

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

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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



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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

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

### REMUNERATION COMMITTEE

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

### NOMINATION COMMITTEE

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

### AUTHORISED REPRESENTATIVES

Mr. CHAN Ting  
Mr. CHOW Chun Hong (*resigned on 8 August 2016*)  
Madam CHEUNG Kwai Lan (*appointed on 10 August 2016 & resigned on 1 September 2016*)  
Mr. HO Kam Kin (*appointed on 1 September 2016*)

### COMPLIANCE OFFICER

Mr. CHAN Ting

### COMPANY SECRETARY

Mr. CHOW Chun Hong (*resigned on 8 August 2016*)  
Mr. HO Kam Kin (*appointed on 1 September 2016*)

### AUDITORS

Sky Base Partners CPA Limited

### PRINCIPAL BANKERS

Nanyang Commercial Bank, Limited  
The Bank of East Asia, 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

Estera Trust (Cayman) Limited  
P. O. Box 1350, Clifton House, 75 Fort Street  
Grand Cayman KY1-1108  
Cayman Islands

### BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

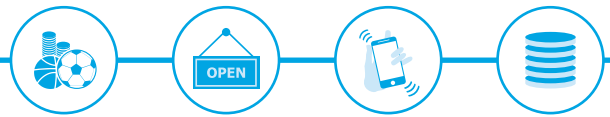
Tricor Standard Limited  
Level 22, Hopewell Centre  
183 Queen's Road East  
Wanchai, Hong Kong

### STOCK CODE

8156

### COMPANY WEBSITE

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



## CHAIRPERSON'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors of China Vanguard Group Limited, I take pleasure in presenting our Shareholders the results of the Company and its subsidiaries for the financial year ended 30 June 2016. We have witnessed new challenges and opportunities in the changing market environment. The Group has continued to commit itself in building our operations catering to the PRC lottery industry.

In Year 2016, the Group has demonstrated our technical proficiency to the world again during the 44th International Exhibition of Inventions of Geneva. The Group has received both the Gold Medal of the exhibition and the special award from the Russian delegation on our proprietary innovative marketing solution. These awards together with the accreditation of the World Lottery Association Security Control Standard and ISO 27001:2005 are solid recognitions of our research and development capability and the ability to create innovative solutions to meet new market needs.

The past calendar year for the PRC lottery market was a year full of challenges. The overall lottery sales in the PRC had slightly decreased for the first time in the past five years. On the other hand, regulatory authorities' stance on the enforcement of the regulation on lottery sales through online channels has been stronger than ever. The lottery administrative offices have adhered to the strictest guidelines and acted on a more conservative approach. In response, we have voluntarily suspended most of our self-service lottery operations pending on further regulatory development. However, in the back of such challenging environment for the Group, we also see opportunities arising from the needs for the lottery industry in promoting, marketing and enhancing both lottery customers experience and lottery sales in a healthy way.

With over 15 years in the lottery industry, started off as the first online lottery transaction system in the PRC, the Group has extended to provide a wide varieties of solutions to the lottery centers, from various technical and value-added services, to self-service lottery terminals and distribution channel management. During Year 2016, the Group further expanded to the provision of out-of-home advertising and information dissemination system and our latest innovative marketing solution – Yao Cai (“搖彩”).

We are much encouraged by the introduction of the above new business models, which stands to attest to our deep knowledge of the industry, our keen insights, and our proven abilities to accurately predict the upcoming market trends. Recently, the General Administration of Sports of China and the Ministry of Civil Affairs have both issued their plans on the 13th Five-Year Plan for Sports Lottery and Welfare Lottery respectively. We believe the goals to broaden distribution channels and enhance the accessibility for the lottery patrons match market trends and we are well equipped to embrace the opportunities arise, which shall in turn yield favourable return to our Shareholders.

**CHEUNG Kwai Lan**

*Chairperson and Executive Director*

Hong Kong, 27 September 2016

## CEO'S STATEMENT

Dear Shareholders,

### LOTTERY OPERATIONS

The Group is a comprehensive lottery solution provider of end-to-end hardware and software solutions, downstream channel management services and marketing promotion to Sports Lottery and Welfare Lottery Centres in 22 provinces and regions in the PRC.

### NEW BUSINESS

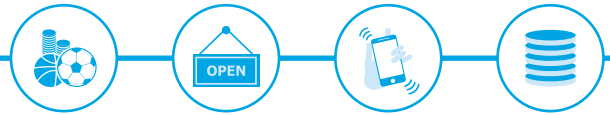
The Group has continued its course to develop its lottery operations and during Year 2016, we are delighted to introduce two new business models to enrich the services and products pertaining to lottery operations.

- 1) Yao Cai (“搖彩”) is an interactive in-store marketing solution that has adopted our proprietary Bluetooth low energy hardware device. It will offer incentive-based consumer mass marketing promotions services, utilizing WeChat (“微信”) through the “Shake” (“微信搖一搖”) function as well as unique QR code. This solution is applicable to all physical distribution outlets, and is aimed to broaden the consumer base through interactive marketing activities to enhance the consumers’ engagement level and satisfaction. During Year 2016, the Group has successfully signed with three provincial and regional Sports Lottery Issuance Centres, including Liaoning, Shenzhen and Gansu, on Yao Cai and has started off trial runs in selected locations.
- 2) Out-of-home (“OOH”) advertising and information dissemination system which is based on LED display panel, not only modernizes and digitizes the marketing and lottery information dissemination, but also improves the efficiency and the image of the lottery distribution outlets. This business generates revenue through rental income while also enables us to operate OOH advertising as permitted. In Year 2016, the Group has successfully contracted with two provincial Sports Lottery Issuance Centres, including Anhui and Liaoning, and as at the date of this report, the operation team has already implemented the systems as contracted.

The proprietary technology behind the above solutions has won us both the Gold Medal of its category in the 44th International Exhibitions of Inventions of Geneva and the special award from the Association “Russian House for International Scientific and Technological Cooperation”. The Group shall ride on its existing coverage over the 22 provinces and regions and shall strive to rollout these innovative solutions into various provinces in the PRC.

### KEY STRATEGIC MOVES

In August 2015, the Group entered into a strategic cooperation agreement with All In Pay Network Services Co., Ltd. (“All In Pay”) to co-develop a full-fledged, systematic solution whereas All In Pay shall provide the Group with a tailor-made, integrated all-in-one payment and settlement solution. This is one of the moves as an on-going effort to improve the accessibility and to provide convenience to lottery customers.



## CEO'S STATEMENT

In view of impending growth in the industry and the Group's Sports Lottery related operations, the Group endeavored to realign its resources to further focus Sports Lottery business through a restructuring in January 2016 to enhance the effective utilization of its resources and achieve greater efficiency within the Group. The restructuring process is currently well underway and in process. The Group remains positive on the outlook of the Sport Lottery related services operation.

We see these strategic moves not only further strengthen the services and products the Group can provide through the collaboration with strategic partners, but also better equip ourselves to meet new opportunities.

## OPERATION

During Year 2016, several ministerial offices through the issuance of government notices expressed their strong position with regards to the enforcement and forbidden of unauthorized lottery sales through online channels. The Group has voluntarily suspended most of our self-service lottery operations in response. The Group understands that the situation is only temporary and would like to stress that the contracts with various lottery centers are still valid and in-place. Self-service lottery is a comparatively new segment of the industry with more business opportunities, while at the same time it could be more susceptible to policy development. As a trusted partner with the lottery authorities, we continue working with them closely and actively to reactivate self-service lottery operation.

## OUTLOOK AND STRATEGIES

The board is of the view that the innovative nature of the marketing services will transform lottery consumption behavior that will be catalytic in increasing lottery sales and create a win-win situation between third-party advertisers in marketing outreach while providing new revenue streams for the Group. The interactive marketing services will contribute to the Group's revenue through revenue share from advertising screen time on the LED display panels and share of marketing service revenue from third-party social media engagement. Going forward, our further development of interactive marketing services will advance to a precision marketing solution by offering personalized advertising services. We believe this further development would meet the demand for high end advertising. The digitalization and mobilization of modern business operations have created the need for a more efficient and measurable interactive electronic information system to facilitate data and information flow between Lottery Centres and various distribution channels. The Board is of the view that the new services offered will create a significant new revenue stream for the Group.

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, 27 September 2016

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

During the year ended 30 June 2016, the Group recorded revenue of HK\$35 million, a decrease of 72% over revenue of HK\$124 million for the same period in 2015, while gross profit for the period of HK\$32 million also represented a decrease of 73% over gross profit of HK\$118 million in the corresponding period in 2015. Revenue and gross profit decreased as the result of the sales of lottery industry in the PRC's lottery market slightly decreased for the first time in the past five years.

The Group recorded a loss attributable to equity holders of HK\$207 million for the year under review. The profit attributable to the equity holders in Year 2015 was HK\$19 million. The primary reason for the loss is that in Year 2016, the sales of lottery industry slightly decrease in the PRC's lottery market and regulatory authorities stance on the enforcement of the Internet lottery has been stronger. As a result, the Group recorded impairment losses on goodwill of HK\$85 million to reflect the current market situation. Details of impairment losses on goodwill for the Year 2016 are set out in Note 18 to the consolidated financial statements. Furthermore, the Group recorded provision for doubtful receivables of HK\$46 million for which was past due at the reporting date with long age since the due date.

### LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at 30 June 2016, Shareholder's fund amounted to HK\$149 million (2015: HK\$358 million). Current assets amounted to HK\$114 million (2015: HK\$246 million), mainly comprising of trade and other receivables and prepayments, bank balances and cash. Current liabilities amounted to HK\$110 million (2015: HK\$33 million) mainly comprising of convertible bonds, trade payables, accruals and other payables, and tax liabilities.

The Group's bank balances and cash amounted to HK\$33 million which were mainly held in HK\$, RMB and US\$ (2015: HK\$93 million). Net asset value per share was HK\$0.05 (2015: HK\$0.11).

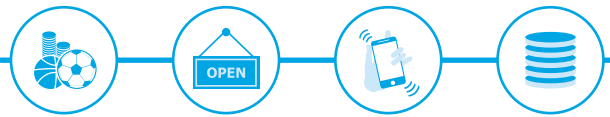
As at 30 June 2016, the gearing ratio of the Group was 56% on the basis of the Group's total interest-bearing borrowings divided by total equity (2015: 21%).

### 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**"). 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 2016, the issued share capital of the Company was 3,227,065,068 Shares.





## MANAGEMENT DISCUSSION AND ANALYSIS

### 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 a rate of 2% per annual as general working capital and for 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\$2.39 per share into full-paid ordinary shares of the Company. As a result of Share Subdivision, 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 2016, 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 Group had no contingent liabilities as at 30 June 2016 (30 June 2015: Nil).

No assets of the Group was pledged as securities to any third parties as at 30 June 2016 (30 June 2015: Nil).

### COMMITMENTS

The Group had capital commitments at HK\$39 million and operating commitments as lease of HK\$16 million from operations as at 30 June 2016 (30 June 2015: capital commitments of 60 million and operating lease commitments of HK\$7 million respectively).

### SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

During the reporting period, the Group did not make any significant investment or material acquisition or disposal of subsidiaries and affiliated companies.

### RESULTS OF PERFORMANCE GUARANTEE ON ACQUISITION

#### Acquisition of United Power Asia Investments Limited

Pursuant to the share transfer agreement dated 17 January 2014 regarding the acquisition of United Power Asia Investments Limited (“**United Power**”), additional consideration in cash and shares should be payable to the vendors when the vendors have fulfilled the performance guarantees as prescribed in the share transfer agreement. The performance guarantees are considered fulfilled in the event that the vendors have successfully enabled the Group to enter into certain number of provincial cooperation agreements with Sport Lottery Administration Centres for the provision of interactive self-service lottery solutions within a certain period time. In November 2015, the Company confirmed that the vendors had failed to fulfill the relevant performance guarantee requirement and the consideration Shares of 1,000,000 (4,000,000 subdivided Shares) were not issued to the vendors. Details of the acquisition and performance guarantee requirement were disclosed in the announcements of the Company dated 17 January 2014 and 30 June 2016.

## MANAGEMENT DISCUSSION AND ANALYSIS

### EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2016, the Group had 36 and 220 (2015: 39 and 243) employees in Hong Kong and the PRC respectively, which including the Directors. Total staffs cost excluding Directors' remuneration for the year under review amounted approximately HK\$47 million (2015: HK\$44 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 employees 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

The Directors and senior management at the date of this annual report are as follows:

### DIRECTORS

#### Executive Directors

**Madam CHEUNG Kwai Lan**, aged 78, one of the founders of the Group, is the Chairperson and Executive Director of the Company. She is also the Chairperson 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 46, is the Deputy Chairperson, 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 15 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 21 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 Chairperson 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.

## PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

### Non-executive Director

**Mr. CHAN Tung Mei**, aged 80, 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 16 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 19 years of experience in establishing and managing companies.

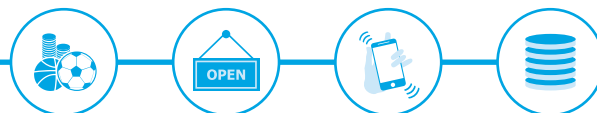
Mr. CHAN is the father of Ms. CHAN Siu Sarah and Mr. CHAN Ting and the spouse of Madam CHEUNG Kwai Lan, being the Group General Counsel and Executive Directors of the Company respectively.

### Independent Non-executive Directors

**Mr. TO Yan Ming, Edmond**, aged 44, is an Independent Non-executive Director of the Company. He is also the Chairperson of both the Audit Committee and Remuneration Committee of the Company. Mr. TO obtained 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 extensive 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 Asian Alliance (HK) CPA Limited (formerly known as Zhonglei (HK) CPA Company Limited) respectively. He was previously an independent non-executive director of each of China Household Holdings Limited (Stock Code: 692) and Theme International Holdings Limited (Stock Code: 990), and also he is currently an independent non-executive director of Wai Chun Group Holdings Limited (Stock Code: 1013), Wai Chun Mining Industry Group Company Limited (Stock Code: 660), Courage Marine Group Limited (Stock Code: 1145) and Tianli Holdings Group Limited (formerly known as EYANG Holdings (Group) Co., Limited) (Stock Code: 117), shares of all which are listed on the Main Board of the Stock Exchange. He joined the Group in January 2006.

**Mr. ZHANG Xiu Fu**, aged 82, 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 69, 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.



## PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

### SENIOR MANAGEMENT

**Mr. HO Kam Kin**, aged 39, is the Group Chief Financial Officer, Company Secretary and Authorised Representative of the Company. He is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. He obtained a Bachelor of Arts Degree in Accountancy and Master Degree of Corporate Finance from The Hong Kong Polytechnic University. Mr. HO held senior accounting positions in a number of companies listed on the Stock Exchange and worked in an international accounting firm for three years. He has over 14 years of experience in accounting and financial management. Prior to joining the Company, he was the financial controller and company secretary of a company listed on the Main Board of the Stock Exchange. He joined the Group in September 2016.

**Ms. CHAN Siu Sarah**, aged 51, is the General Counsel of the Group and the director of various subsidiaries of the Group. From 2010 to 30 June 2016, she has been in charge of the business activities of 深圳市博眾信息技術有限公司 (Shenzhen Bozone IT Co. Limited), the Group's main subsidiary for its traditional lottery business. She is in charge of upkeep of relationship with social welfare lottery centres. 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 and has continued to be in charge of social welfare lottery business of the Group.

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

**Mr. FUNG King Him Daniel**, aged 46, 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 40, 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 15 years of experience in human resources and administration management. Prior to joining the Group, she worked in human resources and administrative managerial positions with a listed company and a sizeable investment company. She joined the Group in July 2008.

## PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. SHEN Ni**, aged 39, 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. He is currently a general manager of 深圳市博眾信息技術有限公司 (Shenzhen Bozone IT Co. Limited) which is a main subsidiary of the Group. He is mainly responsible for the daily operation and management of the company and its affiliate companies. 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 54, 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 12 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 深圳市博眾信息技術有限公司 (Shenzhen Bozone IT Co. Limited). 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.



# CORPORATE GOVERNANCE REPORT

The Board is committed to maintain and achieve 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 during the year ended 30 June 2016, 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. 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 Shareholders. The retirement and re-election requirements of INEDs have given the rights to the Shareholders to approve the continuation of INEDs' offices.

### Code Provision A.6.7

An INED was unable to attend the annual general meeting of the Company held 23 November 2015 due to his health reason.

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

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standards of dealings set out in the Code of Conduct for securities transactions by the Directors in respect of the Shares of the Company. Have 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 2016.

## BOARD OF DIRECTORS

### Board Composition

As at 30 June 2016, 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 and up to the date of this annual report is as follows:

#### Executive Directors

Madam CHEUNG Kwai Lan (*Chairperson*)

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

## CORPORATE GOVERNANCE REPORT

### 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) among members of the Board are also disclosed therein.

### Responsibility 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, risk managements and internal control policies. The Board is also responsible for monitoring managerial performance and 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 daily operations and management of the Group’s businesses to the Management but material transactions such as acquisitions and disposals of assets of the Group are required the approval by the Board. The Management, led by the Chief Executive Officer and comprising a team of senior managers who have wide experience and expertise in different areas, is responsible for managing the day-to-day operations, implementing the 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 Independent Non-executive Director 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 Director have entered into a service contract with the Company with effect from the date of appointment and will continue thereafter unless and until terminated by either party by giving not less than six months’ notice in writing served by either party on the other. All INEDs have not entered into any service contracts with the Company but are subject to retirement by rotation and re-election in accordance with Articles of Association.





## CORPORATE GOVERNANCE REPORT

### Continuous Professional Development

The Company provides the Directors regular updates on the business development of the Group. The Directors are regularly briefed in the latest development regarding the GEM Listing Rules and other applicable statutory requirement to ensure compliance and upkeep 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 the Directors have participated in appropriate continuous professional development activities either by attending external seminars or by reading material relevant to the Company's business or to the Directors' duties and responsibilities.

### Directors' and Officers' Liability Insurance

The Company has arranged 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 conduct scheduled Board meetings on a quarterly basis to discuss strategies and business issue, including financial performance of the Group. The Board would meet more frequently as and when required.

The attendance of individual members of the Board at Board meetings, meetings of the Board committees and annual general meeting during the year ended 30 June 2016, as well as the number of such meetings held, is set out as follows:

	Meetings Attended/Held				
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting
<b>Number of Meeting</b>	<b>4</b>	<b>5</b>	<b>1</b>	<b>1</b>	<b>1</b>
<b>Executive Directors</b>					
Madam CHEUNG Kwai Lan	4/4	N/A	N/A	1/1	1/1
Mr. CHAN Ting	4/4	N/A	1/1	N/A	1/1
<b>Non-executive Director</b>					
Mr. CHAN Tung Mei	4/4	N/A	N/A	N/A	1/1
<b>Independents Non-executive Directors</b>					
Mr. TO YAN Ming Edmond	4/4	5/5	1/1	N/A	1/1
Mr. YANG Qing Cai	3/4	4/5	1/1	1/1	1/1
Mr. ZHANG Xiu Fu	4/4	5/5	1/1	1/1	0/1

## CORPORATE GOVERNANCE REPORT

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.

### CHAIRPERSON AND CHIEF EXECUTIVE OFFICER

In compliance with code provision A.2.1 of the CG Code, the Company has arranged for the roles of chairperson and chief executive officer to be separate and not performance by the same individual. Madam CHEUNG Kwai Lan, as the Chairperson is responsible for overseeing the functions of the Board and formulating the overall strategies and policies of the Company. Mr. CHAN Ting as Chief Executive Officer, is responsible for the day-to-day management of the business of the Group, implementing major strategies, make 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 Chairperson 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 risk management and internal control systems 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 2016, the Audit Committee held five meetings (i) to discuss the financial reporting and the compliance procedures with the external auditors; (ii) to review the audited annual results and unaudited quarterly and interim results; (iii) to consider the re-appointment of auditors of the Company; and (iv) to discuss and revise the terms of reference of the Audit Committee. Individual attendance of Audit Committee members are set on page 15 of this annual report.

The Group's audited consolidated results for the year ended 30 June 2016 has been reviewed by the Audit Committee of the Company.



## CORPORATE GOVERNANCE REPORT

### 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 Chairperson 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 2016, 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 Remuneration Committee members are set on page 15 of this annual report.

### Annual Remuneration Payable to Members of the Senior Management by Band

The annual remuneration of the members of the senior management by band for the year ended 30 June 2016 is as follows:

Remuneration Band	No. of Individuals
HK\$3,000,001 – HK\$4,000,000	1
HK\$2,000,001 – HK\$3,000,000	–
HK\$1,000,001 – HK\$2,000,000	2
Nil – HK\$1,000,000	5
Total:	8

### 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 Chairperson 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 2016, 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 15 of this annual report.

## ACCOUNTABILITY AND AUDIT

### Financial Reporting

The Directors acknowledge their responsibility to prepare the financial statements for each financial period which give a true and fair view of the financial affairs of the Group. The Directors also ensure that the financial statements of the Group are prepared in accordance with statutory requirements and applicable accounting standards on a going concern basis. The Directors ensures that the publication of the financial statements of the Group is in a timely manner. The Directors have also made judgments and estimates that are prudent and reasonable in the preparation of the consolidated financial statements.

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

## CORPORATE GOVERNANCE REPORT

### Risk Management and Internal Controls

The Board is responsible for maintaining an adequate risk management and internal control systems to safeguard shareholders' investments 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 risk management and internal control systems of the Group. Such review covered the financial, operational, compliance and risk management aspects of the significant subsidiaries of the Group and included the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

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

### AUDITORS' REMUNERATION

The Company reviews the appointment of external auditor on an annual basis including a review of the audit scope and approval of the audit fee. During the year, the fee paid/payable to the Company's external auditor for audit services amounted to HK\$1,050,000.

### COMPANY SECRETARY

Mr. CHOW Chun Hong was appointed as the Company Secretary of the Company on 9 June 2014 and resigned on 8 August 2016. Following the resignation of Mr. CHOW, Mr. HO Kam Kin, who was appointed as the Company Secretary of the Company with effect from 1 September 2016, and is currently the Group Chief Financial Officer of the Company. The biographical details of Mr. HO are set out in the section headed "Profile of Directors and Senior Management".

The appointment and dismissal of the Company Secretary of the Company were approved by the Board via a physical Board meeting. During the year ended 30 June 2016, Mr. HO has complied with Rule 5.15 of the GEM Listing Rules for taking no less than 15 hours of relevant professional training.

### SHAREHOLDERS' RIGHTS

#### Right to convene an Extraordinary General Meeting ("EGM")

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 not 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 an EGM 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 of the Company 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 with the Board at the general meetings of the Company.



## CORPORATE GOVERNANCE REPORT

### 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 request to follow Article 72 of the Articles of Association for including a resolution at EGM. The requirement and procedures are set out in paragraph headed "Right to Convene an Extraordinary General Meeting ("EGM")" 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 meeting; the annual, interim and quarterly reports; notices; announcements, circulars, memorandum of association and articles of association and media release on the Company's website at [www.cvg.com.hk](http://www.cvg.com.hk)

### CONSTITUTIONAL DOCUMENT

There are no changes in the constitutional documents during the years.

## **DIRECTORS' REPORT**

The Directors are pleased to present the report together with the audited consolidated financial statements for the year ended 30 June 2016.

### **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 40 to the consolidated financial statements.

An analysis of the Group's performance for the year ended 30 June 2016 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 2016 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 2016 (2015: 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 118 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.

### **PRE-EMPTIVE RIGHTS**

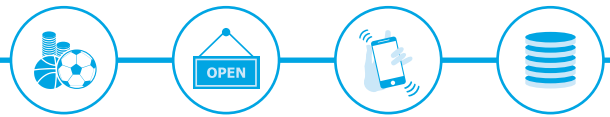
There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

### **CHARITABLE DONATIONS**

During the year, the Group made charitable donations amounting to HK\$20,000 (2015: HK\$188,000)

### **RESERVES**

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



## DIRECTORS' REPORT

### MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 30 June 2016, the Group made 94% of its entire sales to five customers and sales to the largest customer included therein amounted to approximately 39%. Purchases from the Group's five largest suppliers accounted for approximately 87% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 61%.

None of the Directors of the Company, or any of their associates or any other shareholders, which to the best knowledge of the Directors own more than 5% of the Company's issued share capital, had any beneficial interest in these major customers and suppliers.

### RELATED PARTY AND CONNECTED PARTY TRANSACTION

Details of the significant related party transactions are set out to Note 39 to the consolidated financial statements of this annual report.

### CONNECTED TRANSACTION

On 12 January 2016, the Company, through United Power, its wholly-owned subsidiary, entered into a restructuring agreement with the sellers and 安徽奥彩信息科技有限公司 (Anhui Ao Cai Information Technology Limited) ("**Anhui Ao Cai**", an indirectly non-wholly-owned subsidiary of the Company) in relation to acquisition of further equity interest in Anhui Ao Cai (the "**Restructuring Agreement**"). Pursuant to the Restructuring Agreement, upon the completion with fulfillment of all conditions, the Company, through United Power, will indirectly hold 59.54% of the equity interest in Anhui Ao Cai from the previous 51%.

As the sellers collectively are all substantial shareholders and directors of Anhui Ao Cai, as such, all of them are connected persons of the Company. The acquisition therefore constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules. Details of the Restructuring Agreement were disclosed in the announcement of the Company on 12 January 2016.

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

During the year ended 30 June 2016, 19,300,000 Shares were issued to eligible persons after they had exercised their Share option rights. Net proceeds exclusive of handling fees of HK\$8,543,350 was received.

Save as disclosed, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's Shares during the period.

### DIRECTORS

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

#### Executive Directors

Madam CHEUNG Kwai Lan  
Mr. CHAN Ting

## DIRECTORS' REPORT

### 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, Mr. YANG Qing Cai and Mr. ZHANG Xiu Fu 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 not less than six months' notice in writing served by either party on the other.

All the INEDs have not entered into any service contracts with the Company but are subject to retirement by rotation and re-election in accordance with the Articles of Association.

### DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or its subsidiaries was a party and in which a Director had a material interest, 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 or the controlling shareholder of the Company or any of their respective 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 2016, 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 they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange, were as follows:





## DIRECTORS' REPORT

### 1. Long Positions in the Shares of the Company or Any of Its Associated Corporation

Name of Directors	The Company/ Name of Associated Corporation	Number of Shares Held				Approximate Percentage of Shareholding
		Interest in Controlled Corporation	Personal Interest	Family Interest	Total Interest	
Madam CHEUNG Kwai Lan ("Madam CHEUNG") (Note 1 & 2)	The Company	1,068,565,856	1,656,000	260,000	1,070,481,856	33.17%
Mr. CHAN Tung Mei ("Mr. CHAN") (Notes 1 & 3)	The Company	–	260,000	1,070,221,856	1,070,481,856	33.17%
Madam CHEUNG	Best Frontier (Note 1)	–	909	1	910	–
Mr. CHAN	Best Frontier	–	1	909	910	–
Mr. TO Yan Ming Edmond	The Company	–	800,000	–	800,000	0.02%
Mr. YANG Qing Cai ("Mr. YANG") (Note 4)	The Company	–	475,000	–	475,000	0.01%

Notes:

- 1,068,565,856 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 hold 1,656,000 Shares and 260,000 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 260,000 Shares and interest in 2,760,000 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 475,000 Shares and interest in 1,525,000 underlying Shares in respect of the share options granted by the Company, the details of which are stated in the following section "Share Options".

## DIRECTORS' REPORT

## 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 who at the sole discretion of the Board have contributed to the Group at the time when an option is granted to such person. The Share Option Scheme will remain valid for a period 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 30 to the consolidated financial statements.

During the year ended 30 June 2016, 24,220,000 Shares Options with exercise price of HK\$1.28 per Share were granted by the Company to be certain employees and other eligible participants. Reference is made to the announcement of the Company dated 22 July 2015.

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 (Note 1)	Exercisable Period	Number of Share Options					As at 30 June 2016
				As at 1 July 2015	Granted	Exercised	Cancelled	Lapsed	
<b>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
Mr. CHAN Tung Mei	10/12/2013	0.438	01/04/2014 – 31/03/2017	760,000	-	(100,000)	-	-	660,000
	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. TO Yan Ming Edmond	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	400,000	-	(275,000)	-	-	125,000
	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
			Sub-total	13,460,000	-	(1,175,000)	-	-	12,285,000



## DIRECTORS' REPORT

Name/Category of Participants	Grant Date	Exercise Price (Note 1)	Exercisable Period	Number of Share Options					As at 30 June 2016	
				As at 1 July 2015	Granted	Exercised	Cancelled	Lapsed		
Employees	10/12/2013	0.438	01/04/2014 – 31/03/2017	2,064,000	-	(1,240,000)	-	(6,000)	818,000	
	10/12/2013	0.438	01/01/2015 – 31/03/2017	5,777,000	-	(2,813,000)	-	(410,000)	2,554,000	
	10/12/2013	0.438	01/01/2016 – 31/03/2017	22,704,000	-	(12,212,000)	-	(1,184,000)	9,308,000	
	13/06/2014	0.952	01/07/2015 – 30/06/2018	4,752,000	-	(175,000)	-	(533,000)	4,044,000	
	13/06/2014	0.952	01/07/2016 – 30/06/2018	4,752,000	-	-	-	(708,000)	4,044,000	
	13/06/2014	0.952	01/07/2017 – 30/06/2018	6,336,000	-	-	-	(944,000)	5,392,000	
	21/07/2015	1.280	01/07/2016 – 30/06/2019	-	1,266,000	-	-	-	1,266,000	
	21/07/2015	1.280	01/07/2017 – 30/06/2019	-	1,266,000	-	-	-	1,266,000	
	21/07/2015	1.280	01/07/2018 – 30/06/2019	-	1,688,000	-	-	-	1,688,000	
				Sub-total	46,385,000	4,220,000	(16,440,000)	-	(3,785,000)	30,380,000
	Other Eligible Participants (Note 2)	10/12/2013	0.438	01/04/2014 – 31/03/2017	280,000	-	(8,000)	-	-	272,000
		10/12/2013	0.438	01/01/2015 – 31/03/2017	596,000	-	(320,000)	-	-	276,000
		10/12/2013	0.438	01/01/2016 – 31/03/2017	1,104,000	-	(512,000)	-	-	592,000
10/12/2013		0.438	01/04/2014 – 31/03/2017	10,760,000	-	-	-	-	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	46,000,000	-	-	-	-	46,000,000	
10/12/2013		0.438	01/07/2015 – 31/03/2017	49,000,000	-	(845,000)	-	-	48,155,000	
13/06/2014		0.952	01/07/2015 – 30/06/2018	21,600,000	-	-	-	(1,500,000)	20,100,000	
13/06/2014		0.952	01/07/2016 – 30/06/2018	21,600,000	-	-	-	(1,500,000)	20,100,000	
21/07/2015		1.280	01/07/2016 – 30/06/2019	-	10,000,000	-	-	-	10,000,000	
21/07/2015		1.280	01/07/2017 – 30/06/2019	-	10,000,000	-	-	-	10,000,000	
				Sub-total	161,740,000	20,000,000	(1,685,000)	-	(3,000,000)	177,055,000
				<b>Total</b>	<b>221,585,000</b>	<b>24,220,000</b>	<b>(19,300,000)</b>	<b>-</b>	<b>(6,785,000)</b>	<b>219,720,000</b>

### Notes:

- In respect 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 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.

## DIRECTORS' REPORT

Save as disclosed above, as at 30 June 2016, none of the Directors and chief executive of the Company had or was deemed to have any interests or short positions in any Share, debentures or underlying Shares of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were 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 in 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 Directors, to be notified to the Company and the Stock Exchange.

### ARRANGEMENT 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:

Madam CHEUNG Kwai Lan, was appointed as an authorised representative of the Company on 10 August 2016 and resigned on 1 September 2016.

Mr. TO Yan Ming Edmond, was appointed an independent non-executive director of Courage Maine Group Limited (Stock Code: 1145) and Tianli Holdings Limited (formerly known as EYANG Holdings (Group) Co., Limited) (Stock Code: 117) on 30 October 2015 and 14 July 2016, respectively. He also resigned as an independent non-executive director of China Household Holdings Limited (Stock Code: 692) on 10 December 2015.

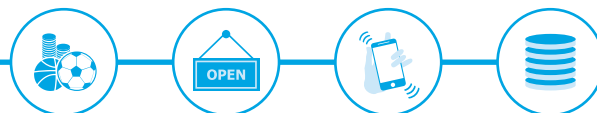
Save as disclosed above, there is no other changes in information of Directors required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules.

### PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, every Director, auditors or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he may sustain or incur or about the execution and discharge of his duties or in relation thereto. The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Company during the year.

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

As at 30 June 2016, 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:



## DIRECTORS' REPORT

### Long Positions in the Shares

Name of Shareholders	Capacity	Number of issued Shares Held	Approximate Percentage of the Shareholding
Best Frontier & its concert parties <i>(Note 1)</i>	Beneficial Owner	1,070,481,856	33.17%
Integrated Asset Management (Asia) Limited (" <b>Integrated Asset</b> ") & its concert parties <i>(Note 2)</i>	Beneficial Owner	472,723,000	14.65%
GAM Hong Kong Limited	Investment Manager	240,950,000	7.47%
Tarascon Asia Absolute Fund (Cayman) Ltd.	Beneficial Owner	168,225,000	5.21%

*Notes:*

- 1,068,565,856 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 260,000 Shares respectively. Madam CHEUNG is the spouse of Mr. CHAN and so both of them are deemed to have interests in the Shares.
- 472,723,000 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 Asset pursuant to the subscription agreement dated 13 January 2014 (the "Bonds"). 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 19.30% of the current issued share capital of the Company and approximately 18.44% 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 2016, 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 maintain a high standard of corporate governance which is set out in the "Corporate Governance Report" on pages 13 to 19.

## DIRECTORS' REPORT

### 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 Chairperson of the Audit Committee is Mr. TO Yan Ming Edmond. Details of the role and work performed by the committee are set out in "Corporate Governance Report" in this annual report for the year ended 30 June 2016.

The audited consolidated results of the Group for the year ended 30 June 2016 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

As at the date of this annual report, based on information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company maintained a sufficient public float as required under the GEM Listing Rules.

### EVENTS AFTER REPORTING PERIOD

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

### AUDITORS

Sky Base Partners CPA Limited was appointed as auditors of the Group with effect from 16 October 2015 to fill the causal vacancy arising from the resignation of W.H. Tang & Partners CPA Limited. Save as disclosed above, there have been no change of auditors of the Company for the past three years.

The consolidated financial statements for the year ended 30 June 2016 have been audited by Sky Base Partners CPA Limited, who will retire and being eligible, offer themselves for re-appointment as auditors of the Company at the forthcoming annual general meeting.

On behalf of the Board

#### **CHEUNG Kwai Lan**

*Chairperson and Executive Director*

Hong Kong, 27 September 2016



# INDEPENDENT AUDITORS' REPORT



天機會計師事務所有限公司  
Sky Base 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 117, which comprise the consolidated statement of financial position as at 30 June 2016, 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, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## INDEPENDENT AUDITORS' REPORT

### OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 30 June 2016 and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### OTHER MATTER

The consolidated financial statements for the year ended 30 June 2015 was audited by other auditors who expressed an unmodified opinion on those statements on 30 September 2015.

### EMPHASIS OF MATTERS

Without qualifying our opinion, we draw attention to Note 3 to the consolidated financial statements which indicates that the Group incurred a loss for the year of approximately HK\$213,842,000 during the year ended 30 June 2016. These conditions, along with other matters as set out in Note 3, indicate the existence of a material uncertainty that may cast significant doubt about the Company and its subsidiaries' ability to continue as a going concern. The directors of the Company have carefully reviewed the Group's cash position and consider that appropriate estimates and disclosures have been made.

#### **Sky Base Partners CPA Limited**

*Certified Public Accountants*

#### **TANG Wai Hung**

*Practising Certificate Number P03525*

Hong Kong, 27 September 2016





# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2016

	Notes	Year ended 30-6-2016 HK\$'000	Year ended 30-6-2015 HK\$'000
Revenue	9	34,657	123,736
Cost of sales		(3,113)	(5,950)
Gross profit		31,544	117,786
Other income	9	10,203	3,876
Gain on disposal of subsidiaries		–	4,665
Provision for doubtful receivables		(46,465)	–
Impairment loss on goodwill		(84,967)	–
Selling and distribution expenses		(6,276)	(5,246)
Administrative and operating expenses		(106,971)	(89,283)
<b>Operating (loss)/profit</b>		<b>(202,932)</b>	31,798
Finance costs	10	(11,988)	(10,720)
Share of result of joint ventures		(490)	(905)
<b>(Loss)/profit before tax</b>	11	<b>(215,410)</b>	20,173
Income tax credit/(expenses)	14	1,568	(2,329)
<b>(Loss)/profit for the year</b>		<b>(213,842)</b>	17,844
<b>(Loss)/profit for the year attributable to:</b>			
Equity holders of the Company		(206,778)	19,107
Non-controlling interests		(7,064)	(1,263)
		<b>(213,842)</b>	17,844

CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2016

	<i>Notes</i>	<b>Year ended 30-6-2016 HK\$'000</b>	Year ended 30-6-2015 HK\$'000
<b>Other comprehensive (expense)/income for the year, net of 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		<b>(11,469)</b>	133
<b>Total comprehensive (expense)/income for the year</b>		<b>(225,311)</b>	17,977
<b>Total comprehensive (expense)/income for the year attributable to:</b>			
Equity holders of the Company		<b>(217,578)</b>	19,229
Non-controlling interests		<b>(7,733)</b>	(1,252)
		<b>(225,311)</b>	17,977
<b>(Loss)/earnings per share attributable to equity holders of the Company</b>			
Basic	16	<b>(HK6.43 cent)</b>	HK0.60 cent
Diluted	16	<b>N/A</b>	HK0.57 cent



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	Notes	30-6-2016 HK\$'000	30-6-2015 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	17	16,070	11,783
Goodwill	18	99,288	174,050
Intangible assets	19	14,674	19,541
Available-for-sale financial assets	20	–	–
Interests in joint ventures	21	15,110	16,077
		<b>145,142</b>	<b>221,451</b>
<b>Current assets</b>			
Inventories	22	5,059	1,425
Trade and other receivables and prepayments	23	76,111	151,478
Bank balances and cash	24	32,999	92,942
		<b>114,169</b>	<b>245,845</b>
<b>Current liabilities</b>			
Trade payables, accruals and other payables	25	18,797	27,665
Amount due to a director	26	732	45
Convertible bonds	27	83,434	–
Deferred tax liabilities	28	1,746	–
Tax liabilities		5,121	5,265
		<b>109,830</b>	<b>32,975</b>
<b>Net current assets</b>		<b>4,339</b>	<b>212,870</b>
<b>Total assets less current liabilities</b>		<b>149,481</b>	<b>434,321</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	<i>Notes</i>	<b>30-6-2016 HK\$'000</b>	30-6-2015 HK\$'000
<b>Non-current liabilities</b>			
Convertible bonds	27	–	73,238
Deferred tax liabilities	28	–	3,132
		–	76,370
<b>Net assets</b>		<b>149,481</b>	357,951
<b>Capital and reserves</b>			
Share capital	29	<b>40,338</b>	40,097
Reserves		<b>96,003</b>	305,412
Equity attributable to equity holders of the Company		<b>136,341</b>	345,509
Non-controlling interests		<b>13,140</b>	12,442
<b>Total equity</b>		<b>149,481</b>	357,951

The consolidated financial statements on pages 31 to 117 were approved and authorized for issue by the Board of Directors on 27 September 2016 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 2016

## 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 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/(expense) 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 and 1 July 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
Loss for the year	-	-	-	-	-	-	-	-	-	(206,778)	(206,778)	(7,064)	(213,842)
Exchange differences arising on translation of financial statements of overseas operations	-	-	-	-	-	(10,800)	-	-	-	-	(10,800)	(669)	(11,469)
Total comprehensive expense for the year	-	-	-	-	-	(10,800)	-	-	-	(206,778)	(217,578)	(7,733)	(225,311)
Recognition of equity-settled share-based payments	-	-	-	-	4,282	-	-	-	-	-	4,282	-	4,282
Share options lapsed	-	-	-	-	(1,676)	-	-	-	-	1,676	-	-	-
Acquisition of interest in a subsidiary	-	-	-	-	-	-	-	-	-	-	-	5,015	5,015
Contributions from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	1,336	1,336
Shares issued upon exercise of share options	241	11,813	-	-	(3,511)	-	-	-	-	-	8,543	-	8,543
Release on dissolve of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(2,335)	(2,335)
Dilution of interest in a subsidiary	-	-	-	-	-	-	-	-	(4,415)	-	(4,415)	4,415	-
At 30 June 2016	40,338	2,442,537	1,484	35,572	10,056	6,522	24,184	(1)	5,769	(2,430,120)	136,341	13,140	149,481

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016

### 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 operation 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 operation.
- (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 and deferred tax liabilities of approximately HK\$4,779,000 were recognized in the convertible bonds reserve account.
- (e) Capital reserve represents gain on acquisition and disposal of interests in subsidiaries.

During the year ended 30 June 2016, the Company's equity interest in Anhui Ao Ying Information Technology Limited ("Anhui Ao Ying") has been changed. According to HKAS 27 "Consolidated and separate financial statements", gain or loss arising on partial disposal of part of its interest to non-controlling interests without loss of control is recorded as equity transactions.

### Details of change in the Company's equity interest in Anhui Ao Ying

	HK\$
Fair value of consideration received	6,822
Net assets disposal to non-controlling interests	<u>(11,237)</u>
Negative movement in parent equity	<u>(4,415)</u>
Decrease in equity interest	<u>49%</u>



# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2016

	<i>Notes</i>	<b>Year ended 30-6-2016 HK\$'000</b>	Year ended 30-6-2015 HK\$'000
<b>OPERATING ACTIVITIES</b>			
(Loss)/profit before tax		<b>(215,410)</b>	20,173
Adjustments for:			
Interest income	9	<b>(817)</b>	(3,225)
Interest expenses	10	<b>11,988</b>	10,720
Amortization of intangible assets	11	<b>3,035</b>	102
Depreciation of property, plant and equipment	11	<b>4,478</b>	3,746
Loss on disposal of property, plant and equipment	11	<b>204</b>	–
Gain on dissolve of subsidiaries	11	<b>(122)</b>	(21)
Gain on disposal of a subsidiary	11	<b>–</b>	(4,665)
Impairment loss on goodwill	11	<b>84,967</b>	–
Provision for doubtful receivables	11	<b>46,465</b>	–
Impairment loss on intangible assets	11	<b>745</b>	268
Written-off of other receivables	11	<b>109</b>	43
Written-off of obsolete stocks	11	<b>–</b>	418
Equity-settled share-based payment		<b>4,282</b>	8,617
Share of result of joint ventures		<b>490</b>	905
Operating cash flows before movements in working capital		<b>(59,586)</b>	37,081
Increase in inventories		<b>(3,634)</b>	(683)
Decrease/(increase) in trade and other receivables and prepayments		<b>40,466</b>	(33,624)
Decrease in trade payables, accruals and other payables		<b>(16,349)</b>	(9,394)
Cash used in operations		<b>(39,103)</b>	(6,620)
Tax refund/(paid)		<b>37</b>	(5,979)
<b>Net cash flows used in operating activities</b>		<b>(39,066)</b>	(12,599)

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2016

	<i>Notes</i>	<b>Year ended 30-6-2016 HK\$'000</b>	Year ended 30-6-2015 HK\$'000
<b>INVESTING ACTIVITIES</b>			
Interest received		<b>3,557</b>	366
Purchases of property, plant and equipment		<b>(9,178)</b>	(5,222)
Purchases of intangible assets		<b>(110)</b>	–
Proceeds from disposal of property, plant and equipment		<b>191</b>	–
Proceeds from disposal of a subsidiary	31(b)	–	7,519
Cash outflows on acquisition of subsidiaries	31(a)	<b>(14,766)</b>	(40,109)
Cash outflow arising on disposal of a subsidiary	31(b)	–	(24)
<b>Net cash used in investing activities</b>		<b>(20,306)</b>	(37,470)
<b>FINANCING ACTIVITIES</b>			
Interest paid		<b>(1,793)</b>	(1,793)
Issue of shares		<b>8,543</b>	8,594
Cash paid on share repurchase		–	(17,730)
Transaction cost on share repurchase		–	(64)
Capital contribution from non-controlling interests		<b>1,336</b>	3,064
Amount due to a director		<b>687</b>	(1,044)
<b>Net cash generated from/(used in) financing activities</b>		<b>8,773</b>	(8,973)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(50,599)</b>	(59,042)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>		<b>92,942</b>	151,870
Effects of foreign exchange rate changes		<b>(9,344)</b>	114
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>		<b>32,999</b>	92,942
Represented by:			
Bank balances and cash	24	<b>32,999</b>	92,942





# 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 40 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 2016, 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 2015.

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.

HKFRSs (Amendments)	Annual Improvement 2012-2014 Cycle <sup>1</sup>
Amendments to HKAS 1	Disclosure Initiative <sup>1</sup>
Amendments to HKAS 7	Disclosure Initiative <sup>2</sup>
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses <sup>2</sup>
HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>1</sup>
Amendments to HKAS 27	Equity Method in Separate Financial Statements <sup>1</sup>
HKFRS 9 (2014)	Financial Instruments <sup>3</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>5</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception <sup>1</sup>
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers <sup>3</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>3</sup>
HKFRS 16	Leases <sup>4</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after January 1, 2017

<sup>3</sup> Effective for annual periods beginning on or after January 1, 2018

<sup>4</sup> Effective for annual periods beginning on or after January 1, 2019

<sup>5</sup> On January 6, 2015, the Hong Kong Institute of Certified Public Accountants (the "HKICPA") issued "Effective Date of Amendments to HKFRS 10 and HKAS 28, following the International Accounting Standards Board's equivalent amendments. This update defers/removes the effective date of the amendments in Sale or Contribution of Assets between an Investor and its Associate or Joint Venture that the HKICPA issued on October 7, 2014. Early application of these amendments continues to be permitted.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**2. APPLICATION OF NEW AND REVISED HKFRSs – continued****Amendments to HKAS 1 – Disclosure Initiative**

The amendments are designed to encourage entities to use judgement in the application of HKAS 1 when considering the layout and content of their financial statements.

An entity's share of other comprehensive income from equity accounted interests in associates and joint ventures will be split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as a single line item within those two groups.

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

The amendments to HKAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

**Amendments to HKAS 27 – Equity Method in Separate Financial Statements**

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

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

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.



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

### Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

### Amendments to HKFRS 10, HKFRS 12 and HKAS 28 – Investment Entities: Applying the Consolidation Exception

The amendments clarify that the exemption from preparing consolidated financial statements for an intermediate parent entity is available to a subsidiary of an investment entity (including investment entities that account for their subsidiaries at fair value rather than consolidating them). An investment entity parent will consolidate a subsidiary only when the subsidiary is not itself an investment entity and the subsidiary's main purpose is to provide services that relate to the investment entity's investment activities. A non-investment entity applying the equity method to an associate or joint venture that is an investment entity may retain the fair value measurements that associate or joint venture used for its subsidiaries. An investment entity that prepares financial statements in which all its subsidiaries are measured at FVTPL should provide the disclosures related to investment entities as required by HKFRS 12.

### HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework 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 and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRSs. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**2. APPLICATION OF NEW AND REVISED HKFRSs – continued****HKFRS 16 – Leases**

HKFRS 16, which upon the effective date will supersede HKAS 17 “Leases” and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group is in the process of making an assessment of the potential impact of these new pronouncements. The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group’s accounting policies and financial statements.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial information also comply with the applicable disclosure provisions of the GEM Listing Rules. A summary of the significant accounting policies adopted by the Group is set out below.

#### Basis of preparation

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

The consolidated financial statements have been prepared on a going concern basis, the Group had incurred a loss attributable to shareholders of approximately HK\$206.8 million for the year ended 30 June 2016, net current assets of approximately HK\$4.3 million as at 30 June 2016 and the convertible bonds with principal amount of approximately HK\$89.6 million due on 17 January 2017. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. In preparing the consolidated financial statements, the directors of the Company have carefully reviewed the Group's cash position as at the end of the reporting period. In reviewing the Group's cash flows, the directors of the Company have considered the following factor:

A major and controlling shareholder confirms that fund, if required, will be made available to the Company through shareholder' loans to meet the present and future cash flow requirement from operation and settlement of its outstanding obligations.

The directors of the Company believe that the Group is able to meet its financial obligations in full as and when they fall due and consider that the preparation of the consolidated financial statements on going concern basis is appropriate.

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**3. SIGNIFICANT ACCOUNTING POLICIES – continued****Basis of preparation – continued**

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 in HKAS 2 or value in use for the purposes of impairment assessment in HKAS 36.

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.

The significant accounting policies are set out below.

**Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 30 June 2016.

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3. SIGNIFICANT ACCOUNTING POLICIES – continued

#### Basis of consolidation – continued

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

#### Separate financial statements

Investment in a subsidiary is accounted for at cost less impairment. Cost includes directly attributable costs of investment. The results of the subsidiary are accounted for by the Company on the basis of dividend received and receivable.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**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 no 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 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.





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Revenue from 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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

**The Group as lessor**

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3. SIGNIFICANT ACCOUNTING POLICIES – continued

#### Foreign currencies

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

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

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

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

#### Cash and cash equivalents

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

#### Provisions and contingent liabilities

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**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.





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 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 on 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3. SIGNIFICANT ACCOUNTING POLICIES – continued

#### Financial instruments – continued

##### Financial assets

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

For 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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**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 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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 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 2016, the carrying amount of goodwill is approximately HK\$99,288,000 (30-6-2015: approximately HK\$174,050,000) with impairment loss of approximately HK\$84,967,000 (Year ended 30-6-2015: 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

##### Income taxes

As at 30 June 2016, 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\$87,696,000 (30-6-2015: approximately HK\$40,674,000) 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 intangible assets

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 2016, amortization of intangible assets of approximately HK\$3,035,000 (Year ended 30-6-2015: HK\$102,000) was recognized in consolidated statement of profit or loss and other comprehensive income.

##### Impairment of intangible assets

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

As at 30 June 2016, impairment loss on intangible assets of approximately HK\$745,000 (Year ended 30-6-2015: HK\$268,000) 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.

As at 30 June 2016, provisions for doubtful receivables of approximately HK\$46,465,000 (Year ended 30-6-2015: Nil) was recognized in consolidated statement of profit or loss and other comprehensive income.





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 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 27, and equity attributable to equity holders of the Company, comprising issued share capital disclosed in note 29, 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>30-6-2016</b> <b>HK\$'000</b>	30-6-2015 HK\$'000
<i>Financial assets</i>		
Loans and receivables (including cash and cash equivalents)	<b>109,110</b>	244,420
<i>Financial liabilities</i>		
Amortized cost	<b>102,963</b>	100,948

### 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, accruals and other payables, 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**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 and certain bank balances 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	
	30-6-2016 HK\$'000	30-6-2015 HK\$'000	30-6-2016 HK\$'000	30-6-2015 HK\$'000
HK\$	<b>119,017</b>	194,997	<b>94,507</b>	95,326
US\$	<b>7</b>	2,347	–	–

The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises. The directors considered that the Group's exposure to foreign currency exchange risk is insignificant as the majority of the Group's transactions are denominated in the functional currency of the respective group entities.

The Group uses a 5% sensitivity rate to report foreign currency risk internally to key management personnel and represents management's assessment of the reasonable possible change in foreign exchange rates. If RMB had strengthened/weakened by 5%, loss for the year ended 30 June 2016 would have been increased/decreased by approximately HK\$2,468,000 as a result of foreign exchange losses/gains on translation of transactions denominated in HK\$ (Year ended 30-6-2015: increased/decreased profit by approximately HK\$1,328,000).

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 27.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

#### Interest rate risk – continued

##### Sensitivity analysis

At 30 June 2016, it is estimated that a general increase or decrease of 100 basis points in interest rates, with all other variable held constant, would increase/decrease the Group's loss by approximately HK\$896,000 (Year ended 30-6-2015: decrease/increase 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 2015.

#### 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:

##### 30-6-2016

	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, accruals and other payables	18,797	18,797	18,797	-	-	-
Amount due to a director	732	732	732	-	-	-
Convertible bonds	83,434	89,625	89,625	-	-	-
	<b>102,963</b>	<b>109,154</b>	<b>109,154</b>	-	-	-

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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, accruals 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	–	–
	<u>100,948</u>	<u>117,335</u>	<u>29,503</u>	<u>87,832</u>	<u>–</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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 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 30-6-2016**

	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	34,172	–	485	34,657
Segment results	(198,834)	(516)	(1,104)	(200,454)
Unallocated income				7,838
Unallocated expenses				(10,316)
Share of result of joint ventures				(490)
Finance costs				(11,988)
Loss before tax				(215,410)
Income tax credit				1,568
Loss for the year				(213,842)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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 joint ventures				(905)
Finance costs				(10,720)
Profit before tax				20,173
Income tax expenses				(2,329)
Profit for the year				17,844



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 8. SEGMENT INFORMATION – continued

#### (b) Segment assets and liabilities

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

30-6-2016

	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	228,750	971	1,428	231,149
Unallocated assets				28,162
Total assets				259,311
<b>Liabilities</b>				
Segment liabilities	17,932	529	54	18,515
Unallocated liabilities				7,881
Convertible bonds				83,434
Total liabilities				109,830

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**8. SEGMENT INFORMATION – continued****(b) Segment assets and liabilities – continued**

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

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

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





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 8. SEGMENT INFORMATION – continued

#### (c) Other segment information

Year ended 30-6-2016

	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	8,505	–	673	9,178
Depreciation of property, plant and equipment	4,166	36	25	4,227
Impairment loss on goodwill	84,967	–	–	84,967
Impairment loss on intangible assets	745	–	–	745
Loss on disposal of property, plant and equipment	204	–	–	204
Provision for doubtful receivables	45,644	10	811	46,465
Written off of other receivables	109	–	–	109
Amortization of intangible assets	3,035	–	–	3,035

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 intangible assets	268	–	–	268
Amortization of intangible assets	102	–	–	102

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 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 30-6-2016 HK\$'000	Year ended 30-6-2015 HK\$'000
PRC	22,986	29,481
Hong Kong	11,671	94,255
	<b>34,657</b>	123,736

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

	Carrying amount of total assets		Additions to property, plant and equipment Capital expenditure	
	30-6-2016 HK\$'000	30-6-2015 HK\$'000	30-6-2016 HK\$'000	30-6-2015 HK\$'000
PRC	94,530	173,319	8,901	24,225
Hong Kong	164,781	293,977	11,103	143
	<b>259,311</b>	467,296	<b>20,004</b>	24,368

*Revenue from major products and services*

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

	Year ended 30-6-2016 HK\$'000	Year ended 30-6-2015 HK\$'000
Lottery-related services	34,172	123,722
Others	485	14
	<b>34,657</b>	123,736



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 8. SEGMENT INFORMATION – continued

#### (e) Information about major customers

Revenue from customers of the year ended 30 June 2016 contributing over 10% of the total sales of the Group is as follows:

	<b>The Group Year ended 30-6-2016 HK\$'000</b>
Customer A – Provision of lottery-related services	<b>13,400</b>
Customer B – Provision of lottery-related services	<b>11,671</b>
Customer C – Provision of lottery-related services	<b>4,917</b>

### 9. REVENUE AND OTHER INCOME

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 30-6-2016 HK\$'000</b>	Year ended 30-6-2015 HK\$'000
Revenue		
Provision of lottery-related services	<b>34,172</b>	123,722
Others	<b>485</b>	14
	<b>34,657</b>	123,736

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**9. REVENUE AND OTHER INCOME – continued**

	<b>Year ended 30-6-2016 HK\$'000</b>	Year ended 30-6-2015 HK\$'000
Other income		
Interest income	<b>817</b>	3,225
Gain on dissolve of subsidiaries	<b>122</b>	21
Gain on change in fair value of contingent consideration	<b>4,304</b>	–
Cancellation of consideration to acquire a subsidiary	<b>3,350</b>	–
Consulting income	–	450
Others	<b>1,610</b>	180
	<b>10,203</b>	3,876

**10. FINANCE COSTS**

	<b>Year ended 30-6-2016 HK\$'000</b>	Year ended 30-6-2015 HK\$'000
Interest on:		
– Convertible bonds	<b>11,988</b>	10,720



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 11. (LOSS)/PROFIT BEFORE TAX

	Year ended 30-6-2016 HK\$'000	Year ended 30-6-2015 HK\$'000
(Loss)/profit before tax has been arrived at after charging/(crediting):		
Staff costs (excluding Directors' emoluments (note 12)):		
– Wages and salaries	42,694	37,122
– Retirement benefits scheme contributions	440	408
– Equity-settled share-based payment	3,952	6,905
Total staff costs	<b>47,086</b>	44,435
Cost of inventories sold	3,113	3,035
Auditors' remuneration	1,050	1,005
Depreciation of property, plant and equipment	4,478	3,746
Donations	20	188
Amortization of intangible assets	3,035	102
Equity-settled share-based payment to other eligible participants	51	758
Loss on disposal of property, plant and equipment	204	–
Gain on disposal of a subsidiary	–	(4,665)
Gain on dissolve of subsidiaries	(122)	(21)
Impairment loss on intangible assets	745	268
Impairment loss on goodwill	84,967	–
Minimum lease payments under operating leases:		
– Land and buildings	13,272	5,721
– Office equipment	50	51
Provision for doubtful receivables	46,465	–
Written-off of other receivables	109	–
Written-off of deposits and other receivables	–	43
Written-off of obsolete stocks	–	418
Exchange losses, net	116	370

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Emoluments paid or payables to each of the 6 Directors (Year ended 30-6-2015: 6) during the year were as follows:

**For the year ended 30 June 2016**

	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	240	6,741	–	56	7,037
CHAN Ting	240	3,671	17	56	3,984
<b>Non-executive Director</b>					
CHAN Tung Mei	120	360	–	56	536
<b>Independent Non-executive Directors</b>					
ZHANG Xiu Fu	120	–	–	37	157
YANG Qing Cai	120	–	–	37	157
TO Yan Ming Edmond	240	–	–	37	277
	<b>1,080</b>	<b>10,772</b>	<b>17</b>	<b>279</b>	<b>12,148</b>

Total Directors' emoluments for the year ended 30 June 2016 amounted to approximately HK\$12,148,000 (Year ended 30-6-2015: approximately HK\$3,392,000). The Executive Directors of the Company waived their directors' salaries of Nil during the year (Year ended 30-6-2015: HK\$8,025,000).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

#### (a) Directors' emoluments – continued

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
	<u>734</u>	<u>1,686</u>	<u>18</u>	<u>954</u>	<u>3,392</u>

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

The 5 individuals (Year ended 30-6-2015: 5) whose emoluments were the highest in the Group for the year include 2 directors (Year ended 30-6-2015: 2) whose emoluments are set out in the above. The emoluments payable to the remaining 3 (Year ended 30-6-2015: 3) individuals during the year as follows:

	Year ended 30-6-2016 HK\$'000	Year ended 30-6-2015 HK\$'000
Salaries, allowances and other benefits	6,240	5,855
Equity-settled share-based payment	473	1,124
Contributions to retirement benefits scheme	53	53
	<u>6,766</u>	<u>7,032</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**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 30-6-2016</b>	No. of individuals Year ended 30-6-2015
Emoluments bands:		
HK\$3,000,001 – HK\$4,000,000	<b>1</b>	–
HK\$2,000,001 – HK\$3,000,000	–	2
HK\$1,000,001 – HK\$2,000,000	<b>2</b>	1

During the year ended 30 June 2016, no emoluments have been paid by the Group to the 2 directors (Year ended 30-6-2015: 2) or the 3 (Year ended 30-6-2015: 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 30-6-2016 HK\$'000</b>	Year ended 30-6-2015 HK\$'000
Wages and salaries	<b>54,546</b>	39,542
Retirement benefits scheme contributions	<b>457</b>	426
Equity-settled share-based payment	<b>4,231</b>	7,859
Total staff costs	<b>59,234</b>	47,827





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 14. INCOME TAX CREDIT/(EXPENSES)

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

	<b>Year ended 30-6-2016 HK\$'000</b>	Year ended 30-6-2015 HK\$'000
Current year		
– Hong Kong Profits Tax	–	(3,102)
– Other jurisdiction	–	(1,449)
	–	(4,551)
Over provision in prior years		
– Hong Kong Profits Tax	–	–
– Other jurisdiction	<b>182</b>	1,044
	<b>182</b>	1,044
Deferred tax	<b>182</b>	(3,507)
	<b>1,386</b>	1,178
Income tax credit/(expenses) for the year	<b>1,568</b>	(2,329)

Hong Kong Profits Tax has been provided at 16.5% (30-6-2015: 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**14. INCOME TAX CREDIT/(EXPENSES) – continued**

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

	<b>Year ended 30-6-2016 HK\$'000</b>	Year ended 30-6-2015 HK\$'000
(Loss)/profit before tax	<b>(215,410)</b>	20,173
Tax at the Hong Kong Profits Tax rate	<b>35,542</b>	(3,329)
Tax concession	<b>549</b>	605
Tax effect of expenses that are not deductible for tax purposes	<b>(25,894)</b>	(2,100)
Tax effect of income that is not taxable for tax purposes	<b>1,862</b>	782
Tax effect of tax losses not recognized	<b>(10,700)</b>	(6,382)
Tax effect of utilization of tax losses previously not recognized	<b>108</b>	7,244
Tax effect on profits or losses attributable to a joint venture	<b>(81)</b>	(149)
Effect of different tax rates of subsidiaries operating in other jurisdiction	–	(303)
Others	–	259
Tax effect of over provision in prior years	<b>182</b>	1,044
Income tax credit/(expenses)	<b>1,568</b>	(2,329)

*Notes:*

- (a) The applicable tax rate for Hong Kong is 16.5% (Year ended 30-6-2015: 16.5%) and applicable tax rate in the PRC is 25% (Year ended 30-6-2015: 25%).
- (b) The share of tax attributable to joint ventures amounting to approximately HK\$81,000 (Year ended 30-6-2015: approximately HK\$149,000) 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\$87,696,000 (30-6-2015: approximately HK\$40,674,000) 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\$29,521,000 (30-6-2015: approximately HK\$9,795,000) that will expire within 1 to 5 years from the year origination. Other losses may be carried forward indefinitely.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 14. INCOME TAX CREDIT/(EXPENSES) – continued

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

	Year ended 30-6-2016 HK\$'000	Year ended 30-6-2015 HK\$'000
Deductible temporary differences:		
Unutilized tax losses	87,696	40,674
Other	26,278	–
Taxable temporary differences:		
Accelerated tax allowances	(300)	(400)
Other	–	(15,306)
	<b>113,674</b>	<b>24,968</b>

### 15. DIVIDENDS

No dividend was paid or proposed during the year ended 30 June 2016, nor has any dividend been proposed since the end of reporting date (Year ended 30-6-2015: Nil).

### 16. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

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

	Year ended 30-6-2016 HK\$'000	Year ended 30-6-2015 HK\$'000
(Loss)/profit for the year attributable to the equity holders of the Company	<b>(206,778)</b>	19,107
<b>Number of shares</b>	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>3,216,595</b>	3,207,587
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>3,507,280</b>	3,325,423

For the year ended 30 June 2016, outstanding convertible bonds of the Company are anti-dilutive (Year ended 30 June 2015: dilutive) since their exercise or concession would result in a decrease in loss per share (Year ended 30 June 2015: decrease in earnings per share).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Furniture, fixtures and equipment HK\$'000	Plant and machinery HK\$'000	Leasehold improvement HK\$'000	Motor vehicles HK\$'000	Computer equipment HK\$'000	Total HK\$'000
<b>COST</b>							
At 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
At 30 June 2015 and 1 July 2015	1,413	8,427	8,875	3,945	6,338	7,832	36,830
Additions	–	323	–	1,635	650	6,570	9,178
Acquisition of a subsidiary	–	511	–	–	–	–	511
Disposal	–	(243)	–	(465)	(399)	(67)	(1,174)
Exchange realignment	(94)	(538)	(593)	(133)	(289)	(471)	(2,118)
<b>At 30 June 2016</b>	<b>1,319</b>	<b>8,480</b>	<b>8,282</b>	<b>4,982</b>	<b>6,300</b>	<b>13,864</b>	<b>43,227</b>
<b>ACCUMULATED DEPRECIATION</b>							
At 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
At 30 June 2015 and 1 July 2015	384	5,832	8,122	1,424	4,207	5,078	25,047
Charged for the year	42	622	351	768	583	2,112	4,478
Eliminated on disposal	–	(127)	–	(279)	(333)	(40)	(779)
Exchange realignment	(25)	(378)	(553)	(45)	(226)	(362)	(1,589)
<b>At 30 June 2016</b>	<b>401</b>	<b>5,949</b>	<b>7,920</b>	<b>1,868</b>	<b>4,231</b>	<b>6,788</b>	<b>27,157</b>
<b>NET BOOK VALUES</b>							
<b>At 30 June 2016</b>	<b>918</b>	<b>2,531</b>	<b>362</b>	<b>3,114</b>	<b>2,069</b>	<b>7,076</b>	<b>16,070</b>
At 30 June 2015	1,029	2,595	753	2,521	2,131	2,754	11,783



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 17. PROPERTY, PLANT AND EQUIPMENT – continued

The leasehold land and buildings of the subsidiary is located in the PRC.

At 30 June 2016, none of the Group's property, plant and equipment was held under finance lease (30-6-2015: Nil).

### 18. GOODWILL

	<b>Lottery-related services</b> HK\$'000
<b>COST</b>	
At 1 July 2014	145,099
Acquisition of subsidiaries	28,978
Dissolution of subsidiaries	(27)
	<hr/>
At 30 June 2015 and 1 July 2015	174,050
Acquisition of subsidiaries	10,205
	<hr/>
<b>At 30 June 2016</b>	<hr/> <b>184,255</b> <hr/>
<b>IMPAIRMENT</b>	
At 1 July 2014	–
Impairment loss recognized for the year	–
	<hr/>
At 30 June 2015 and 1 July 2015	–
Impairment loss recognized for the year	84,967
	<hr/>
<b>At 30 June 2016</b>	<hr/> <b>84,967</b> <hr/>
<b>CARRYING VALUES</b>	
<b>At 30 June 2016</b>	<hr/> <b>99,288</b> <hr/>
At 30 June 2015	<hr/> 174,050 <hr/>

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 2016, the Group recognized an impairment loss of approximately HK\$84,967,000 (Year ended 30-6-2015: Nil) in relation to goodwill arising on lottery-related services business.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**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 15% (Year ended 30-6-2015: 20%) 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 reflects 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 30-6-2015: 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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 19. 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 2014	268	5,975	508	–	–	6,751
Acquisition of a subsidiary	–	–	9,004	6,253	3,877	19,134
Exchange realignment	–	7	1	–	–	8
At 30 June 2015 and at 1 July 2015	268	5,982	9,513	6,253	3,877	25,893
Additions	–	110	–	–	–	110
Exchange realignment	(17)	(398)	(635)	(418)	(259)	(1,727)
<b>At 30 June 2016</b>	<b>251</b>	<b>5,694</b>	<b>8,878</b>	<b>5,835</b>	<b>3,618</b>	<b>24,276</b>
<b>AMORTIZATION</b>						
At 1 July 2014	–	5,975	–	–	–	5,975
Charged for the year	–	–	102	–	–	102
Exchange realignment	–	7	–	–	–	7
At 30 June 2015 and at 1 July 2015	–	5,982	102	–	–	6,084
Charged for the year	–	5	1,828	1,202	–	3,035
Exchange realignment	–	(398)	(59)	(35)	–	(492)
<b>At 30 June 2016</b>	<b>–</b>	<b>5,589</b>	<b>1,871</b>	<b>1,167</b>	<b>–</b>	<b>8,627</b>
<b>IMPAIRMENT</b>						
At 1 July 2014	–	–	–	–	–	–
Impairment loss recognized for the year	268	–	–	–	–	268
Exchange realignment	–	–	–	–	–	–
At 30 June 2015 and at 1 July 2015	268	–	–	–	–	268
Impairment loss recognized for the year	–	–	–	–	745	745
Exchange realignment	(17)	–	–	–	(21)	(38)
<b>At 30 June 2016</b>	<b>251</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>724</b>	<b>975</b>
<b>CARRYING VALUES</b>						
<b>At 30 June 2016</b>	<b>–</b>	<b>105</b>	<b>7,007</b>	<b>4,668</b>	<b>2,894</b>	<b>14,674</b>
At 30 June 2015	–	–	9,411	6,253	3,877	19,541

Impairment loss was recognized for the year ended 30-6-2016 was approximately of HK\$745,000 (Year ended 30-6-2015: HK\$268,000).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**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 2014, 30 June 2015, 1 July 2015 and 30 June 2016	3	63,780	63,783
<b>IMPAIRMENT</b>			
At 1 July 2014, 30 June 2015, 1 July 2015 and 30 June 2016	3	63,780	63,783
<b>CARRYING VALUES</b>			
<b>At 30 June 2016</b>	–	–	–
At 30 June 2015	– <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.





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 21. INTERESTS IN JOINT VENTURES

	<b>30-6-2016</b>	30-6-2015
	<b>HK\$'000</b>	HK\$'000
Investment cost	<b>47,860</b>	47,860
Share of net assets of joint ventures	<b>(39,426)</b>	(38,936)
	<b>8,434</b>	8,924
Amount due from joint ventures	<b>6,676</b>	7,153
	<b>15,110</b>	16,077

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

(a) Details of the joint ventures as at 30 June 2016 were as follows:

Name	Form of business structure	Place of establishment and operation	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..

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**21. INTERESTS IN JOINT VENTURES – 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>30-6-2016</b> <b>HK\$'000</b>	30-6-2015 HK\$'000
Current assets	<b>52,101</b>	57,705
Non-current assets	<b>1,120</b>	1,881
Current liabilities	<b>(14,273)</b>	(15,805)
Translation reserve	<b>(23,221)</b>	(27,312)
Other reserve	<b>1,486</b>	1,743
	<b>17,213</b>	18,212
Reconciled to the Group's interests in the joint venture		
Gross amounts of the joint venture's net assets	<b>17,213</b>	18,212
Group's effective interest	<b>49%</b>	49%
Group's share of the joint ventures' net assets	<b>8,434</b>	8,924
	<b>Year ended</b> <b>30-6-2016</b> <b>HK\$'000</b>	Year ended 30-6-2015 HK\$'000
Revenue	<b>2,590</b>	5,322
Expenses	<b>(4,018)</b>	(7,701)
Non-controlling interests	<b>429</b>	532
Loss for the year	<b>(999)</b>	(1,847)
Group's share of loss at 49%	<b>(490)</b>	(905)

**22. INVENTORIES**

	<b>30-6-2016</b> <b>HK\$'000</b>	30-6-2015 HK\$'000
Raw materials and consumables	<b>223</b>	229
Finished goods	<b>4,836</b>	1,196
	<b>5,059</b>	1,425

All inventories are stated at cost.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 23. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	<b>30-6-2016</b> <b>HK\$'000</b>	30-6-2015 HK\$'000
Trade receivables	<b>78,714</b>	77,388
Other receivables and prepayments	<b>43,936</b>	74,164
	<b>122,650</b>	151,552
Less: Allowances for doubtful receivables	<b>(46,539)</b>	(74)
	<b>76,111</b>	151,478

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>30-6-2016</b> <b>HK\$'000</b>	30-6-2015 HK\$'000
0 to 30 days	<b>3,077</b>	13,088
31 to 60 days	<b>13,788</b>	5,143
61 to 180 days	<b>13,164</b>	46,371
181 to 365 days	<b>34,918</b>	12,617
Over 1 year	<b>13,767</b>	169
	<b>78,714</b>	77,388

The trade receivables with carrying amount of approximately HK\$5,321,000 (30-6-2015: approximately HK\$51,740,000) 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 2016, the Group made an allowance of approximately HK\$40,000,000 (Year ended 30-6-2015: 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>30-6-2016</b> <b>HK\$'000</b>	30-6-2015 HK\$'000
Balance at the beginning of the year	<b>74</b>	74
Add: Addition for the year	<b>46,465</b>	–
Balance at the end of the year	<b>46,539</b>	74

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**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\$33,319,000 (30-6-2015: approximately HK\$25,574,000) 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>30-6-2016</b> <b>HK\$'000</b>	30-6-2015 HK\$'000
0 to 30 days	<b>1,359</b>	4,644
31 to 60 days	<b>1,308</b>	876
61 to 180 days	<b>2,115</b>	17,597
181 to 365 days	<b>11,811</b>	2,362
Over 1 year	<b>16,726</b>	95
	<b>33,319</b>	25,574

The fair value of the Group's trade receivables as at 30 June 2016 approximates to the corresponding carrying amount.

Other receivables, deposits and prepayments included the following:

- (a) Deposits for acquisition of a subsidiary of approximately Nil which will be refunded in next financial year (30-6-2015: HK\$26,000,000).
- (b) Amounts due from subsidiaries of a joint venture of approximately HK\$1,117,000 (30-6-2015: approximately HK\$1,197,000). The amounts are unsecured, interest free and have no fixed repayment terms.
- (c) Amounts due from related companies of approximately HK\$351,000 (30-6-2015: approximately HK\$384,000). The amounts are unsecured, interest free and have no fixed repayment terms.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 24. BANK BALANCES AND CASH

	<b>30-6-2016</b> <b>HK\$'000</b>	30-6-2015 HK\$'000
Cash and bank deposits denominated in:		
Hong Kong dollar	<b>17,440</b>	16,355
Renminbi	<b>15,552</b>	76,580
United States dollar	<b>7</b>	7
	<b>32,999</b>	92,942

Included in the bank balances were approximately HK\$15,468,000 (30-6-2015: approximately HK\$76,375,000), 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. TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES

	<b>30-6-2016</b> <b>HK\$'000</b>	30-6-2015 HK\$'000
Trade payables	<b>136</b>	21
Accruals and other payables	<b>18,661</b>	27,644
	<b>18,797</b>	27,665

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>30-6-2016</b> <b>HK\$'000</b>	30-6-2015 HK\$'000
0 to 30 days	–	–
31 to 120 days	–	–
121 to 180 days	–	–
181 to 365 days	–	4
Over 1 year	<b>136</b>	17
	<b>136</b>	21

The fair value of the Group's trade payables, accruals and other payables as at 30 June 2016 approximates to the corresponding carrying amount.

Included in trade payables, accruals and other payables, there was consideration payable of approximately HK\$4,701,000 (30-6-2015: HK\$15,812,000) arisen from acquisition of subsidiaries during the year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**26. AMOUNT DUE TO A DIRECTOR**

	<b>30-6-2016</b> <b>HK\$'000</b>	30-6-2015 HK\$'000
CHAN Ting	–	45
CHEUNG Kwai Lan	<b>732</b>	–
	<b>732</b>	45

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

**27. 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. As a result of Share Subdivision, the number of Share fallings to be issued upon full conversion of the Bonds was adjusted to 150,000,000 at the conversion price of HK\$0.598.

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%



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 27. 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>30-6-2016</b> <b>HK\$'000</b>	30-6-2015 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>27,162</b>	15,174
Interest paid and payable	<b>(4,390)</b>	(2,598)
Carrying amount	<b>83,434</b>	73,238

### 28. DEFERRED TAX LIABILITIES

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

	<b>30-6-2016</b> <b>HK\$'000</b>	30-6-2015 HK\$'000
Balance at the beginning of the year	<b>3,132</b>	4,310
Deferred tax credited to consolidated statement of profit or loss and other comprehensive income	<b>(1,386)</b>	(1,178)
Balance at the end of the year	<b>1,746</b>	3,132

Deferred tax liabilities are to be recovered and settled within 12 months (Year ended 30 June 2015: settled after more than 12 months).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 29. SHARE CAPITAL

	Number of shares '000	HK\$'000
Authorized:		
At 1 July 2014 ordinary shares of HK\$0.05 each	4,000,000	200,000
Share sub-division (Note a)	12,000,000	–
At 30 June 2015, 1 July 2015 and 30 June 2016, ordinary shares of HK\$0.0125 each	16,000,000	200,000
Issued and fully paid:		
At 1 July 2014, ordinary shares of HK\$0.05 each	803,102	40,155
Shares issued upon exercise of share options (Note b)	1,200	60
Share sub-division (Note a)	2,412,905	–
Share repurchased (Note c)	(24,265)	(303)
Shares issued upon exercise of share options (Note d)	14,823	185
At 30 June 2015 and 1 July 2015, ordinary shares of HK\$0.0125 each	3,207,765	40,097
Shares issued upon exercise of share options (Note e)	19,300	241
At 30 June 2016, ordinary shares of HK\$0.0125 each	3,227,065	40,338

## 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 2015, 1,200,000 ordinary shares of HK\$0.05 each were issued upon exercise of share options.
- (c) 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.
- (d) For the year ended 30 June 2015, 14,823,000 ordinary shares of HK\$0.0125 each were issued upon exercise of share options.
- (e) For the year ended 30 June 2016, an aggregate of 19,300,000 shares were issued upon exercise of share options.





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 30. SHARE-BASED PAYMENT TRANSACTION

#### 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.

For the year ended 30 June 2016, 24,220,000 share options (Year ended 30-6-2015: Nil upon share sub-division) were granted by the Company, a total of 6,785,000 (Year ended 30-6-2015: 4,320,000) shares were lapsed, 19,300,000 (Year ended 30-6-2015: 19,623,000 upon share sub-division) share options were exercised and there were 219,720,000 share options outstanding as at 30 June 2016 (Year ended 30-6-2015: 221,585,000 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 2016

Grantee	Grant date	Exercise price HK\$ (Note 1)	Exercisable period	Number of Share Options					
				Balance as at 1 July 2015 (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 2016
<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 Directors</b>									
Mr. CHAN Tung Mei	10/12/2013	0.438	01/04/2014 – 31/03/2017	760,000	-	(100,000)	-	-	660,000
	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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**30. SHARE-BASED PAYMENT TRANSACTION – continued**

## Share Option Scheme – continued

Year ended 30 June 2016

Grantee	Grant date	Exercise price HK\$ (Note 1)	Exercisable period	Number of Share Options						
				Balance as at 1 July 2015 (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 2016	
<b>Independent Non-Executive Directors</b>										
Mr. TO Yan Ming Edmond	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	400,000	–	(275,000)	–	–	125,000	
	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	2,596,000	–	(1,248,000)	–	(6,000)	1,342,000	
	10/12/2013	0.438	01/01/2015 – 31/03/2017	6,121,000	–	(3,133,000)	–	(410,000)	2,578,000	
	10/12/2013	0.438	01/01/2016 – 31/03/2017	23,808,000	–	(12,724,000)	–	(1,184,000)	9,900,000	
	10/12/2013	0.438	01/04/2014 – 31/03/2017	10,760,000	–	–	–	–	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	46,000,000	–	–	–	–	46,000,000	
	10/12/2013	0.438	01/07/2015 – 31/03/2017	49,000,000	–	(845,000)	–	–	48,155,000	
	21/07/2015	1.280	01/07/2016 – 30/06/2019	–	1,266,000	–	–	–	1,266,000	
	21/07/2015	1.280	01/01/2017 – 30/06/2019	–	1,266,000	–	–	–	1,266,000	
	21/07/2015	1.280	01/01/2018 – 30/06/2019	–	1,688,000	–	–	–	1,688,000	
			Sub-total	162,545,000	4,220,000	(19,125,000)	–	(1,600,000)	146,040,000	
Other Eligible Participants (Note 2)	13/06/2014	0.952	01/07/2015 – 30/06/2018	4,752,000	–	(175,000)	–	(533,000)	4,044,000	
	13/06/2014	0.952	01/07/2016 – 30/06/2018	4,752,000	–	–	–	(708,000)	4,044,000	
	13/06/2014	0.952	01/07/2017 – 30/06/2018	6,336,000	–	–	–	(944,000)	5,392,000	
	13/06/2014	0.952	01/07/2015 – 30/06/2018	21,600,000	–	–	–	(1,500,000)	20,100,000	
	13/06/2014	0.952	01/07/2016 – 30/06/2018	21,600,000	–	–	–	(1,500,000)	20,100,000	
	21/07/2015	1.280	01/07/2016 – 30/06/2019	–	10,000,000	–	–	–	10,000,000	
	21/07/2015	1.280	01/01/2017 – 30/06/2019	–	10,000,000	–	–	–	10,000,000	
				Sub-total	59,040,000	20,000,000	(175,000)	–	(5,185,000)	73,680,000
				<b>Total</b>	<b>221,585,000</b>	<b>24,220,000</b>	<b>(19,300,000)</b>	<b>–</b>	<b>(6,785,000)</b>	<b>219,720,000</b>

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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

#### Share Option Scheme – continued

Year ended 30 June 2015

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>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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 30. SHARE-BASED PAYMENT TRANSACTION – continued

## Share Option Scheme – continued

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>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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

#### Share Option Scheme – continued

At 30 June 2016, the number of shares in respect of which options had been granted and remained outstanding under the scheme was 6.81% (30-6-2015: 6.91%) 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\$4,282,000 for the year ended 30 June 2016 (Year ended 30-6-2015: HK\$8,617,000) 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 Share Option Scheme or any other schemes must not, in aggregate, exceed 30% of the shares of the Company in issue from time to time.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**31. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS****(a) Acquisition of a subsidiary****Year ended 30 June 2016**

On 25 June 2015, a wholly owned subsidiary of the Company entered into a capital increase agreement to acquire equity interest in Caimi (Beijing) Science and Technology Co., Ltd. ("Caimi") through capital injection for an aggregate cash consideration of RMB13,000,000, representing 50.79% of enlarged share capital of Caimi. The acquisition was completed on 31 January 2016.

Details of the acquisition was summarized as follows:

**NET ASSETS ACQUIRED**

	Caimi HK\$	Fair value adjustments HK\$	Total HK\$
Property, plant and equipment	511	–	511
Deposits, prepayments and other receivables	16,678	–	16,678
Bank balances and cash	616	–	616
Accrued charges and other payables	(7,613)	–	(7,613)
Non-controlling interests	(5,015)	–	(5,015)
	<u>5,177</u>	<u>–</u>	<u>5,177</u>
Goodwill arising on acquisition			<u>10,205</u>
Total consideration (RMB13,000,000)			<u>15,382</u>
Satisfied by:			
Cash consideration			<u>15,382</u>
Net cash outflow arising on acquisition:			
Cash consideration			(15,382)
Bank balances and cash acquired			<u>616</u>
			<u>(14,766)</u>

Note: Refer to a valuation report prepared by an independent professional valuer, no fair value adjustment have been recognized in the acquisition.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

##### 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
Accruals 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**31. 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**

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

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





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 31. 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)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**31. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS – continued****(b) Disposal of a subsidiary****Year ended 30 June 2015**

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
	<hr/>
Total assets	5,482
	<hr/>
Accruals and other payable	(123)
Other loan	(2,506)
	<hr/>
Total liabilities	(2,629)
	<hr/>
Net assets	2,853
Release of exchange reserve	1
Gain on disposal of a subsidiary	4,665
	<hr/>
Total consideration	7,519
	<hr/>
Net cash inflows arising in disposal:	
Total consideration	7,519
Bank balances and cash	(24)
	<hr/>
	7,495
	<hr/>

**(c) Major non-cash transactions**

During the year, the Group incurred imputed interest on convertible bonds of approximately HK\$10,196,000 (Year ended 30-6-2015: approximately HK\$10,720,000).

During the year, the Group incurred share-based payment expenses for the share option granted of approximately HK\$4,282,000 (Year ended 30-6-2015: approximately HK\$8,617,000).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 32. CONTINGENT LIABILITIES

The Group and the Company did not have significant contingent liabilities as at 30 June 2016 (30-6-2015: Nil).

### 33. OPERATING LEASE COMMITMENTS

#### The Group as lessee

As at 30 June 2016, 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>30-6-2016</b> <b>HK\$'000</b>	30-6-2015 HK\$'000
Within one year	<b>7,367</b>	3,116
In the second to fifth years inclusive	<b>8,903</b>	3,611
	<b>16,270</b>	6,727

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 2016, 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>30-6-2016</b> <b>HK\$'000</b>	30-6-2015 HK\$'000
Within one year	<b>19</b>	63
In the second to fifth years inclusive	<b>–</b>	21
	<b>19</b>	84

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**34. CAPITAL COMMITMENTS**

	<b>30-6-2016</b>	30-6-2015
	<b>HK\$'000</b>	HK\$'000
Capital expenditure in respect of acquisition of equity interest in subsidiaries	<b>38,505</b>	59,745

**35. 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\$457,000 (Year ended 30-6-2015: approximately HK\$426,000) 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.

**36. 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 2016 (30-6-2015: Nil).

**37. PLEDGE OF ASSETS**

No asset of the Group was pledged as securities to any third parties as at 30 June 2016 (30-6-2015: Nil).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 38. 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 2016 (Year ended 30-6-2015: 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.

### 39. RELATED PARTY TRANSACTIONS

#### (a) Transaction with Connected or related parties

	<b>Year ended 30-6-2016 HK\$'000</b>	Year ended 30-6-2015 HK\$'000
Consultancy income (refund)/received from a related party	<b>(360)</b>	360

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\$732,000 (30-6-2015: approximately HK\$45,000) is unsecured, interest free and has no fixed repayment term.
- (b) Amounts due from related companies of approximately HK\$351,000 (30-6-2015: approximately HK\$384,000). The amounts are unsecured, interest free and have no fixed repayment terms.
- (c) Amounts due from subsidiaries of a joint venture of approximately HK\$1,117,000 (30-6-2015: approximately HK\$1,197,000). The amounts are unsecured, interest free and have no fixed repayment terms.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**39. 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:

	<b>Year ended 30-6-2016 HK\$'000</b>	Year ended 30-6-2015 HK\$'000
Short term benefits	<b>20,732</b>	10,912
Post-employment benefits	<b>123</b>	124
Equity-settled share-based payment	<b>963</b>	2,769
	<b>21,818</b>	13,805

**40. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY IN ALPHABETICAL ORDER**

Particulars of the Company's principal subsidiaries as at 30 June 2016 are as follows:

Name	Place of incorporation and operation	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	–	51%	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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Particulars of the Company's principal subsidiaries as at 30 June 2016 are as follows – continued:

Name	Place of incorporation and operation	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
彩米(北京)科技有限公司# (Caimi (Beijing) Science and Technology Co., Ltd*)	PRC	Registered capital RMB25,593,290	–	50.79%	Provision of lottery-related services
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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Particulars of the Company's principal subsidiaries as at 30 June 2016 are as follows – continued:

Name	Place of incorporation and operation	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





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Particulars of the Company's principal subsidiaries as at 30 June 2016 are as follows – continued:

Name	Place of incorporation and operation	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
雙遼眾彩稭稭科技有限公司 # (Shuangliao City China Vanguard Jiegan Technology 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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Particulars of the Company's principal subsidiaries as at 30 June 2016 are as follows – continued:

Name	Place of incorporation and operation	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†)	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.

† For identification purpose 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	
		30-6-2016	30-6-2015
Provision of lottery-related services	PRC	11	9
Land and property development, trading and consulting services	PRC	1	1
Principal activity	Place of incorporation and operation	Number of wholly owned subsidiaries	
		30-6-2016	30-6-2015
Provision of lottery-related services	PRC	6	6
Land and property development, trading and consulting services	Hong Kong	2	2



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 40. 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 operation	Proportion of ownership and voting rights held by non-controlling interests		Profit/(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		30-6-2016	30-6-2015	30-6-2016 HK\$'000	30-6-2015 HK\$'000	30-6-2016 HK\$'000	30-6-2015 HK\$'000
Anhui Ao Cai Information Technology Limited	PRC	49%	49%	(3,559)	168	5,380	4,877
Caimi (Beijing) Science and Technology Co., Ltd.	PRC	49.21%	–	(1,545)	–	3,446	–
Individual immaterial subsidiaries with non-controlling interests				(1,960)	(1,431)	4,314	7,565
Total				(7,064)	(1,263)	13,140	12,442

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**40. 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) Anhui Ao Cai Information Technology Limited**

	<b>30-6-2016 HK\$'000</b>	30-6-2015 HK\$'000
Non-current assets	<b>6,831</b>	8,322
Current assets	<b>17,040</b>	23,092
Current liabilities	<b>(25,289)</b>	(21,461)
Non-current liabilities	–	–
Equity attributable to equity holders of the Company	<b>(6,798)</b>	5,076
Non-controlling interests	<b>5,380</b>	4,877
	<b>Year ended 30-6-2016 HK\$'000</b>	Year ended 30-6-2015 HK\$'000
Revenue	<b>1,776</b>	19,064
Expenses	<b>(9,040)</b>	(18,722)
(Loss)/profit for the year	<b>(7,264)</b>	342
(Loss)/profit attributable to equity holders of the Company	<b>(3,705)</b>	174
(Loss)/profit attributable to non-controlling interests	<b>(3,559)</b>	168
	<b>(7,264)</b>	342
Net cash (outflows)/inflows from operating activities	<b>(3,130)</b>	3,416
Net cash outflows from investing activities	<b>(305)</b>	(7,691)
Net cash inflows from financing activities	–	7,417
Net cash (outflows)/inflows	<b>(3,435)</b>	3,142



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 40. 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) Caimi (Beijing) Science and Technology Co., Ltd.

	30-6-2016 HK\$'000	30-6-2015 HK\$'000
Non-current assets	407	–
Current assets	7,767	–
Current liabilities	(1,171)	–
Non-current liabilities	–	–
Equity attributable to equity holders of the Company	3,557	–
Non-controlling interests	3,446	–
	31-1-2016 to 30-6-2016 HK\$'000	Year ended 30-6-2015 HK\$'000
Revenue	9	–
Expenses	(3,149)	–
Loss for the period	(3,140)	–
Loss attributable to equity holders of the Company	(1,595)	–
Loss attributable to non-controlling interests	(1,545)	–
	(3,140)	–
Net cash outflows from operating activities	(9,179)	–
Net cash inflows from investing activities	8	–
Net cash inflows from financing activities	15,172	–
Net cash inflows	6,001	–

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## (a) Statement of Financial Position

	30-6-2016 HK\$'000	30-6-2015 HK\$'000
Property, plant and equipment	2,270	2,449
Intangible assets	104	–
Interests in subsidiaries	131,994	146,991
Trade and other receivables and prepayments	14,127	83,550
Bank balances and cash	17,258	6,849
Trade and other payables	(17,755)	(18,260)
Amount due to a director	(1,082)	(45)
Taxation	(3,102)	(3,102)
Convertible bonds	(83,434)	(73,238)
Deferred tax liabilities	(1,746)	(3,132)
<b>Net assets</b>	<b>58,634</b>	142,062
Share capital	40,338	40,097
Reserves	18,296	101,965
<b>Total equity</b>	<b>58,634</b>	142,062



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 41. 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 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 and 1 July 2015	40,097	2,430,724	1,484	35,572	10,961	24,184	2,569	(2,403,529)	142,062
Recognition of equity-settled share-based payments	-	-	-	-	4,282	-	-	-	4,282
Share options lapsed	-	-	-	-	(1,676)	-	-	1,676	-
Shares issued upon exercise of share options	241	11,813	-	-	(3,511)	-	-	-	8,543
Total comprehensive expense for the year	-	-	-	-	-	-	-	(96,253)	(96,253)
At 30 June 2016	40,338	2,442,537	1,484	35,572	10,056	24,184	2,569	(2,498,106)	58,634

## FIVE-YEAR FINANCIAL SUMMARY

For the year ended 30 June 2016

### RESULTS

	2016 HK\$'000	For the year ended 30 June			
		2015 HK\$'000	2014 HK\$'000	2013 HK\$'000 (Restated)	2012 HK\$'000 (Restated)
Revenue	<b>34,657</b>	123,736	95,786	39,098	60,385
Cost of sales	<b>(3,113)</b>	(5,950)	(5,980)	(4,597)	(9,913)
Gross profit	<b>31,544</b>	117,786	89,806	34,501	50,472
Other income	<b>10,203</b>	3,876	10,451	1,090	428
Gain on changes in fair value for derivative financial instruments	–	–	–	–	116
Selling and distribution expenses	<b>(6,276)</b>	(5,246)	(1,268)	(690)	(201)
Administrative and operating expenses	<b>(106,971)</b>	(89,283)	(67,171)	(69,824)	(1,136,814)
Provision for doubtful receivables	<b>(46,465)</b>	–	–	–	–
Impairment loss of goodwill	<b>(84,967)</b>	–	–	–	–
Gain/(loss) on disposal of subsidiaries and associates	–	4,665	–	–	(2,606)
Finance costs	<b>(11,988)</b>	(10,720)	(9,753)	(10,123)	(10,303)
Share of result of joint ventures	<b>(490)</b>	(905)	(2,881)	3,250	(5,940)
(Loss)/profit before tax	<b>(215,410)</b>	20,173	19,184	(41,796)	(1,104,848)
Income tax credit/(expenses)	<b>1,568</b>	(2,329)	(6,038)	(672)	(2,858)
(Loss)/profit for the year	<b>(213,842)</b>	17,844	13,146	(42,468)	(1,107,706)

### ASSETS AND LIABILITIES

	30-6-2016 HK\$'000	30-6-2015 HK\$'000	30-6-2014 HK\$'000	30-6-2013 HK\$'000 (Restated)	30-6-2012 HK\$'000 (Restated)
Total assets	<b>259,311</b>	467,296	436,478	192,985	181,211
Total liabilities	<b>(109,830)</b>	(109,345)	(98,984)	(148,094)	(133,881)
Net assets	<b>149,481</b>	357,951	337,494	44,891	47,330
Equity attributable to equity holders of the Company	<b>136,341</b>	345,509	326,864	40,077	39,824
Non-controlling interests	<b>13,140</b>	12,442	10,630	4,814	7,506
Total equity	<b>149,481</b>	357,951	337,494	44,891	47,330





## GLOSSARY

"Articles of Association"	Articles of Association of the Company
"BVI"	British Virgin Islands
"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
"Director(s)"	the Director(s) of the Company
"GEM"	The Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on the GEM
"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
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC
"INED(s)"	Independent Non-executive Director(s)
"new and revised HKFRSs"	new and revised standards, amendments and interpretations
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

## GLOSSARY

“Share(s)”	Ordinary share(s) of HK\$0.0125 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“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
“Year 2015”	financial year ended 30 June 2015
“Year 2016”	financial year ended 30 June 2016