruments <sup>2</sup>
HKFRS 14	Regulatory Deferral Accounts <sup>3</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>4</sup>
Amendments to HKAS 1	Disclosure Initiative <sup>1</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>1</sup>
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants <sup>1</sup>
Amendments to HKAS 27	Equity Method in Separate Financial Statements <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>3</sup> Effective for first annual HKFRS financial statements beginning on or after 1 January 2016

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2017

## 2. APPLICATION OF NEW AND REVISED HKFRSs – continued

### HKFRS 9 (2014) *Financial Instruments*

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of HKFRS 9 was issued in 2014 to incorporate all the requirements of HKFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a “fair value through other comprehensive income” (“FVTOCI”) measurement category for certain financial assets. The finalised version of HKFRS 9 also introduces an “expected credit loss” model for impairment assessments.

Key requirements of HKFRS 9 (2014) are described below:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised 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 amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. 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 (2014), 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 recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 (2014) requires that 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 of financial liabilities attributable to a financial liability’s credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.



## 2. APPLICATION OF NEW AND REVISED HKFRSs – continued

### HKFRS 9 (2014) *Financial Instruments* – continued

- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in HKAS 39 for the recognition of credit losses. Under the impairment approach in HKFRS 9 (2014) it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.
- HKFRS 9 (2014) introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 (2014) looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

HKFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The directors of the Company anticipate that the application of HKFRS 9 (2014) in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets and financial liabilities, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 (2014) until a detailed review has been completed.



## 2. APPLICATION OF NEW AND REVISED HKFRSs – continued

### HKFRS 15 *Revenue from Contracts with Customers*

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, HKFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

- (i) Identify the contract with a customer;
- (ii) Identify the performance obligations in the contract;
- (iii) Determine the transaction price;
- (iv) Allocate the transaction price to the performance obligations; and
- (v) Recognise revenue when (or as) the entity satisfies a performance obligation.

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

HKFRS 15 will become effective for annual periods beginning on or after 1 January 2017 with early application permitted. The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on amounts reported in respect of the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

### *Annual Improvements to HKFRSs 2012-2014 Cycle*

The *Annual Improvements to HKFRSs 2012-2014 Cycle* include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 clarify that changing from one of the disposal methods (i.e. disposal through sale or disposal through distribution to owners) to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in HKFRS 5. Besides, the amendments also clarify that changing the disposal method does not change the date of classification.



## 2. APPLICATION OF NEW AND REVISED HKFRSs – continued

### *Annual Improvements to HKFRSs 2012-2014 Cycle – continued*

The amendments to HKFRS 7 clarify that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in HKFRS 7 in order to assess whether the additional disclosures for any continuing involvement in a transferred asset that is derecognised in its entirety are required. Besides, the amendments to HKFRS 7 also clarify that disclosures in relation to offsetting financial assets and financial liabilities are not required in the condensed interim financial report, unless the disclosures provide a significant update to the information reported in the most recent annual report.

The amendments to HKAS 19 clarify that the market depth of high quality corporate bonds is assessed base on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

HKAS 34 requires entities to disclose information in the notes to the interim financial statements 'if not disclosed elsewhere in the interim financial report'. The amendments to HKAS 34 clarify that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report. The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.

The directors of the Company anticipate that the amendments included in the *Annual Improvements to HKFRSs 2012-2014 Cycle* will not have a material effect on the Group's consolidated financial statements.

### *Amendments to HKAS 1 Disclosure Initiative*

The amendments clarify that companies should use professional judgement in determining what information as well as where and in what order information is presented in the financial statements. Specifically, an entity should decide, taking into consideration all relevant facts and circumstances, how it aggregates information in the financial statements, which include the notes. An entity does not require to provide a specific disclosure required by a HKFRS if the information resulting from that disclosure is not material. This is the case even if the HKFRS contain a list of specific requirements or describe them as minimum requirements.

Besides, the amendments provide some additional requirements for presenting additional line items, headings and subtotals when their presentation is relevant to an understanding of the entity's financial position and financial performance respectively. Entities, in which they have investments in associates or joint ventures, are required to present the share of other comprehensive income of associates and joint ventures accounted for using the equity method, separated into the share of items that (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.



## 2. APPLICATION OF NEW AND REVISED HKFRSs – continued

### Amendments to HKAS 1 *Disclosure Initiative* – continued

Furthermore, the amendments clarify that:

- (i) an entity should consider the effect on the understandability and comparability of its financial statements when determining the order of the notes; and
- (ii) significant accounting policies are not required to be disclosed in one note, but instead can be included with related information in other notes.

The amendments will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted.

The directors of the Company anticipate that the application of Amendments to HKAS 1 in the future may have a material impact on the disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKAS 1 until the Group performs a detailed review.

### Amendments to HKAS 16 and HKAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*

The amendments to HKAS 16 prohibit the use of revenue-based depreciation methods for property, plant and equipment under HKAS 16. The amendments to HKAS 38 introduce a rebuttable presumption that use of revenue based amortisation methods for intangible assets is inappropriate. This presumption can be rebutted only in the following limited circumstances:

- (i) when the intangible asset is expressed as a measure of revenue; and
- (ii) when a high correlation between revenue and the consumption of the economic benefits of the intangible assets could be demonstrated.

The amendments to HKAS 16 and HKAS 38 will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments should be applied prospectively.

Other than disclosed above, the directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with 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.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value for the purposes of measuring inventories in HKAS 2 or value in use for the purposes of impairment assessment in HKAS 36.

### 3. SIGNIFICANT ACCOUNTING POLICIES – continued

#### Basis of preparation – continued

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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 include the financial statements of the Company and its subsidiaries made up to 30 June 2015.

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

In the Company's statement of financial position, the investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from those investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

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

#### Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of profit or loss.

#### *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

#### *Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

### 3. SIGNIFICANT ACCOUNTING POLICIES – continued

#### Interests in joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control, is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of joint ventures is included in the consolidated statement of profit or loss and other comprehensive income. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its joint ventures are eliminated to the extent of the Group's investments in the joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of joint ventures is included as part of the Group's investments in joint ventures.

#### Goodwill

Goodwill arising on an acquisition of a business 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, the attributable amount of goodwill capitalized is included in the determination of the amount of profit or loss on disposal.

### 3. SIGNIFICANT ACCOUNTING POLICIES – continued

#### 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 land and property development and consulting is recognized when services are rendered.

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.

#### 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.

### 3. SIGNIFICANT ACCOUNTING POLICIES – continued

#### Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

#### Inventories

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

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

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately in profit or loss.

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



### 3. SIGNIFICANT ACCOUNTING POLICIES – continued

#### Leasing

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

##### The Group as lessor

Rental income from operating lease is recognized in the consolidated statement of 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.

#### 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.

#### Service contracts

Acquired service contracts are stated at costs less amortization and any identified impairment losses.

#### Intellectual property right

Acquired intellectual property right are stated at cost less amortization and any identified impairment losses.



### 3. SIGNIFICANT ACCOUNTING POLICIES – continued

#### Intangible assets – continued

##### LED deployment contract

Acquired LED deployment contract are stated at cost less amortization and any identified impairment losses.

#### 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 interests in joint ventures, 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.



### 3. SIGNIFICANT ACCOUNTING POLICIES – continued

#### Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

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

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

#### Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

#### Provisions and contingent liabilities

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

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





### 3. SIGNIFICANT ACCOUNTING POLICIES – continued

#### Employee benefits

##### (a) Retirement benefits schemes

The Group operates a defined contribution 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.

##### (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.



### 3. SIGNIFICANT ACCOUNTING POLICIES – continued

#### 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.

#### 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.

### 3. SIGNIFICANT ACCOUNTING POLICIES – continued

#### 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.

#### 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.

### 3. SIGNIFICANT ACCOUNTING POLICIES – continued

#### Financial instruments – continued

##### Financial assets

The Group's financial assets are classified into loans and receivables and available-for-sale financial assets. 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 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.

### 3. SIGNIFICANT ACCOUNTING POLICIES – continued

#### Financial instruments – continued

##### Impairment of financial assets – continued

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

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

##### Financial liabilities and equity instruments

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

##### Equity instruments

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

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

##### 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, amount due to a director, and convertible bonds are subsequently measured at amortized cost, using the effective interest rate method.

### 3. SIGNIFICANT ACCOUNTING POLICIES – continued

#### Financial instruments – continued

##### Convertible bonds issued by the Company

Convertible bonds issued by the Company contain both the liability and conversion option components are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instruments. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

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

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

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

##### Derivative financial instruments

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

##### Embedded derivatives

Derivatives embedded in non-derivative host contracts are separated from the relevant host contracts (the liability component) and deemed as held-for-trading when the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contracts, and the combined contracts are not measured at 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.

### 3. SIGNIFICANT ACCOUNTING POLICIES – continued

#### Financial instruments – continued

##### Derecognition

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

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

### 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

#### Depreciation of property, plant and equipment

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

#### Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the CGU to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Where the actual cash flows are less than expected, a material impairment loss may arise. As at 30 June 2015, the carrying amount of goodwill is approximately HK\$174,050,000 (30-6-2014: approximately HK\$145,099,000) with impairment loss of Nil (Year ended 30-6-2014: Nil) 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.



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

### Income taxes

As at 30 June 2015, 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\$40,674,000 (30-6-2014: approximately HK\$86,707,000) 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.

As at 30 June 2015, amortization of other intangible assets of approximately HK\$102,000 (Year ended 30-6-2014: Nil) was recognized in consolidated statement of profit or loss and other comprehensive income.

### 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.

As at 30 June 2015, impairment loss on other intangible assets of approximately HK\$268,000 (Year ended 30-6-2014: Nil) was recognized in consolidated statement of profit or loss and other comprehensive income.

### 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 applied 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.

## 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 convertible bonds disclosed in note 28, 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

	<b>30-6-2015</b> <b>HK\$'000</b>	30-6-2014 HK\$'000
<i>Financial assets</i>		
Loans and receivables (including cash and cash equivalents)	<b>244,420</b>	256,798
<i>Financial liabilities</i>		
Amortized cost	<b>100,948</b>	84,347

## 7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade and other receivables and prepayments, bank balances and cash, trade payables, accrued liabilities and other payables, bank and other borrowings, convertible bonds, amount due to a director. 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.

## 7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

### Foreign currency risk

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

At the end of reporting date, the Group has convertible bonds, certain bank balances and bank and other borrowings denominated in 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	
	30-6-2015 HK\$'000	30-6-2014 HK\$'000	30-6-2015 HK\$'000	30-6-2014 HK\$'000
HK\$	194,997	296,927	95,326	77,946
US\$	2,347	2,340	–	–

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%, profit for the year ended 30 June 2015 would have been increased/decreased by approximately HK\$1,328,000 as a result of foreign exchange losses/gains on translation of transactions denominated in HK\$ (Year ended 30-6-2014: increased/decreased profit by approximately HK\$2,329,000).

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.

Convertible bonds at fixed rates expose the Group to fair value interest rate risk. Details of the Group's convertible bonds are set out in note 28.

## 7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

### Interest rate risk – continued

#### Sensitivity analysis

At 30 June 2015, it is estimated that a general increase or decrease of 100 basis points in interest rates, with all other variable held constant, would decrease/increase the Group's profit by approximately HK\$896,000 (Year ended 30-6-2014: increase/decrease profit by approximately HK\$896,000). 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 2014.

### 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.

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:

#### 30-6-2015

	Carrying amounts HK\$'000	Total contractual undiscounted cash flows HK\$'000	Within 1 year or on demand 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	27,665	27,665	27,665	-	-	-
Amount due to a director	45	45	45	-	-	-
Convertible bonds	73,238	89,625	1,793	87,832	-	-
	<b>100,948</b>	<b>117,335</b>	<b>29,503</b>	<b>87,832</b>	<b>-</b>	<b>-</b>

## 7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

### Liquidity risk – continued

30-6-2014

	Carrying amounts HK\$'000	Total contractual undiscounted cash flows HK\$'000	Within 1 year or on demand 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	18,947	18,947	18,947	–	–	–
Amount due to a director	1,089	1,089	1,089	–	–	–
Convertible bonds	64,311	89,625	1,793	1,795	86,037	–
	<u>84,347</u>	<u>109,661</u>	<u>21,829</u>	<u>1,795</u>	<u>86,037</u>	<u>–</u>

### 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 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) Land and property development, trading and consulting services
- (c) Others included wineries, distribution of natural supplementary products, catering services and sales of animal feeds.

Information regarding the above segments is reported below.

## 8. SEGMENT INFORMATION – continued

### (a) Segment revenue and results

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

**Year ended 30-6-2015**

	Lottery- related services HK\$'000	Land and property development, trading and consulting services HK\$'000	Others HK\$'000	Total HK\$'000
Segment revenue:				
Sales to external customers	123,722	–	14	123,736
Segment results	25,672	7,077	(319)	32,430
Unallocated income				92
Unallocated expenses				(724)
Share of result of a joint venture				(905)
Finance costs				(10,720)
Profit before taxation				20,173
Income tax expenses				(2,329)
Profit for the year				17,844

## 8. SEGMENT INFORMATION – continued

### (a) Segment revenue and results – continued

Year ended 30-6-2014

	Lottery- related services HK\$'000	Land and property development, trading and consulting services HK\$'000	Others HK\$'000	Total HK\$'000
Segment revenue:				
Sales to external customers	81,961	13,800	25	95,786
Segment results	55,701	13,295	(792)	68,204
Unallocated income				1,211
Unallocated expenses				(37,597)
Share of result of a joint venture				(2,881)
Finance costs				(9,753)
Profit before taxation				19,184
Income tax expenses				(6,038)
Profit for the year				13,146

## 8. SEGMENT INFORMATION – continued

### (b) Segment assets and liabilities

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

30-6-2015

	Lottery- related services HK\$'000	Land and property development, trading and consulting services HK\$'000	Others HK\$'000	Total HK\$'000
<b>Assets</b>				
Segment assets	412,095	16,052	710	428,857
Unallocated assets				38,439
Total assets				467,296
<b>Liabilities</b>				
Segment liabilities	21,714	524	–	22,238
Unallocated liabilities				13,869
Convertible bonds				73,238
Total liabilities				109,345



## 8. SEGMENT INFORMATION – continued

### (b) Segment assets and liabilities – continued

30-6-2014

	Lottery- related services HK\$'000	Land and property development, trading and consulting services HK\$'000	Others HK\$'000	Total HK\$'000
<b>Assets</b>				
Segment assets	205,252	8,902	2,053	216,207
Unallocated assets				220,271
Total assets				436,478
<b>Liabilities</b>				
Segment liabilities	16,420	115	941	17,476
Unallocated liabilities				17,197
Bank and other borrowings				64,311
Total liabilities				98,984

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.

## 8. SEGMENT INFORMATION – continued

### (c) Other segment information

Year ended 30-6-2015

	Lottery- related services HK\$'000	Land and property development, trading and consulting services 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	5,220	–	–	5,220
Depreciation of property, plant and equipment	3,446	37	–	3,483
Written off of obsolete stocks	418	–	–	418
Impairment loss on other intangible assets	268	–	–	268
Amortization of other intangible assets	102	–	–	102

Year ended 30-6-2014

	Lottery- related services HK\$'000	Land and property development, trading and consulting services 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	1,667	17	–	1,684
Gain on disposal of property, plant and equipment	8,829	–	12	8,841
Written-off of deposits and other receivables	317	–	64	381
Depreciation of property, plant and equipment	4,864	37	365	5,266

## 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 30-6-2015 HK\$'000	Year ended 30-6-2014 HK\$'000
PRC	29,481	81,961
Hong Kong	94,255	13,825
	<b>123,736</b>	<b>95,786</b>

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	
	30-6-2015 HK\$'000	30-6-2014 HK\$'000	30-6-2015 HK\$'000	30-6-2014 HK\$'000
PRC	173,319	230,860	24,225	2,309
Hong Kong	293,977	205,618	143	1,551
	<b>467,296</b>	<b>436,478</b>	<b>24,368</b>	<b>3,860</b>

### Revenue from major products and services

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

	Year ended 30-6-2015 HK\$'000	Year ended 30-6-2014 HK\$'000
Lottery-related services	123,722	81,961
Land and property development, trading and consulting services	–	13,800
Others	14	25
	<b>123,736</b>	<b>95,786</b>

## 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:

	<b>The Group</b>	
	<b>Year ended 30-6-2015 HK\$'000</b>	Year ended 30-6-2014 HK\$'000
Customer A – Provision of lottery-related services	–	73,557
Customer B – Provision of lottery-related services	–	6,049
Customer C – Land and property development, trading and consulting services	–	6,800
Customer D – Land and property development, trading and consulting services	–	7,000
Customer E – Provision of lottery-related services	<b>18,891</b>	–
Customer F – Provision of lottery-related services	<b>18,811</b>	–
Customer G – Provision of lottery-related services	<b>18,811</b>	–
Customer H – Provision of lottery-related services	<b>15,112</b>	–
Customer I – Provision of lottery-related services	<b>12,541</b>	–

## 9. REVENUE AND OTHER REVENUE

The principal activities of the Group are (i) provision of lottery-related services, (ii) land and property development, trading and consulting services and (iii) others.

Revenue represents invoiced value of sales, net of returns, discounts allowed or sales taxes where applicable. Revenue recognized during the year is as follows:

	<b>Year ended 30-6-2015 HK\$'000</b>	Year ended 30-6-2014 HK\$'000
Revenue		
Provision of lottery-related services	<b>123,722</b>	81,961
Land and property development, trading and consulting services	–	13,800
Others	<b>14</b>	25
	<b>123,736</b>	95,786

## 9. REVENUE AND OTHER REVENUE – continued

	Year ended 30-6-2015 HK\$'000	Year ended 30-6-2014 HK\$'000
Other revenue		
Interest income	3,225	257
Others	180	1,072
Gain on disposal of property, plant and equipment	–	8,852
Gain on dissolve of subsidiaries	21	–
Consulting income	450	270
	<b>3,876</b>	<b>10,451</b>

## 10. FINANCE COSTS

	Year ended 30-6-2015 HK\$'000	Year ended 30-6-2014 HK\$'000
Interest on:		
– Borrowings wholly repayable within five years	–	5,299
– Convertible bonds	10,720	4,454
	<b>10,720</b>	<b>9,753</b>

**11. PROFIT BEFORE TAXATION**

	<b>Year ended 30-6-2015 HK\$'000</b>	Year ended 30-6-2014 HK\$'000
Profit before taxation has been arrived at after charging (crediting):		
Staff costs (excluding Directors' emoluments ( <i>note 12</i> )):		
– Wages and salaries	<b>37,122</b>	24,109
– Retirement benefits scheme contributions	<b>408</b>	234
– Equity-settled share-based payment	<b>6,905</b>	6,451
Total staff costs	<b>44,435</b>	30,794
Cost of inventories sold	<b>3,035</b>	1,860
Auditors' remuneration:		
– Provide for the year	<b>1,005</b>	998
– Over provision in prior year	–	(50)
Depreciation of property, plant and equipment	<b>3,746</b>	6,120
Donations	<b>188</b>	25
Amortization of prepaid lease payments	–	121
Amortization of other intangible assets	<b>102</b>	–
Equity-settled share-based payment to other eligible participants	<b>758</b>	769
Gain on disposal of property, plant and equipment	–	(8,852)
Gain on disposal of a subsidiary	<b>(4,665)</b>	–
Impairment loss on other intangible assets	<b>268</b>	–
Minimum lease payments under operating leases:		
– Land and buildings	<b>5,721</b>	4,830
– Office equipment	<b>51</b>	44
Written-off of amount due from a joint venture	–	380
Written-off of deposits and other receivables	<b>43</b>	381
Written-off of obsolete stocks	<b>418</b>	–
Exchange losses (gains), net	<b>370</b>	(974)

## 12. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

### (a) Directors' emoluments

Emoluments paid or payables to each of the 6 directors (Year ended 30-6-2014: 7) during the year were as follows:

#### For the year ended 30 June 2015

	Fees HK\$'000	Salaries and other emoluments HK\$'000	Contribution to retirement benefits scheme HK\$'000	Equity-settled share-based payment HK\$'000	Total HK\$'000
<b>Executive Directors</b>					
CHEUNG Kwai Lan	119	780	–	191	1,090
CHAN Ting	118	636	18	191	963
<b>Non-executive Director</b>					
CHAN Tung Mei	89	270	–	191	550
<b>Independent Non-executive Directors</b>					
ZHANG Xiu Fu	120	–	–	127	247
YANG Qing Cai	120	–	–	127	247
TO Yan Ming Edmond	168	–	–	127	295
	<b>734</b>	<b>1,686</b>	<b>18</b>	<b>954</b>	<b>3,392</b>

Total Directors' emoluments for the year ended 30 June 2015 amounted to approximately HK\$3,392,000 (Year ended 30-6-2014: approximately HK\$6,630,000). The Executive Directors of the Company waived their directors' salaries approximately HK\$8,025,000 during the year (Year ended 30-6-2014: Nil).

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

### (a) Directors' emoluments – continued

For the year ended 30 June 2014

	Fees HK\$'000	Salaries and other emoluments HK\$'000	Contribution to retirement benefits scheme HK\$'000	Equity-settled share-based payment HK\$'000	Total HK\$'000
<b>Executive Directors</b>					
CHEUNG Kwai Lan	78	1,944	–	315	2,337
CHAN Ting	78	2,261	15	315	2,669
CHAN Siu Sarah (resigned on 30 July 2013)	6	150	2	–	158
<b>Non-executive Director</b>					
CHAN Tung Mei	78	60	–	315	453
<b>Independent Non-executive Directors</b>					
ZHANG Xiu Fu	120	–	–	210	330
YANG Qing Cai	120	–	–	210	330
TO Yan Ming Edmond	144	–	–	209	353
	<u>624</u>	<u>4,415</u>	<u>17</u>	<u>1,574</u>	<u>6,630</u>

### (b) Senior management's emoluments

The 5 individuals (Year ended 30-6-2014: 5) whose emoluments were the highest in the Group for the year include 2 directors (Year ended 30-6-2014: 2) whose emoluments are set out in the above. The emoluments payable to the remaining 3 (Year ended 30-6-2014: 3) individuals during the year as follows:

	Year ended 30-6-2015 HK\$'000	Year ended 30-6-2014 HK\$'000
Salaries, allowances and other benefits	<b>5,855</b>	4,229
Equity-settled share-based payment	<b>1,124</b>	1,214
Contributions to retirement benefits scheme	<b>53</b>	45
	<u><b>7,032</b></u>	<u>5,488</u>



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

### (b) Senior management's emoluments – continued

The emoluments fell with the following bands:

	<b>No. of individuals Year ended 30-6-2015</b>	No. of individuals Year ended 30-6-2014
Emoluments bands:		
HK\$2,000,001 – HK\$3,000,000	2	–
HK\$1,000,001 – HK\$2,000,000	1	3

During the year ended 30 June 2015, no emoluments have been paid by the Group to the 2 directors (Year ended 30-6-2014: 2) or the 3 (Year ended 30-6-2014: 3) highest paid individuals as an inducement to join the Group or as compensation for loss of office.

## 13. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	<b>Year ended 30-6-2015 HK\$'000</b>	Year ended 30-6-2014 HK\$'000
Wages and salaries	39,542	29,148
Retirement benefits scheme contributions	426	251
Equity-settled share-based payment	7,859	8,025
Total staff costs	47,827	37,424

## 14. INCOME TAX EXPENSES

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

	Year ended 30-6-2015 HK\$'000	Year ended 30-6-2014 HK\$'000
The charge comprises:		
Current year		
– Hong Kong Profits Tax	3,102	–
– Other jurisdiction	1,449	7,161
	<b>4,551</b>	7,161
Over provision in prior years		
– Hong Kong Profits Tax	–	–
– Other jurisdiction	(1,044)	(654)
	<b>(1,044)</b>	(654)
Deferred taxation	3,507	6,507
	<b>(1,178)</b>	(469)
Income tax expenses charged for the year	<b>2,329</b>	6,038

Hong Kong Profits Tax has been provided at 16.5% (30-6-2014: 16.5%) to the assessable profit derived in Hong Kong. Taxation arising in other jurisdiction is calculated at the rates prevailing in the relevant jurisdiction.

## 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 profit before taxation per consolidated statement of profit or loss and other comprehensive income is as follows:

	Year ended 30-6-2015 HK\$'000	Year ended 30-6-2014 HK\$'000
Profit before taxation	<b>20,173</b>	19,184
Tax at the Hong Kong Profits Tax rate	<b>3,329</b>	3,165
Tax concession	<b>(605)</b>	(296)
Tax effect of expenses that are not deductible for tax purposes	<b>2,100</b>	1,265
Tax effect of income that is not taxable for tax purposes	<b>(782)</b>	(1,563)
Tax effect of tax losses not recognized	<b>6,382</b>	4,196
Tax effect of utilization of tax losses previously not recognized	<b>(7,244)</b>	(5,152)
Tax effect on profits or losses attributable to a joint venture	<b>149</b>	475
Effect of different tax rates of subsidiaries operating in other jurisdiction	<b>303</b>	4,236
Others	<b>(259)</b>	366
Tax effect of over provision in prior years	<b>(1,044)</b>	(654)
Income tax expenses	<b>2,329</b>	6,038

*Notes:*

- (a) The applicable tax rate for Hong Kong is 16.5% (Year ended 30-6-2014: 16.5%) and applicable tax rate in the PRC is 25% (Year ended 30-6-2014: 25%).
- (b) The share of tax attributable to a joint venture amounting to approximately HK\$149,000 (Year ended 30-6-2014: approximately HK\$475,000) is included in "share of result of a joint venture" in the consolidated statement of profit or loss and other comprehensive income.

At the end of the reporting period, the Group has unused tax losses of approximately HK\$40,674,000 (30-6-2014: approximately HK\$86,707,000) 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\$9,795,000 (30-6-2014: approximately HK\$25,432,000) that will expire within 1 to 5 years from the year origination. Other losses may be carried forward indefinitely.

## 14. INCOME TAX EXPENSES – continued

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

	Year ended 30-6-2015 HK\$'000	Year ended 30-6-2014 HK\$'000
Deductible temporary differences:		
Unutilized tax losses	40,674	86,707
Taxable temporary differences:		
Accelerated tax allowances	(400)	(920)
Other	(15,306)	(2,909)
	<b>24,968</b>	82,878

## 15. DIVIDENDS

No dividend was paid or proposed during the year ended 30 June 2015, nor has any dividend been proposed since the end of reporting date (Year ended 30-6-2014: Nil).

## 16. EARNINGS PER SHARE

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

	Year ended 30-6-2015 HK\$'000	Year ended 30-6-2014 HK\$'000
Profit for the year attributable to the equity holders of the Company	19,107	14,887
<b>Number of shares</b>	<b>'000</b>	<b>'000</b> (Restated)
Weighted average number of ordinary shares for the purpose of basic earnings per share (Note)	3,207,587	3,084,412
Weighted average number of ordinary shares for the purpose of diluted earnings per share (Note)	3,325,423	3,114,636

For year ended 30 June 2015 and 30 June 2014, outstanding convertible bonds of the Company are anti-dilutive since their exercise or concession would result in an increase in earnings per share.

Note: The comparative number of shares for the purpose of basic and diluted earnings for share for the year ended 30 June 2014 has been adjusted to reflect the impact of the share sub-division on 17 December 2014.

## 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
<b>COST</b>							
At 1 July 2013	1,428	6,521	27,980	3,618	5,355	5,526	50,428
Additions	–	590	–	486	1,777	1,007	3,860
Acquisition of a subsidiary	–	44	–	–	–	85	129
Disposal	–	(29)	(18,791)	(986)	(1,326)	(670)	(21,802)
Reclassified as held for sale	–	–	–	(513)	–	(7)	(520)
Exchange realignment	(16)	(70)	(324)	(19)	(40)	(59)	(528)
At 30 June 2014 and 1 July 2014	1,412	7,056	8,865	2,586	5,766	5,882	31,567
Additions	–	1,361	–	1,358	568	1,935	5,222
Acquisition of a subsidiary	–	3	–	–	–	9	12
Exchange realignment	1	7	10	1	4	6	29
<b>At 30 June 2015</b>	<b>1,413</b>	<b>8,427</b>	<b>8,875</b>	<b>3,945</b>	<b>6,338</b>	<b>7,832</b>	<b>36,830</b>
<b>ACCUMULATED DEPRECIATION</b>							
At 1 July 2013	300	4,246	6,932	1,184	4,412	4,543	21,617
Charged for the year	44	886	3,931	594	435	230	6,120
Eliminated on disposal	–	(29)	(3,758)	(957)	(1,197)	(63)	(6,004)
Reclassified as held for sale	–	–	–	(168)	–	(2)	(170)
Exchange realignment	(4)	(54)	(120)	(14)	(35)	(50)	(277)
At 30 June 2014 and 1 July 2014	340	5,049	6,985	639	3,615	4,658	21,286
Charged for the year	44	780	1,132	785	589	416	3,746
Exchange realignment	–	3	5	–	3	4	15
<b>At 30 June 2015</b>	<b>384</b>	<b>5,832</b>	<b>8,122</b>	<b>1,424</b>	<b>4,207</b>	<b>5,078</b>	<b>25,047</b>
<b>NET BOOK VALUES</b>							
<b>At 30 June 2015</b>	<b>1,029</b>	<b>2,595</b>	<b>753</b>	<b>2,521</b>	<b>2,131</b>	<b>2,754</b>	<b>11,783</b>
At 30 June 2014	1,072	2,007	1,880	1,947	2,151	1,224	10,281

## 17. PROPERTY, PLANT AND EQUIPMENT – continued

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

At 30 June 2015, none of the Group's property, plant and equipment was held under finance lease (30-6-2014: Nil).

## 18. GOODWILL

	Lottery- related services HK\$'000	Wineries HK\$'000	Total HK\$'000
<b>COST</b>			
At 1 July 2013	94,475	133	94,608
Acquisition of a subsidiary	50,624	–	50,624
Reclassified as held for sale	–	(133)	(133)
At 30 June 2014 and 1 July 2014	145,099	–	145,099
Acquisition of subsidiaries	28,978	–	28,978
Dissolve of subsidiaries	(27)	–	(27)
<b>At 30 June 2015</b>	<b>174,050</b>	<b>–</b>	<b>174,050</b>
<b>IMPAIRMENT</b>			
At 1 July 2013	–	–	–
Impairment loss recognized for the year	–	–	–
At 30 June 2014 and 1 July 2014	–	–	–
Impairment loss recognized for the year	–	–	–
<b>At 30 June 2015</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>CARRYING VALUES</b>			
<b>At 30 June 2015</b>	<b>174,050</b>	<b>–</b>	<b>174,050</b>
At 30 June 2014	145,099	–	145,099

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 2015, the Group recognized an impairment loss of Nil (Year ended 30-6-2014: Nil) in relation to goodwill arising on lottery-related services business.

## 18. GOODWILL – continued

The recoverable amounts of cash generating units (“CGUs”) are determined from value in use calculations based on cash flow projections throughout the budgeted period. The cash flows beyond the five-year period has been extrapolated using a steady of 20% (Year ended 30-6-2014: 18%) per annum growth rate which is projected long-term growth rate of lottery business in the PRC. The key assumption for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the year. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The discount rate used is pre-tax and reflect specific risks relating to the relevant CGU. The operating margin and growth rate within the five-year period have been based on management expectation.

Discount rate adopted for the cash flow projections is 15% (Year ended 30-6-2014: 15%).

The management believe that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the carrying amount to exceed its recoverable amount.



## 19. OTHER INTANGIBLE ASSETS

	Research & development HK\$'000	Computer software HK\$'000	Service contracts HK\$'000	Intellectual property right HK\$'000	LED deployment contract HK\$'000	Total HK\$'000
<b>COST</b>						
At 1 July 2013	–	6,045	–	–	–	6,045
Acquisition of a subsidiary	–	–	508	–	–	508
Additions	268	–	–	–	–	268
Exchange realignment	–	(70)	–	–	–	(70)
At 30 June 2014 and at 1 July 2014	268	5,975	508	–	–	6,751
Acquisition of subsidiaries	–	–	9,004	6,253	3,877	19,134
Exchange realignment	–	7	1	–	–	8
<b>At 30 June 2015</b>	<b>268</b>	<b>5,982</b>	<b>9,513</b>	<b>6,253</b>	<b>3,877</b>	<b>25,893</b>
<b>AMORTIZATION</b>						
At 1 July 2013	–	6,045	–	–	–	6,045
Exchange realignment	–	(70)	–	–	–	(70)
At 30 June 2014 and at 1 July 2014	–	5,975	–	–	–	5,975
Charged for the year	–	–	102	–	–	102
Exchange realignment	–	7	–	–	–	7
<b>At 30 June 2015</b>	<b>–</b>	<b>5,982</b>	<b>102</b>	<b>–</b>	<b>–</b>	<b>6,084</b>
<b>IMPAIRMENT</b>						
At 1 July 2013	–	–	–	–	–	–
Impairment loss recognized for the year	–	–	–	–	–	–
Exchange realignment	–	–	–	–	–	–
At 30 June 2014 and at 1 July 2014	–	–	–	–	–	–
Impairment loss recognized for the year	268	–	–	–	–	268
Exchange realignment	–	–	–	–	–	–
<b>At 30 June 2015</b>	<b>268</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>268</b>
<b>CARRYING VALUES</b>						
<b>At 30 June 2015</b>	<b>–</b>	<b>–</b>	<b>9,411</b>	<b>6,253</b>	<b>3,877</b>	<b>19,541</b>
At 30 June 2014	268	–	508	–	–	776

Impairment loss was recognized for the year ended 30-6-2015 was approximately of HK\$268,000 (Year ended 30-6-2014: Nil).



**20. AVAILABLE-FOR-SALE FINANCIAL ASSETS**

	<b>Listed investment</b> HK\$'000	<b>Unlisted investment</b> HK\$'000	<b>Total</b> HK\$'000
<b>COST</b>			
At 1 July 2013, 30 June 2014, 1 July 2014 and 30 June 2015	3	63,780	63,783
<b>IMPAIRMENT</b>			
At 1 July 2013, 30 June 2014, 1 July 2014 and 30 June 2015	3	63,780	63,783
<b>CARRYING VALUES</b>			
<b>At 30 June 2015</b>	—	—	—
At 30 June 2014	— <i>(Note a)</i>	— <i>(Note b)</i>	—

- (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.
- (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.

## 21. INTERESTS IN A JOINT VENTURE

	30-6-2015 HK\$'000	30-6-2014 HK\$'000
Investment cost	47,860	47,860
Share of net assets of a joint venture	<b>(38,936)</b>	(38,031)
	<b>8,924</b>	9,829
Amount due from a joint venture	<b>7,153</b>	7,145
	<b>16,077</b>	16,974

Amount due from a joint venture is unsecured, interest free and has no fixed repayment term.

(a) Details of the joint venture as at 30 June 2015 were as follows:

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., Ltd.)	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., Ltd.) (Note 1)	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., Ltd.) (Note 2)	Limited liability company	PRC	Registered	13.74%	Trading of computer hardware and software

Note 1: Being a non-wholly owned subsidiary of China Culture Development Digital Technology Co., Ltd..

Note 2: Being a non-wholly owned subsidiary of Chongqing Lightsoft Technology Development Co., Ltd..

## 21. INTERESTS IN A JOINT VENTURE – continued

- (b) Summarised consolidated statement of financial position of the joint venture and reconciliation of the carrying amount of the Group's share of net assets of CCDDT.

	<b>30-6-2015</b> <b>HK\$'000</b>	30-6-2014 HK\$'000
Current assets	<b>57,705</b>	59,610
Non-current assets	<b>1,881</b>	4,368
Current liabilities	<b>(15,805)</b>	(17,870)
Translation reserve	<b>(27,312)</b>	(27,245)
Other reserve	<b>1,743</b>	1,196
	<b>18,212</b>	20,059
Reconciled to the Group's interests in the joint venture		
Gross amounts of the joint venture's net assets	<b>18,212</b>	20,059
Group's effective interest	<b>49%</b>	49%
Group's share of the joint venture's net assets	<b>8,924</b>	9,829
	<b>Year ended</b> <b>30-6-2015</b> <b>HK\$'000</b>	Year ended 30-6-2014 HK\$'000
Revenue	<b>5,322</b>	10,322
Expenses	<b>(7,701)</b>	(18,201)
Non-controlling interests	<b>532</b>	1,999
Loss for the year	<b>(1,847)</b>	(5,880)
Group's share of loss at 49%	<b>(905)</b>	(2,881)

## 22. INVENTORIES

	<b>30-6-2015</b> <b>HK\$'000</b>	30-6-2014 HK\$'000
Raw materials and consumables	<b>229</b>	233
Finished goods	<b>1,196</b>	848
	<b>1,425</b>	1,081

All inventories are stated at cost.

**23. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS**

	<b>30-6-2015</b> <b>HK\$'000</b>	30-6-2014 HK\$'000
Trade receivables	<b>77,388</b>	43,306
Other receivables and prepayments	<b>74,164</b>	61,716
	<b>151,552</b>	105,022
Less: Allowances for doubtful receivables	<b>(74)</b>	(74)
	<b>151,478</b>	104,948

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 period:

	<b>30-6-2015</b> <b>HK\$'000</b>	30-6-2014 HK\$'000
0 to 30 days	<b>13,088</b>	9,838
31 to 60 days	<b>5,143</b>	1,697
61 to 180 days	<b>46,371</b>	26,377
181 to 365 days	<b>12,617</b>	5,299
Over 1 year	<b>169</b>	95
	<b>77,388</b>	43,306

The trade receivables with carrying amount of approximately HK\$51,740,000 (30-6-2014: approximately HK\$33,932,000) are neither past due nor impaired at the reporting period.

The Group has policies for allowances of doubtful receivables 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 2015, the Group made an allowance of Nil (Year ended 30-6-2014: 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 doubtful receivables:

	<b>30-6-2015</b> <b>HK\$'000</b>	30-6-2014 HK\$'000
Balance at the beginning and end of the year	<b>74</b>	74

### 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 announcement 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\$25,574,000 (30-6-2014: approximately HK\$9,300,000) 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:

	<b>30-6-2015</b> <b>HK\$'000</b>	30-6-2014 HK\$'000
0 to 30 days	<b>4,644</b>	1,213
31 to 60 days	<b>876</b>	1,159
61 to 180 days	<b>17,597</b>	1,609
181 to 365 days	<b>2,362</b>	5,299
Over 1 year	<b>95</b>	20
	<b>25,574</b>	9,300

The fair value of the Group's trade receivables as at 30 June 2015 approximates to the corresponding carrying amount.

Other receivables, deposits and prepayments included the following:

- (a) Receivable for disposal of property, plant and equipment of Nil (30-6-2014: HK\$23,642,000).
- (b) Deposits for acquisition of a subsidiary of approximately HK\$26,000,000 which will be refunded in next financial year (30-6-2014: HK\$3,706,000).
- (c) Amounts due from subsidiaries of a joint venture of approximately HK\$1,197,000 (30-6-2014: approximately HK\$1,358,000). The amounts are unsecured, interest free and have no fixed repayment terms.
- (d) Amounts due from related companies of approximately HK\$384,000 (30-6-2014: approximately HK\$111,000). The amounts are unsecured, interest free and have no fixed repayment terms.

## 24. BANK BALANCES AND CASH

	30-6-2015 HK\$'000	30-6-2014 HK\$'000
Cash and bank deposits denominated in:		
Hong Kong dollar	16,355	129,523
Renminbi	76,580	22,327
United States dollar	7	–
	<b>92,942</b>	<b>151,850</b>

Included in the bank balances were approximately HK\$76,375,000 (30-6-2014: approximately HK\$21,972,000), 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.

## 25. ASSETS CLASSIFIED AS HELD FOR SALE

	30-6-2014 HK\$'000
Assets classified as held for sale	5,469
Liabilities associated with assets classified as held for sale	2,610
Net assets classified as held for sale	2,859

*Note a:* At 20 June 2014, a wholly owned subsidiary of the Company entered into a sale and purchase agreement in disposal of 100% equity interest of Huai Lai Sai Shang Wineries Company Limited at a consideration of approximately HK\$7,495,000 (RMB6,000,000).

The major classes of assets and liabilities comprising the operations classified as held for sale on 30 June 2014 are as follows:

	HK\$'000
Property, plant and equipment	350
Prepaid lease payments	4,205
Goodwill	133
Prepayments, deposits and other receivables	761
Bank balances and cash	20
Assets classified as held for sale	5,469
Accrued liabilities and other payables	2,610
Liabilities associated with assets classified as held for sale	2,610
Net assets classified as held for sale	2,859

## 26. TRADE PAYABLES, ACCRUED LIABILITIES AND OTHER PAYABLES

	<b>30-6-2015</b> <b>HK\$'000</b>	30-6-2014 HK\$'000
Trade payables	<b>21</b>	–
Accrued liabilities and other payables	<b>27,644</b>	18,947
	<b>27,665</b>	18,947

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:

	<b>30-6-2015</b> <b>HK\$'000</b>	30-6-2014 HK\$'000
0 to 30 days	–	–
31 to 120 days	–	–
121 to 180 days	–	–
181 to 365 days	<b>4</b>	–
Over 1 year	<b>17</b>	–
	<b>21</b>	–

The fair value of the Group's trade payables, accrued liabilities and other payables as at 30 June 2015 approximates to the corresponding carrying amount.

Included in trade payables, accrued liabilities and other payables, there was consideration payable of approximately HK\$15,812,000 (30-6-2014: Nil) arisen from acquisition of subsidiaries during the year.

## 27. AMOUNT DUE TO A DIRECTOR

	<b>30-6-2015</b> <b>HK\$'000</b>	30-6-2014 HK\$'000
CHAN Ting	<b>45</b>	1,089

The amount is unsecured, interest free and has no fixed repayment term.

## 28. CONVERTIBLE BONDS

### 2% Coupon Bonds Due 2017

On 17 January 2014, the Company issued the Bonds due on 17 January 2017 with a principal amount of HK\$89,625,000, which is interest bearing at a rate of 2% per annum, as a general working capital and repayment of borrowings. The Bonds are convertible into fully paid ordinary shares with a conversion price of HK\$2.39 per conversion share.

Upon full conversion of the Bonds at the conversion price of HK\$2.39 per ordinary share of the Company, a total of 37,500,000 shares would be issued by the Company upon the exercise of the conversion rights attached to the Bonds. The Company shall redeem any convertible bonds which remain outstanding on the maturity date at its principal amount.

The convertible bonds contain liability and equity components. The effective interest rate of the liability component is 13.89% per annum. The equity component is presented under the equity heading of "convertible bonds reserve".

The fair value of the liability component of the convertible bonds at the issue date was valued by an independent valuer determined based on the present value of the estimated future cash outflows discounted at the prevailing market rate for an equivalent non-convertible loan.

Detail of principal valuation parameters have been applied in determining the liability component and equity component was summarized as follows:

(a)	Principal amount:	HK\$89,625,000
(b)	Coupon rate:	2% per annum
(c)	Maturity date:	17 January 2017
(d)	Conversion price:	HK\$2.39
(e)	Risk-free rate:	0.687%
(f)	Expected volatility:	70.45%
(g)	Expected dividend yield:	0%



## 28. CONVERTIBLE BONDS – continued

### 2% Coupon Bonds Due 2017 – continued

The movement of the liability component of the convertible bonds for the year is set out below:

	<b>30-6-2015</b> <b>HK\$'000</b>	30-6-2014 HK\$'000
Nominal value of convertible bonds issued	<b>89,625</b>	89,625
Equity component	<b>(28,963)</b>	(28,963)
Liability component	<b>60,662</b>	60,662
Imputed finance costs	<b>15,174</b>	4,454
Interest paid and payable	<b>(2,598)</b>	(805)
Carrying amount	<b>73,238</b>	64,311

## 29. DEFERRED TAXATION

The movement on the deferred tax liabilities account is as follows:

	<b>30-6-2015</b> <b>HK\$'000</b>	30-6-2014 HK\$'000
Balance at the beginning of the year	<b>4,310</b>	–
Deferred tax arising on issue of convertible bonds	–	4,779
Deferred tax credited to consolidated statement of profit or loss and other comprehensive income	<b>(1,178)</b>	(469)
Balance at the end of the year	<b>3,132</b>	4,310

Deferred tax liabilities are to be recovered and settled after more than 12 months.

### 30. SHARE CAPITAL

	Number of shares '000	HK\$'000
Authorized:		
At 1 July 2013, 30 June 2014 and 1 July 2014	4,000,000	200,000
Share sub-division (Note a)	12,000,000	–
	<u>16,000,000</u>	<u>200,000</u>
At 30 June 2015, ordinary shares of HK\$0.0125 each		
Issued and fully paid:		
At 1 July 2013, ordinary shares of HK\$0.05 each	754,379	37,719
Share repurchased (Note b)	(18,945)	(947)
Shares issued upon exercise of share options (Note c)	3,548	177
Shares issued upon placement of shares (Note d)	54,400	2,720
Shares issued upon an acquisition (Note e)	9,720	486
	<u>803,102</u>	<u>40,155</u>
At 30 June 2014 and 1 July 2014	803,102	40,155
Shares issued upon exercise of share options (Note f)	1,200	60
Share sub-division (Note a)	2,412,905	–
Share repurchased (Note g)	(24,265)	(303)
Shares issued upon exercise of share options (Note h)	14,823	185
	<u>3,207,765</u>	<u>40,097</u>
At 30 June 2015, ordinary shares of HK\$0.0125 each		

Notes:

- (a) At an extraordinary general meeting of the Company held on 16 December 2014, an ordinary resolution was passed for every one authorized and issued share of HK\$0.05 each were divided into four adjusted share of HK\$0.0125 each. As a result, the adjusted authorized share capital of the Company was increased from 4,000,000,000 ordinary shares of HK\$0.05 each to 16,000,000,000 ordinary shares of HK\$0.0125 each. And the issued share capital of the Company was increased from 804,301,767 ordinary shares of HK\$0.05 each to 3,217,207,068 ordinary shares of HK\$0.0125 each.
- (b) For the year ended 30 June 2014, the Company repurchased a total of 18,945,000 of its own shares on the Stock Exchange of Hong Kong Limited through purchases on the open market from March 2014 to June 2014 for an aggregate amount of HK\$69,775,414 including of transaction cost. Amongst the 18,945,000 shares repurchased as mentioned above, 14,180,000 shares were cancelled on 30 May 2014 and the remaining 4,765,000 ordinary shares were cancelled after 30 June 2014.
- (c) For the year ended 30 June 2014, 3,548,000 ordinary shares were issued upon exercise of share options.
- (d) Pursuant to the placing agreement dated 21 February 2014, the Company allotted and issued an aggregate of 54,400,000 new ordinary shares of the Company on 26 February 2014 at a price of HK\$5.14 each.
- (e) On 3 April 2014 and 24 June 2014, an aggregate of 9,720,000 ordinary shares were issued for acquisition of a subsidiary.
- (f) For the year ended 30 June 2015, 1,200,000 ordinary shares of HK\$0.05 each were issued upon exercise of share options.
- (g) For the year ended 30 June 2015, the Company repurchased a total of 24,265,000 of its own shares on the Stock Exchange of Hong Kong Limited through purchases on the open market from December 2014 to January 2015 for an aggregate amount of HK\$17,794,000 including of transaction cost. Amongst the 24,265,000 shares repurchased as mentioned above, 20,400,000 shares and 3,865,000 shares were cancelled on 8 January 2015 and 27 January 2015 respectively.
- (h) For the year ended 30 June 2015, 14,823,000 ordinary shares of HK\$0.0125 each were issued upon exercise of share options.



## 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.

### Share Option Scheme

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.



### 31. SHARE-BASED PAYMENT TRANSACTION – continued

#### Share Option Scheme – continued

For the year ended 30 June 2015, Nil share options (Year ended 30-6-2014: 264,140,000 upon share sub-division) were granted by the Company, a total of 4,320,000 (Year ended 30-6-2014: 3,180,000 upon share sub-division) shares were lapsed, 19,623,000 (Year ended 30-6-2014: 14,192,000 upon share sub-division) share options were exercised and there were 221,585,000 share options outstanding as at 30 June 2015 (Year ended 30-6-2014: 246,768,000 upon share sub-division). Details of the share options granted, exercised, cancelled and lapsed during the reporting period under the Share Option Scheme are set out as follows:

#### Year ended 30 June 2015

Grantee	Grant date	Exercise price HK\$ (Note 1)	Exercisable period	Number of Share Options						
				Balance as at 1 July 2014 (Note 1)	Granted during the reporting period	Exercised during the reporting period	Cancelled during the reporting period	Lapsed during the reporting period	Balance as at 30 June 2015	
<b>Executive Directors</b>										
Madam CHEUNG Kwai Lan	10/12/2013	0.438	01/04/2014 – 31/03/2017	900,000	-	-	-	-	900,000	
	10/12/2013	0.438	01/01/2015 – 31/03/2017	900,000	-	-	-	-	900,000	
	10/12/2013	0.438	01/01/2016 – 31/03/2017	1,200,000	-	-	-	-	1,200,000	
Mr. CHAN Ting	10/12/2013	0.438	01/04/2014 – 31/03/2017	900,000	-	-	-	-	900,000	
	10/12/2013	0.438	01/01/2015 – 31/03/2017	900,000	-	-	-	-	900,000	
	10/12/2013	0.438	01/01/2016 – 31/03/2017	1,200,000	-	-	-	-	1,200,000	
<b>Non-executive Director</b>										
Mr. CHAN Tung Mei	10/12/2013	0.438	01/04/2014 – 31/03/2017	760,000	-	-	-	-	760,000	
	10/12/2013	0.438	01/01/2015 – 31/03/2017	900,000	-	-	-	-	900,000	
	10/12/2013	0.438	01/01/2016 – 31/03/2017	1,200,000	-	-	-	-	1,200,000	

### 31. SHARE-BASED PAYMENT TRANSACTION – continued

#### Share Option Scheme – continued

Grantee	Grant date	Exercise price HK\$ (Note 1)	Exercisable period	Number of Share Options					Balance as at 30 June 2015	
				Balance as at 1 July 2014 (Note 1)	Granted during the reporting period	Exercised during the reporting period	Cancelled during the reporting period	Lapsed during the reporting period		
<b>Independent Non-executive Directors</b>										
Mr. TO Yan Ming Edmond	10/12/2013	0.438	01/04/2014 – 31/03/2017	-	-	-	-	-	-	
	10/12/2013	0.438	01/01/2015 – 31/03/2017	600,000	-	(600,000)	-	-	-	
	10/12/2013	0.438	01/01/2016 – 31/03/2017	800,000	-	-	-	-	800,000	
Mr. ZHANG Xiu Fu	10/12/2013	0.438	01/04/2014 – 31/03/2017	600,000	-	-	-	-	600,000	
	10/12/2013	0.438	01/01/2015 – 31/03/2017	600,000	-	-	-	-	600,000	
	10/12/2013	0.438	01/01/2016 – 31/03/2017	800,000	-	-	-	-	800,000	
Mr. YANG Qing Cai	10/12/2013	0.438	01/04/2014 – 31/03/2017	600,000	-	(200,000)	-	-	400,000	
	10/12/2013	0.438	01/01/2015 – 31/03/2017	600,000	-	-	-	-	600,000	
	10/12/2013	0.438	01/01/2016 – 31/03/2017	800,000	-	-	-	-	800,000	
Other Eligible Participants (Note 2)	10/12/2013	0.438	01/04/2014 – 31/03/2017	6,600,000	-	(3,972,000)	-	(32,000)	2,596,000	
	10/12/2013	0.438	01/01/2015 – 31/03/2017	18,972,000	-	(11,811,000)	-	(1,040,000)	6,121,000	
	10/12/2013	0.438	01/01/2016 – 31/03/2017	25,296,000	-	-	-	(1,488,000)	23,808,000	
	10/12/2013	0.438	01/04/2014 – 31/03/2017	10,800,000	-	(40,000)	-	-	10,760,000	
	10/12/2013	0.438	01/04/2015 – 31/03/2017	10,800,000	-	-	-	-	10,800,000	
	10/12/2013	0.438	01/07/2014 – 31/03/2017	49,000,000	-	(3,000,000)	-	-	46,000,000	
	10/12/2013	0.438	01/07/2015 – 31/03/2017	49,000,000	-	-	-	-	49,000,000	
				Sub-total	184,728,000	-	(19,623,000)	-	(2,560,000)	162,545,000
	Other Eligible Participants (Note 2)	13/06/2014	0.952	01/07/2015 – 30/06/2018	5,652,000	-	-	(372,000)	(528,000)	4,752,000
13/06/2014		0.952	01/07/2016 – 30/06/2018	5,652,000	-	-	(372,000)	(528,000)	4,752,000	
13/06/2014		0.952	01/07/2017 – 30/06/2018	7,536,000	-	-	(496,000)	(704,000)	6,336,000	
13/06/2014		0.952	01/07/2015 – 30/06/2018	21,600,000	-	-	-	-	21,600,000	
13/06/2014		0.952	01/07/2016 – 30/06/2018	21,600,000	-	-	-	-	21,600,000	
				Sub-total	62,040,000	-	-	(1,240,000)	(1,760,000)	59,040,000
			Total	246,768,000	-	(19,623,000)	(1,240,000)	(4,320,000)	221,585,000	

Note 1: Exercise price and number of share options have been adjusted to reflect the sub-division of shares on 17 December 2014.

Note 2: Other Eligible Participants include certain employees, business partners and consultants of the Group.

**31. SHARE-BASED PAYMENT TRANSACTION – continued****Share Option Scheme – continued**

Year ended 30 June 2014

Grantee	Grant date	Exercise price HK\$ (Note 1)	Exercisable period	Number of Share Options					
				Balance as at 1 July 2013	Granted during the reporting period	Exercised during the reporting period	Cancelled during the reporting period	Lapsed during the reporting period	Balance as at 30 June 2014
<b>Executive Directors</b>									
Madam CHEUNG Kwai Lan	10/12/2013	0.438	01/04/2014 – 31/03/2017	-	900,000	-	-	-	900,000
	10/12/2013	0.438	01/01/2015 – 31/03/2017	-	900,000	-	-	-	900,000
	10/12/2013	0.438	01/01/2016 – 31/03/2017	-	1,200,000	-	-	-	1,200,000
Mr. CHAN Ting	10/12/2013	0.438	01/04/2014 – 31/03/2017	-	900,000	-	-	-	900,000
	10/12/2013	0.438	01/01/2015 – 31/03/2017	-	900,000	-	-	-	900,000
	10/12/2013	0.438	01/01/2016 – 31/03/2017	-	1,200,000	-	-	-	1,200,000
<b>Non-executive Director</b>									
Mr. CHAN Tung Mei	10/12/2013	0.438	01/04/2014 – 31/03/2017	-	900,000	(140,000)	-	-	760,000
	10/12/2013	0.438	01/01/2015 – 31/03/2017	-	900,000	-	-	-	900,000
	10/12/2013	0.438	01/01/2016 – 31/03/2017	-	1,200,000	-	-	-	1,200,000

## 31. SHARE-BASED PAYMENT TRANSACTION – continued

## Share Option Scheme – continued

Grantee	Grant date	Exercise price HK\$ (Note 1)	Exercisable period	Number of Share Options					
				Balance as at 1 July 2013	Granted during the reporting period (Note 1)	Exercised during the reporting period	Cancelled during the reporting period	Lapsed during the reporting period	Balance as at 30 June 2014
<b>Independent</b>									
<b>Non-executive Directors</b>									
Mr. TO Yan Ming Edmond	10/12/2013	0.438	01/04/2014 – 31/03/2017	-	600,000	(600,000)	-	-	-
	10/12/2013	0.438	01/01/2015 – 31/03/2017	-	600,000	-	-	-	600,000
	10/12/2013	0.438	01/01/2016 – 31/03/2017	-	800,000	-	-	-	800,000
Mr. ZHANG Xiu Fu	10/12/2013	0.438	01/04/2014 – 31/03/2017	-	600,000	-	-	-	600,000
	10/12/2013	0.438	01/01/2015 – 31/03/2017	-	600,000	-	-	-	600,000
	10/12/2013	0.438	01/01/2016 – 31/03/2017	-	800,000	-	-	-	800,000
Mr. YANG Qing Cai	10/12/2013	0.438	01/04/2014 – 31/03/2017	-	600,000	-	-	-	600,000
	10/12/2013	0.438	01/01/2015 – 31/03/2017	-	600,000	-	-	-	600,000
	10/12/2013	0.438	01/01/2016 – 31/03/2017	-	800,000	-	-	-	800,000
Other Eligible Participants (Note 2)	10/12/2013	0.438	01/04/2014 – 31/03/2017	-	20,250,000	(13,452,000)	-	(198,000)	6,600,000
	10/12/2013	0.438	01/01/2015 – 31/03/2017	-	20,250,000	-	-	(1,278,000)	18,972,000
	10/12/2013	0.438	01/01/2016 – 31/03/2017	-	27,000,000	-	-	(1,704,000)	25,296,000
	10/12/2013	0.438	01/04/2014 – 31/03/2017	-	10,800,000	-	-	-	10,800,000
	10/12/2013	0.438	01/04/2015 – 31/03/2017	-	10,800,000	-	-	-	10,800,000
	10/12/2013	0.438	01/07/2014 – 31/03/2017	-	49,000,000	-	-	-	49,000,000
	10/12/2013	0.438	01/07/2015 – 31/03/2017	-	49,000,000	-	-	-	49,000,000
			Sub-total	-	202,100,000	(14,192,000)	-	(3,180,000)	184,728,000
Other Eligible Participants (Note 2)	13/06/2014	0.952	01/07/2015 – 30/06/2018	-	5,652,000	-	-	-	5,652,000
	13/06/2014	0.952	01/07/2016 – 30/06/2018	-	5,652,000	-	-	-	5,652,000
	13/06/2014	0.952	01/07/2017 – 30/06/2018	-	7,536,000	-	-	-	7,536,000
	13/06/2014	0.952	01/07/2015 – 30/06/2018	-	21,600,000	-	-	-	21,600,000
	13/06/2014	0.952	01/07/2016 – 30/06/2018	-	21,600,000	-	-	-	21,600,000
			Sub-total	-	62,040,000	-	-	-	62,040,000
			Total	-	264,140,000	(14,192,000)	-	(3,180,000)	246,768,000

Note 1: Exercise price and number of share options have been adjusted to reflect the sub-division of shares on 17 December 2014.

Note 2: Other Eligible Participants include certain employees, business partners and consultants of the Group.

## 31. SHARE-BASED PAYMENT TRANSACTION – continued

### Share Option Scheme – continued

At 30 June 2015, the number of shares in respect of which options had been granted and remained outstanding under the scheme was 6.91% (30-6-2014: 7.76%) 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 approximately HK\$8,617,000 for the year ended 30 June 2015 (Year ended 30-6-2014: HK\$8,794,000) 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.



## 32. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

### (a) Acquisition of a subsidiary

#### Year ended 30 June 2015

- (a) On 4 June 2014, a wholly owned subsidiary of the Company entered into a sale and purchase agreement to acquire 100% equity interest in Zhong Li Group Limited and its subsidiaries (collectively referred as "Zhong Li Group") at a consideration of RMB6,500,000 together with 8,000,000 ordinary shares of the Company. On 4 July 2014, the seller and vendor mutually agreed to revise the consideration to approximately RMB31,950,000 and fully settled by cash. The acquisition was completed on 4 June 2015.

Details of the acquisition was summarized as follows:

#### NET ASSETS ACQUIRED

	Zhong Li Group HK\$'000	Fair value adjustments HK\$'000	Total HK\$'000
Property, plant and equipment	12	–	12
Intangible assets			
– Business contract ( <i>Note</i> )	–	9,004	9,004
Intangible assets			
– Intellectual property right ( <i>Note</i> )	–	6,253	6,253
Inventories	78	–	78
Trade receivables	523	–	523
Prepayments and other receivables	3,295	–	3,295
Bank balances and cash	75	–	75
Accrued charges and other payables	(2,283)	–	(2,283)
	<u>1,700</u>	<u>15,257</u>	<u>16,957</u>
Goodwill arising on acquisition			<u>23,544</u>
Total consideration			<u>40,501</u>
Satisfied by:			
Cash consideration			<u>40,501</u>
Net cash outflows arising on acquisition:			
Cash consideration			(39,995)
Bank balances and cash acquired			<u>75</u>
			<u>(39,920)</u>

*Note:* Intangible assets represents business contract and intellectual property right signed by a subsidiary of Zhong Li Group Limited and valued by an independent professional valuer.

## 32. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS – continued

### (a) Acquisition of a subsidiary – continued

#### Year ended 30 June 2015 – continued

- (b) On 5 August 2014, a wholly owned subsidiary of the Company entered into a sale and purchase agreement to acquire 100% equity interest in Trans Pacific Associates Limited and its subsidiaries (collectively referred as “Trans Pacific Group”) at a consideration of RMB3,000,000 together with 1,000,000 ordinary shares (4,000,000 ordinary shares of the Company upon share sub-division). The acquisition was completed on 22 May 2015.

Details of the acquisition was summarized as follows:

#### NET ASSETS ACQUIRED

	Trans Pacific Group HK\$'000	Fair value adjustments HK\$'000	Total HK\$'000
Intangible assets ( <i>Note</i> )	–	3,877	3,877
Accrued charges and other payables	(26)	–	(26)
	(26)	3,877	3,851
Goodwill arising on acquisition			5,154
Total consideration			9,005
Satisfied by:			
Cash consideration			3,805
Shares consideration			5,200
Total			9,005

*Note:* Intangible assets represents LED deployment contract signed by a subsidiary of Trans Pacific Associates Limited and valued by an independent professional valuer.

## 32. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS – continued

### (a) Acquisition of a subsidiary – continued

#### Year ended 30 June 2015 – continued

- (c) On 13 August 2014, a wholly owned subsidiary of the Company entered into a sale and purchase agreement to acquire 100% equity interest in Hebei Ju Cai Electronic Technology Limited 河北聚彩電子科技有限公司 (“Hebei Ju Cai”) at a consideration of RMB5,150,000. The acquisition was completed on 21 August 2014.

Details of the acquisition was summarized as follows:

#### NET ASSETS ACQUIRED

	Hebei Ju Cai HK\$'000	Fair value adjustments HK\$'000	Total HK\$'000
Other receivables, deposits and prepayments	6,210	–	6,210
Goodwill arising on acquisition			280
Total consideration			6,490
Satisfied by:			
Cash consideration			6,490
Net cash outflows arising on acquisition:			
Cash consideration			(189)
Bank balances and cash acquired			–
			(189)

## 32. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS – continued

### (a) Acquisition of a subsidiary – continued

Year ended 30 June 2014

On 17 January 2014, a wholly owned subsidiary of the Company entered into a sale and purchase agreement to acquire 100% equity interest in United Power Asia Investment Limited (“United Power”) at a consideration of approximately HK\$53,897,000. The acquisition was completed on 18 March 2014. Details of the acquisition was summarized as follows:

#### NET ASSETS ACQUIRED

	United Power HK\$'000	Fair value adjustment HK\$'000	Total HK\$'000
Property, plant and equipment	129	–	129
Other receivables, deposits and prepayments	5,571	–	5,571
Bank balances and cash	30	–	30
Accrued charges	(296)	–	(296)
Non-controlling interests	(2,669)	–	(2,669)
Intangible assets ( <i>Note 1</i> )	–	508	508
	<u>2,765</u>	<u>508</u>	<u>3,273</u>
Goodwill arising on acquisition			<u>50,624</u>
Total consideration			<u>53,897</u>

## 32. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS – continued

### (a) Acquisition of a subsidiary – continued

	United Power HK\$'000	Fair value adjustment HK\$'000	Total HK\$'000
Satisfied by:			
Cash consideration (Note 2)			16,216
Shares consideration – 10,720,000 ordinary shares of the Company (Note 3)			37,681
Total			53,897
Net cash outflows arising on acquisition:			
Cash consideration			(12,472)
Bank balances and cash acquired			30
			(12,442)

Note 1: Intangible assets represents lottery service contracts signed by the subsidiary of United Power and valued by an independent professional valuer.

Note 2: Cash consideration of approximately HK\$12,472,000 was paid before 30 June 2014 and approximately HK\$3,744,000 will be paid on or before 31 October 2014 by fulfillment of performance guarantee.

Note 3: Consideration shares of 1,000,000 will be issued on or before 31 December 2014 by fulfillment of performance guarantee.

## 32. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS – continued

### (b) Disposal of a subsidiary

On 19 June 2015, a wholly owned subsidiary of the Company disposed investment in a subsidiary, Huai Lai Sai Shang Wineries Company Limited 懷來塞尚葡萄酒莊園有限公司. Details of disposal was summarized as follows:

	HK\$'000
Property, plant and equipment	343
Land use right	4,219
Goodwill	133
Prepayments, deposits and other receivable	763
Bank balances and cash	24
<b>Total assets</b>	<b>5,482</b>
Accrued liabilities and other payable	(123)
Other loan	(2,506)
<b>Total liabilities</b>	<b>(2,629)</b>
Net assets	2,853
Release of exchange reserve	1
Gain on disposal of a subsidiary	4,665
<b>Total consideration</b>	<b>7,519</b>
Net cash inflows arising in disposal:	
Total consideration	7,519
Bank balances and cash	(24)
	<b>7,495</b>

### (c) Major non-cash transactions

During the year, the Group incurred imputed interest on convertible bonds of approximately HK\$10,720,000 (Year ended 30-6-2014: approximately HK\$4,454,000).

During the year, the Group incurred share-based payment expenses for the share option granted of approximately HK\$8,617,000 (Year ended 30-6-2014: approximately HK\$8,794,000).

### 33. CONTINGENT LIABILITIES

The Group and the Company did not have significant contingent liabilities as at 30 June 2015 (30-6-2014: Nil).

### 34. OPERATING LEASE COMMITMENTS

#### The Group as lessee

As at 30 June 2015, the Group had commitments for future minimum lease payments in respect of rented premises under non-cancellable operating leases which fall due as follows:

	<b>30-6-2015</b> <b>HK\$'000</b>	30-6-2014 HK\$'000
Within one year	<b>3,116</b>	3,198
In the second to fifth years inclusive	<b>3,611</b>	2,658
	<b>6,727</b>	5,856

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 2015, the Group had commitments for future minimum lease arrangement in respect of rented premises under non-cancellable operating leases which fall due as follows:

	<b>30-6-2015</b> <b>HK\$'000</b>	30-6-2014 HK\$'000
Within one year	<b>63</b>	62
In the second to fifth years inclusive	<b>21</b>	63
	<b>84</b>	125

### 35. CAPITAL COMMITMENTS

	<b>30-6-2015</b>	30-6-2014
	<b>HK\$'000</b>	HK\$'000
Capital expenditure in respect of acquisition of equity interest in subsidiaries	<b>59,745</b>	79,886

### 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\$426,000 (Year ended 30-6-2014: approximately HK\$251,000) 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 2015 (30-6-2014: Nil).

### 38. PLEDGE OF ASSETS

No asset of the Group was pledged as securities to any third parties as at 30 June 2015 (30-6-2014: Nil).



### 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 2015 (Year ended 30-6-2014: 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

	<b>Year ended 30-6-2015 HK\$'000</b>	Year ended 30-6-2014 HK\$'000
Interest expenses to a Shareholder: Best Frontier	–	956
Consultancy income received from a related party	<b>360</b>	–

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

- (a) Amount due to a director of approximately HK\$45,000 (30-6-2014: approximately HK\$1,089,000) is unsecured, interest free and has no fixed repayment term.
- (b) Amounts due from related companies of approximately HK\$384,000 (30-6-2014: HK\$111,000). The amounts are unsecured, interest free and have no fixed repayment terms.
- (c) Amounts due from subsidiaries of a joint venture of approximately HK\$1,197,000 (30-6-2014: approximately HK\$1,358,000). The amounts are unsecured, interest free and have no fixed repayment terms.

#### 40. RELATED PARTY TRANSACTIONS – continued

##### (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 30-6-2015 HK\$'000	Year ended 30-6-2014 HK\$'000
Short term benefits	10,912	12,277
Post-employment benefits	124	117
Equity-settled share-based payment	2,769	3,980
	<b>13,805</b>	<b>16,374</b>

#### 41. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY IN ALPHABETICAL ORDER

Particulars of the Company's principal subsidiaries as at 30 June 2015 are as follows:

Name	Place of incorporation and operations	Nominal value of issued and paid-up share	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Ace Bingo Group Limited	BVI	Ordinary share US\$1	–	100%	Investment holding
安徽奥彩信息科技有限公司 # (Anhui Ao Cai Information Technology Limited <sup>†</sup> )	PRC	Registered capital RMB6,000,000	–	51%	Provision of lottery-related services
安徽奥盈信息科技有限公司 # (Anhui Ao Ying Information Technology Limited <sup>†</sup> )	PRC	Registered capital RMB1,000,000	–	100%	Provision of lottery-related services
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

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

Particulars of the Company's principal subsidiaries as at 30 June 2015 are as follows – continued:

Name	Place of incorporation and operations	Nominal value of issued and paid-up share	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
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
China Vanguard Corporate Management Limited	Hong Kong	Ordinary shares HK\$20,000,000	100%	–	Corporate management
China Vanguard (China) Property Development Limited	Hong Kong	Ordinary share HK\$1	–	100%	Property development
China Vanguard (Hong Kong) Property Development Limited	Hong Kong	Ordinary share HK\$1	–	100%	Property development
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	–	51%	Provision of lottery-related services
Grand Promise International Limited	BVI	Ordinary shares US\$10,000	–	100%	Investment holding
Creative Grace International Limited	Hong Kong	Ordinary share HK\$1	–	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

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

Particulars of the Company's principal subsidiaries as at 30 June 2015 are as follows – continued:

Name	Place of incorporation and operations	Nominal value of issued and paid-up share	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
黑龍江省博眾信息技術有限公司 # (Heilongjiang Bozone IT Co. Limited*)	PRC	Registered capital RMB500,000	–	65%	Provision of lottery-related hardware and software systems
Jovial Sky Limited	BVI	Ordinary share US\$1	–	100%	Investment holding
河北聚彩電子科技有限公 司 # (Hebei Ju Cai Electronic Technology Limited*)	PRC	Registered capital RMB5,000,000	–	51%	Provision of lottery-related services
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
Orient Grace Holdings 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

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

Particulars of the Company's principal subsidiaries as at 30 June 2015 are as follows – continued:

Name	Place of incorporation and operations	Nominal value of issued and paid-up share	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
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 <sup>†</sup> )	PRC	Registered capital RMB50,000,000	–	100%	Provision of lottery-related hardware and software systems
深圳市龍江風采信息技術有限公司 # (Shenzhen Longjiang Fengcai IT Co. Limited <sup>†</sup> )	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 <sup>†</sup> )	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 <sup>†</sup> )	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 <sup>†</sup> )	PRC	Registered capital US\$6,809,751	100%	–	Investment holding
雙遼眾彩稭稈科技有限公司 # (Shuangliao City China Vanguard Jiegan Technoogy Co., Ltd.)	PRC	Registered capital HK\$3,400,000	–	100%	Sales of animal feeds
四川嘉明文化有限責任公司 # (Sichuan Jia Ming Culture Limited <sup>†</sup> )	PRC	Registered capital RMB2,000,000	–	100%	Provision of lottery-related services
山東光彩信息科技有限責任公司 # (Shandong Guang Cai Information Technology Limited <sup>†</sup> )	PRC	Registered capital RMB3,000,000	–	51%	Provision of lottery-related hardware and software systems

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

Particulars of the Company's principal subsidiaries as at 30 June 2015 are as follows – continued:

Name	Place of incorporation and operations	Nominal value of issued and paid-up share	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
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 <sup>†</sup> )	PRC	Registered capital RMB100,000	–	100%	Provision of lottery-related hardware and software systems
Trans Pacific Associates Limited	BVI	Ordinary share US\$1	–	100%	Investment holding
United Power Asia Investment Limited	Hong Kong	Ordinary shares HK\$1,500	–	100%	Investment holding
Zhong Li Group Limited	BVI	Ordinary share US\$1	–	100%	Investment holding

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

<sup>†</sup> For identification only.

Information about the composition of the Group at the end of reporting period is as follows:

Principal activity	Place of incorporation and operation	Number of non-wholly owned subsidiaries	
		30-6-2015	30-6-2014
Provision of lottery-related services	PRC	9	7
Land and property development, trading and consulting services	PRC	1	1
		<b>10</b>	<b>8</b>
Principal activity	Place of incorporation and operation	Number of wholly owned subsidiaries	
		30-6-2015	30-6-2014
Provision of lottery-related services	PRC	6	4
Land and property development, trading and consulting services	Hong Kong	2	2
		<b>8</b>	<b>6</b>

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

##### Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership and voting rights held by non-controlling interests		Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		30-6-2015	30-6-2014	30-6-2015 HK\$'000	30-6-2014 HK\$'000	30-6-2015 HK\$'000	30-6-2014 HK\$'000
Shandong Zhongcai Information Technology Limited	PRC	74%	74%	(473)	(412)	2,183	2,653
Jilin Zi Cai Information Technology Limited	PRC	49%	49%	–	–	1,838	1,836
Heilongjiang Bozone IT Co. Ltd.	PRC	35%	35%	(510)	209	1,286	1,793
Anhui Ao Cai Information Technology Limited	PRC	49%	49%	168	(420)	4,877	2,256
China Vanguard Group (Cambodia) Co. Ltd.	Cambodia	35%	35%	–	–	2,335	2,335
Individual immaterial subsidiaries with non-controlling interests				(448)	(1,118)	(77)	(243)
Total				(1,263)	(1,741)	12,442	10,630

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

##### Details of non-wholly owned subsidiaries that have material non-controlling interests – continued

Summarized financial information in respect of each of the Group's subsidiaries that have material non-controlling interests are set out below. The summarized financial information below represents amount before intragroup elimination.

##### (a) Shendong Zhongcai Information Technology Limited

	30-6-2015 HK\$'000	30-6-2014 HK\$'000
Non-current assets	403	527
Current assets	4,660	5,169
Current liabilities	–	–
Non-current liabilities	–	–
Equity attributable to equity holders of the Company	2,880	3,043
Non-controlling interests	2,183	2,653
	Year ended 30-6-2015 HK\$'000	Year ended 30-6-2014 HK\$'000
Revenue	4	7
Expenses	644	563
Loss for the year	(640)	(556)
Loss attributable to equity holders of the Company	(167)	(144)
Loss attributable to non-controlling interests	(473)	(412)
	(640)	(556)
Net cash outflows from operating activities	(143)	(1,855)
Net cash outflows from investing activities	(6)	(666)
Net cash (outflows) inflows from financing activities	(3,544)	6,246
Net cash (outflows) inflows	(3,693)	3,725



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

Details of non-wholly owned subsidiaries that have material non-controlling interests – continued

##### (b) Jilin Zi Cai Information Technology Limited

	<b>30-6-2015</b> <b>HK\$'000</b>	30-6-2014 HK\$'000
Non-current assets	<b>3,189</b>	3,185
Current assets	<b>563</b>	562
Current liabilities	–	–
Non-current liabilities	–	–
Equity attributable to equity holders of the Company	<b>1,914</b>	1,911
Non-controlling interests	<b>1,838</b>	1,836
	<b>Year ended</b> <b>30-6-2015</b> <b>HK\$'000</b>	Year ended 30-6-2014 HK\$'000
Revenue	<b>2</b>	1
Expenses	<b>2</b>	1
Profit for the year	–	–
Profit attributable to equity holders of the Company	–	–
Profit attributable to non-controlling interests	–	–
	–	–
Net cash outflows from operating activities	<b>(2)</b>	–
Net cash inflows (outflows) from investing activities	<b>2</b>	(3,185)
Net cash inflows from financing activities	–	3,747
Net cash inflows	–	562

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

Details of non-wholly owned subsidiaries that have material non-controlling interests – continued

##### (c) Heilongjiang Bozone IT Co. Ltd.

	30-6-2015 HK\$'000	30-6-2014 HK\$'000
Non-current assets	150	117
Current assets	6,740	7,459
Current liabilities	(3,312)	(2,549)
Non-current liabilities	–	–
Equity attributable to equity holders of the Company	2,292	3,234
Non-controlling interests	1,286	1,793
	Year ended 30-6-2015 HK\$'000	Year ended 30-6-2014 HK\$'000
Revenue	4,969	6,619
Expenses	6,427	6,021
(Loss) profit for the year	(1,458)	598
(Loss) profit attributable to equity holders of the Company	(948)	389
(Loss) profit attributable to non-controlling interests	(510)	209
	(1,458)	598
Net cash (outflows) inflows from operating activities	(1,998)	3,159
Net cash outflows from investing activities	(101)	(2)
Net cash inflows from financing activities	1	–
Net cash (outflows) inflows	(2,098)	3,157

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

Details of non-wholly owned subsidiaries that have material non-controlling interests – continued

##### (d) Anhui Ao Cai Information Technology Limited

	30-6-2015 HK\$'000	30-6-2014 HK\$'000
Non-current assets	<b>8,322</b>	1,058
Current assets	<b>23,092</b>	6,697
Current liabilities	<b>(21,461)</b>	(3,152)
Non-current liabilities	–	–
Equity attributable to equity holders of the Company	<b>5,076</b>	2,347
Non-controlling interests	<b>4,877</b>	2,256
	<b>Year ended 30-6-2015 HK\$'000</b>	Year ended 30-6-2014 HK\$'000
Revenue	<b>19,064</b>	88
Expenses	<b>18,722</b>	946
Profit (loss) for the year	<b>342</b>	(858)
Profit (loss) attributable to equity holders of the Company	<b>174</b>	(438)
Profit (loss) attributable to non-controlling interests	<b>168</b>	(420)
	<b>342</b>	(858)
Net cash inflows from operating activities	<b>3,416</b>	513
Net cash outflows from investing activities	<b>(7,691)</b>	(1,002)
Net cash inflows from financing activities	<b>7,417</b>	882
Net cash inflows	<b>3,142</b>	393

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

Details of non-wholly owned subsidiaries that have material non-controlling interests – continued

##### (e) China Vanguard Group (Cambodia) Co. Ltd.

	<b>30-6-2015</b> <b>HK\$'000</b>	30-6-2014 HK\$'000
Non-current assets	–	–
Current assets	<b>7,800</b>	7,800
Current liabilities	<b>(16)</b>	(16)
Non-current liabilities	–	–
Equity attributable to equity holders of the Company	<b>5,449</b>	5,449
Non-controlling interests	<b>2,335</b>	2,335
	<b>Year ended</b> <b>30-6-2015</b> <b>HK\$'000</b>	Year ended 30-6-2014 HK\$'000
Revenue	–	–
Expenses	–	–
Profit for the year	–	–
Profit attributable to equity holders of the Company	–	–
Profit attributable to non-controlling interests	–	–
Net cash inflows from operating activities	–	–
Net cash inflows from investing activities	–	–
Net cash inflows from financing activities	–	–
Net cash inflows	–	–

## 42. SUMMARIZED STATEMENTS OF FINANCIAL INFORMATION OF THE COMPANY

### (a) Statement of Financial Position

	Notes	30-6-2015 HK\$'000	30-6-2014 HK\$'000
Property, plant and equipment	(i)	2,449	3,130
Interests in subsidiaries	(ii)	146,991	(88,746)
Trade and other receivables and prepayments	(iii)	83,550	15,787
Bank balances and cash	(iv)	6,849	124,187
Trade and other payables	(v)	(18,260)	(2,861)
Amount due to a director	(vi)	(45)	–
Taxation		(3,102)	–
Convertible bonds	(vii)	(73,238)	(64,311)
Deferred taxation	(viii)	(3,132)	(4,310)
<b>Net assets (liabilities)</b>		<b>142,062</b>	<b>(17,124)</b>
Share capital	(ix)	40,097	40,155
Reserves		101,965	(57,279)
<b>Total equity (capital deficiency)</b>		<b>142,062</b>	<b>(17,124)</b>

## 42. SUMMARIZED STATEMENTS OF FINANCIAL INFORMATION OF THE COMPANY – continued

### (a) Statement of Financial Position – continued

#### (i) Property, plant and equipment

	Leasehold improvement HK\$'000	Motor vehicles HK\$'000	Furniture, fixtures and equipment HK\$'000	Computer equipment HK\$'000	Total HK\$'000
<b>COST</b>					
At 1 July 2013	1,949	887	86	281	3,203
Additions	–	1,370	28	154	1,552
Disposal	–	(276)	–	–	(276)
At 30 June 2014 and 1 July 2014	1,949	1,981	114	435	4,479
Additions	36	–	9	98	143
At 30 June 2015	1,985	1,981	123	533	4,622
<b>ACCUMULATED DEPRECIATION</b>					
At 1 July 2013	114	509	18	149	790
Charged for the year	391	233	16	66	706
Eliminated on disposal	–	(147)	–	–	(147)
At 30 June 2014 and 1 July 2014	505	595	34	215	1,349
Charged for the year	396	327	17	84	824
At 30 June 2015	901	922	51	299	2,173
<b>NET BOOK VALUES</b>					
At 30 June 2015	1,084	1,059	72	234	2,449
At 30 June 2014	1,444	1,386	80	220	3,130

## 42. SUMMARIZED STATEMENTS OF FINANCIAL INFORMATION OF THE COMPANY – continued

### (a) Statement of Financial Position – continued

#### (ii) Interests in subsidiaries

	<b>30-6-2015</b> <b>HK\$'000</b>	30-6-2014 HK\$'000
Investment in subsidiaries	<b>82,743</b>	58,763
Amount due from (to) subsidiaries	<b>64,248</b>	(147,509)
	<b>146,991</b>	(88,746)

Amount due from (to) subsidiaries are unsecured, interest free and have no fixed repayment terms.

#### (iii) Trade and other receivables and prepayments

	<b>30-6-2015</b> <b>HK\$'000</b>	30-6-2014 HK\$'000
Trade receivables	<b>47,864</b>	10,800
Other receivables and prepayments	<b>35,686</b>	4,987
	<b>83,550</b>	15,787

Aged analysis of trade receivables at the end of reporting period:

	<b>30-6-2015</b> <b>HK\$'000</b>	30-6-2014 HK\$'000
0 to 30 days	–	7,000
31 to 60 days	–	–
61 to 180 days	<b>37,610</b>	–
181 to 365 days	<b>10,254</b>	3,800
Over 1 year	–	–
	<b>47,864</b>	10,800

## 42. SUMMARIZED STATEMENTS OF FINANCIAL INFORMATION OF THE COMPANY – continued

### (a) Statement of Financial Position – continued

#### (iv) Bank balances and cash

	30-6-2015 HK\$'000	30-6-2014 HK\$'000
Cash and bank deposits denominate in:		
Hong Kong dollar	6,777	124,156
Renminbi	65	30
United States dollar	7	1
	<b>6,849</b>	<b>124,187</b>

#### (v) Trade and other payables

	30-6-2015 HK\$'000	30-6-2014 HK\$'000
Trade payables	15,319	–
Other payables	2,941	2,861
	<b>18,260</b>	<b>2,861</b>

#### (vi) Amount due to a director

	30-6-2015 HK\$'000	30-6-2014 HK\$'000
CHAN Ting	45	–

The amount is unsecured, interest free and has no fixed repayment term.

#### (vii) Convertible bonds

Details of movement in convertible bonds of the Company, please refer to note 28 to the consolidated financial statements.

#### (viii) Deferred taxation

Details of movement in deferred taxation of the Company, please refer to note 29 to the consolidated financial statements.

#### (ix) Share capital

Details of movement in share capital of the Company, please refer to note 30 to the consolidated financial statements.



## 42. SUMMARIZED STATEMENTS OF FINANCIAL INFORMATION OF THE COMPANY – continued

### (b) Reserves 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	Convertible bonds reserve HK\$'000	Special reserve HK\$'000	Retained profits/(Accumulated losses) HK\$'000	Total HK\$'000
At 1 July 2013	37,719	2,195,554	234	35,572	-	-	2,569	(2,237,933)	33,715
Equity component of convertible bonds	-	-	-	-	-	28,963	-	-	28,963
Deferred tax liabilities arising from the issuance of convertible bonds	-	-	-	-	-	(4,779)	-	-	(4,779)
Recognition of equity-settled share-based payments	-	-	-	-	8,794	-	-	-	8,794
Exercise of share options	-	-	-	-	(2,357)	-	-	-	(2,357)
Share options lapsed	-	-	-	-	(235)	-	-	235	-
Share repurchased	(947)	(68,828)	947	-	-	-	-	(947)	(69,775)
Shares issued upon exercise of share options	177	8,396	-	-	-	-	-	-	8,573
Shares issued upon placement of shares	2,720	267,506	-	-	-	-	-	-	270,226
Shares issued on acquisition of a subsidiary	486	33,846	-	-	-	-	-	-	34,332
Total comprehensive expenses for the year	-	-	-	-	-	-	-	(324,816)	(324,816)
At 30 June 2014 and 1 July 2014	40,155	2,436,474	1,181	35,572	6,202	24,184	2,569	(2,563,461)	(17,124)
Recognition of equity-settled share-based payments	-	-	-	-	8,617	-	-	-	8,617
Share options lapsed	-	-	-	-	(466)	-	-	466	-
Share repurchased	(303)	(17,491)	303	-	-	-	-	(303)	(17,794)
Shares issued upon exercise of share options	245	11,741	-	-	(3,392)	-	-	-	8,594
Total comprehensive income for the year	-	-	-	-	-	-	-	159,769	159,769
At 30 June 2015	40,097	2,430,724	1,484	35,572	10,961	24,184	2,569	(2,403,529)	142,062

# Five-Year Financial Summary

For the year ended 30 June 2015

## RESULTS

	2015 HK\$'000	For the year ended 30 June			2011* HK\$'000
		2014 HK\$'000	2013 HK\$'000 (Restated)	2012 HK\$'000 (Restated)	
Revenue	<b>123,736</b>	95,786	39,098	60,385	118,351
Cost of sales	<b>(5,950)</b>	(5,980)	(4,597)	(9,913)	(40,222)
Gross profit	<b>117,786</b>	89,806	34,501	50,472	78,129
Other revenue	<b>3,876</b>	10,451	1,090	428	18,142
Gain on changes in fair value for derivative financial instruments	–	–	–	116	1,666
Selling and distribution costs	<b>(5,246)</b>	(1,268)	(690)	(201)	(15,350)
Administrative expenses	<b>(89,283)</b>	(67,171)	(69,824)	(1,136,814)	(191,905)
Gain (loss) on disposal of subsidiaries and associates	<b>4,665</b>	–	–	(2,606)	5,810
Gain on deconsolidation of a subsidiary	–	–	–	–	183,339
Finance costs	<b>(10,720)</b>	(9,753)	(10,123)	(10,303)	(7,340)
Share of result of a joint venture	<b>(905)</b>	(2,881)	3,250	(5,940)	–
Profit (loss) before taxation	<b>20,173</b>	19,184	(41,796)	(1,104,848)	72,491
Income tax expenses	<b>(2,329)</b>	(6,038)	(672)	(2,858)	(4,327)
Profit (loss) for the year	<b>17,844</b>	13,146	(42,468)	(1,107,706)	(68,164)

## ASSETS AND LIABILITIES

	30-6-2015 HK\$'000	30-6-2014 HK\$'000	30-6-2013 HK\$'000 (Restated)	30-6-2012 HK\$'000 (Restated)	30-6-2011* HK\$'000
Total liabilities	<b>(109,345)</b>	(98,984)	(148,094)	(133,881)	(101,384)
Net assets	<b>357,951</b>	337,494	44,891	47,330	1,191,153
Equity attributable to equity holders of the Company	<b>345,509</b>	326,864	40,077	39,824	1,136,563
Non-controlling interests	<b>12,442</b>	10,630	4,814	7,506	54,590
Total equity	<b>357,951</b>	337,494	44,891	47,330	1,191,153

\* The result for each of the year ended 30 June 2011 have not been restated with the investments in jointly controlled entities.

## Glossary

"Articles of Association"	Articles of Association of the Company
"Best Frontier"	Best Frontier Investments Limited, a company incorporated in the British Virgin Islands
"Board"	the Board of Directors
"CCDDT"	China Culture Development Digital Technology Co., Ltd.
"CG Code"	"Code on Corporate Governance and Corporate Governance Report", Appendix 15 of GEM Listing Rules
"CGU(s)"	Cash generating unit(s)
"PRC"	the People's Republic of China, which for the purpose of this report, shall exclude Hong Kong, Macau Special Administrative Region and Taiwan
"Code of Conduct"	Rules 5.48 to 5.67 of the GEM Listing Rules as the code for dealing in securities of the Directors
"Company" or "China Vanguard" or "CVG"	China Vanguard Group Limited
"Connected"	has the meaning ascribed to this term under GEM Listing Rules
"Directors"	the Directors of the Company
"Excellent Union"	Excellent Union Communication Group Co., Limited
"GEM"	The Growth Enterprise Market of the Stock Exchange of Hong Kong Limited
"GEM Listing Rules"	the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited
"Group"	the Company and its subsidiaries from time to time
"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
"INEDs"	Independent Non-executive Directors
"MOF"	Ministry of Finance of the People's Republic of China
"New and revised HKFRSs"	new and revised standards, amendments and interpretations
"POS"	Point of sales
"RMB"	Renminbi, the lawful currency of The People's Republic of China
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)



“Shares”	Ordinary share(s) of HK\$0.0125 each in the share capital of the Company
“Sports Lottery”	Selected Sport lottery products in the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States Dollar, the lawful currency of United States of America
“Welfare Lottery”	Selected Welfare lottery products in the PRC
“WLA”	World Lottery Association
“WLA SCS”	WLA Security Control Standard
“YBDS”	Yunbo Digital Synergy Group Limited
“Year 2014”	financial year ended 30 June 2014
“Year 2015”	financial year ended 30 June 2015