ANNUAL REPORT **2017**

眾彩羽翔股份有限公司*

China Vanguard You Champion Holdings Limited

(Formerly known as China Vanguard Group Limited)

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8156

*For identification purposes only

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This report, for which the directors (the "**Directors**") of China Vanguard You Champion Holdings 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 (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

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The English text of this annual report shall prevail over the Chinese text for the purpose of interpretation.

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. YANG Qing Cai
Dr. LIU Ta-pei *(appointed on 17 February 2017)*
Mr. ZHANG Xiu Fu *(resigned on 17 February 2017)*

AUDIT COMMITTEE

Mr. TO Yan Ming Edmond *(Chairperson)*
Mr. YANG Qing Cai
Dr. LIU Ta-pei *(appointed on 17 February 2017)*
Mr. ZHANG Xiu Fu *(resigned on 17 February 2017)*

REMUNERATION COMMITTEE

Mr. TO Yan Ming Edmond *(Chairperson)*
Mr. CHAN Ting
Mr. YANG Qing Cai
Dr. LIU Ta-pei *(appointed on 17 February 2017)*
Mr. ZHANG Xiu Fu *(resigned on 17 February 2017)*

NOMINATION COMMITTEE

Madam CHEUNG Kwai Lan *(Chairperson)*
Mr. YANG Qing Cai
Dr. LIU Ta-pei *(appointed on 17 February 2017)*
Mr. ZHANG Xiu Fu *(resigned on 17 February 2017)*

AUTHORISED REPRESENTATIVES

Mr. CHAN Ting
Mr. HO Kam Kin

COMPLIANCE OFFICER

Mr. CHAN Ting

COMPANY SECRETARY

Mr. HO Kam Kin

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

P.O. Box 10008, Willow House
Cricket Square
Grand Cayman KY1-1001
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

Tricor Services (Cayman Islands) Limited
P. O. Box 10008, Willow House, Cricket Square
Grand Cayman KY1-1001
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

CHAIRPERSON'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors of China Vanguard You Champion Holdings Limited, I take pleasure in presenting our Shareholders the results of the Company and its subsidiaries for the financial year ended 30 June 2017. This year has been a year of transformation for the Group. The Group has embraced on all new business opportunities which were opened up by our inventions and our research and development efforts.

During the course of our business development, we had observed a market evolution towards "Internet Plus" services and have designed and devised solutions catering such needs. Through times and trials in the market, we have also realized the market needs are actual in broad spectrum. Our solutions in its various forms have been well received in various industries from lottery, health care and tourism to various government affairs segment. The Group has successfully established cooperation with the iconic representative in each of the industries including the Shenzhen Traffic Police, Sinopharm (Yanbian) Ecommerce Co., Ltd.

While our traditional lottery business has been comparatively saturated and less opportunistic, the Group has successfully expanded horizontally into various industries based on our interactive marketing and other proprietary leading edge solutions. We shall be able to mitigate the business risks from the policy changes. Having a wider horizon of opportunities in front of the Group, I am confident that we would continue to bring more good news with the renewed and a stronger business foundation of the Group. Meanwhile, I encourage our shareholders to stay supportive and be tuned to our future development.

CHEUNG Kwai Lan
Chairperson and Executive Director

Hong Kong, 26 September 2017

CEO'S STATEMENT

Dear Shareholders,

Year 2017 is a year of significant change for the Group. We have begun to transform and evolved our business into a broader based model. Via our interactive marketing solutions, we have gradually developed into new "Internet Plus" business including "Internet Plus Lottery" ("**Yao Cai**" solution), "Internet Plus Government Affairs", "Internet Plus Health" and "Internet Plus Tourism".

"INTERNET PLUS" BUSINESS

Internet Plus Lottery ("Yao Cai" solution)

Yao Cai is an interactive in-store marketing solution that utilizes our proprietary Bluetooth beacon device and LED display information dissemination system, via WeChat "Shake" function as well as unique QR code, to interact with lottery consumers. The solution won gold medal at the 44th International Exhibition of Inventions of Geneva in 2016, subsequently in November same year, the Group successfully won a tender in provision of LED display information dissemination system with Yao Cai for Hainan Sports Lottery Administration Center. This is the fourth Yao Cai cooperation contract made with the lottery centres which brings the business of the Group into a new geographical region, Hainan province. Winning this tender is a further recognition of Yao Cai from the market.

Internet Plus Government Affairs

During Year 2017, the Group successfully won a tender in the provision of new media services for Shenzhen Traffic Police ("**SZTP**"), and implemented the platform which provides new media services including transformation of SZTP's traditional services from offline to online. The Group has been facilitating SZTP in enhancing work efficiency such as setting up an online platform for traffic accidents reporting. We believe that the cooperation with SZTP is just a beginning of this business segment. Our interactive marketing solution for "Internet Plus Government Affairs" has the potential to gradually expand geographically throughout the PRC and to help out various government authorities in the coming years.

Internet Plus Health

On 27 February 2017, the Group entered into a definitive joint venture agreement with Sinopharm (Yanbian) Ecommerce Co., Ltd. ("**Sinopharm Ecommerce**"), IQARK Supply Chain Co., Ltd. ("**IQARK**") and United Enterprises CBT Cultural Industrial Co., Ltd. ("**United Enterprises**") for the establishment of a new joint venture company to build a nationwide "Internet Plus Health" online-to-offline sales platform in the PRC. Through the respective strengths of all parties including the Group's leading edge technology and lottery industry-related resources and the other joint venture partners experiences on the operation and the logistics of offline distribution channels which will help the joint venture company in the establishment stage and the joint venture company should be able to scale up its business efficiently. The Group has established this cooperation with prestigious business partners and present a solid entry into the "Internet Plus Health" business.

Internet Plus Tourism

On 23 March 2017, the Group entered into a definitive joint venture agreement with You Champion International Industrial Limited for the establishment of a new joint venture company (the "**JV Company**") to operate in the Kingdom of Tonga. It will be the first time for the Group to apply the Interactive Marketing Solution to "Internet Plus Tourism" and bring the Interactive Marketing Solution into the global stage. We are designing the solution based on Wechat platform with the objectives to bring information and convenience services to users through Wechat official account and mini program in order to promote tourism in the Kingdom of Tonga.

INTERNATIONAL RECOGNITION IN YEAR 2017

We are pleased to announce that the Group's latest interactive marketing solution named "Health Management Cloud Platform" has won two international awards from the 45th International Exhibition of Inventions of Geneva and the Scientific Community of Romania, respectively. The Group developed the above platform targeting the general workforce in the office environment. Through this platform, the Group will provide personalized wellness recommendation based on the data gathered. With proper analysis on the data collected, our interactive marketing solution can provide precision marketing according to the users' needs. This platform has been applied in our "Internet Plus Health" business.

LOTTERY BUSINESS

We have continually engaged in provision of lottery transaction system, lottery Point-of-Sale ("**POS**") terminals, and self-service lottery operations (the "**Lottery Business**") to Sports Lottery and Welfare Lottery Centres in the PRC. In Year 2017, the performance of the Lottery Business remains stagnant with the traditional lottery segment believed to reach certain market saturation. On the other hand, the overall regulatory atmosphere on internet lottery remains tight with resumption of lottery sales through online channels not happened during the year, fundamental breakthrough in our self-service lottery would still be difficult.

OUTLOOK AND STRATEGIES

We face many challenges in the Lottery Business partly because the industry itself is regulatory sensitive. However, as a trusted long term partner with the lottery authorities, our continual effort, persistency and sustainability shall make us prevail in such environment.

On the other hand, the latest developments of our "Internet Plus" business open up new lights in front of us and gave us new confidence in its potential development. We observed a growing market needs and the business is less susceptible to policy and regulatory changes. With our already accumulated experience and resources, we will further explore more business opportunities and will bring out more value for the shareholders from this new business segment of ours.

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, 26 September 2017

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

During the year ended 30 June 2017, the Group recorded revenue of HK$26 million, a decrease of 24% over revenue of HK$35 million for the same period in 2016, while gross profit for the period of HK$21 million also represented a decrease of 32% over gross profit of HK$32 million in the corresponding period in 2016. Revenue and gross profit decreased as the result of a decrease in lottery related consultancy income for the year.

The Group recorded a loss attributable to equity holders of HK$175 million for the year under review. The loss attributable to the equity holders in Year 2016 was HK$207 million. The primary reason for the loss is that in Year 2017, the self-service lottery related business is still pending. As a result, the Group recorded impairment losses on goodwill of HK$37 million to reflect the current market situation. Details of impairment losses on goodwill for the Year 2017 are set out in Note 19 to the consolidated financial statements. Furthermore, the Group recorded provision for doubtful receivables of HK$43 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 2017, Shareholder's fund amounted to HK$11 million (2016: HK$149 million). Current assets amounted to HK$50 million (2016: HK$114 million), mainly comprising of trade and other receivables and prepayments, bank balances and cash. Current liabilities amounted to HK$123 million (2016: HK$110 million) mainly comprising of trade payable, accruals and other payables, amount due to a director and convertibles bonds.

The Group's bank balances and cash amounted to HK$14 million which were mainly held in HK$ and RMB (2016: HK$33 million). Net asset value per share was HK$0.003 (2016: HK$0.05).

As at 30 June 2017, the gearing ratio of the Group was 843% on the basis of the Group's total interest-bearing borrowings divided by total equity (2016: 56%).

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 2017, the total number of issued share capital of the Company was 3,290,855,068 Shares.

CONVERTIBLE BONDS

On 17 January 2014, the Company issued unlisted convertible bonds due on 17 January 2017 with a principal amount of HK$89,625,000 at 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.

On 18 January 2017, the Company entered an amendment agreement with the Bondholder to amend some principal terms of the Convertible Bonds. The maturity date of the Convertible Bonds was extended for six months from 17 January to 17 July 2017, and further extended maturity date upon a written consent from the Bondholder shall be 17 January 2018. Its conversion price was amended from HK$0.598 to HK$0.359 per conversion share, which can be converted into for the maximum number of 249,651,810 shares. The interest rates of the Convertible Bonds shall be increased to 8% per annum and paid semi-annually (the "**Amendments**"). Save for the adjustment, all other terms and conditions of the Bonds shall remain unchanged. The Amendments had been passed as an ordinary resolution by the shareholders at the extraordinary general meeting, the Company held on 29 March 2017.

On 18 July 2017, the Company received a written consent from the Bondholder, of which the maturity date of the Convertible Bonds would be extended for the further six months to 17 January 2018.

As at 30 June 2017, 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 2017 (30 June 2016: Nil).

No assets of the Group was pledged as securities to any third parties as at 30 June 2017 (30 June 2016: Nil)

COMMITMENTS

The Group had capital commitments at HK$52 million and operating commitments as lease of HK$8 million from operations as at 30 June 2017 (30 June 2016: capital commitments of HK$39 million and operating lease commitments of HK$16 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.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2017, the Group had 31 and 120 (2016: 36 and 220) 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$34 million (2016: HK$47 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$ or RMB. The Group's major investment and financing strategies are to invest in domestic projects in the PRC by RMB and HK$ 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 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 79, 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 17 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 47, 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 16 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 22 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.

Non-executive Director

Mr. CHAN Tung Mei, aged 81, 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 17 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 20 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 Director

Mr. TO Yan Ming, Edmond, aged 45, 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 Investment Group Limited (formerly known as Courage Marine Group Limited) (Stock Code: 1145), Tianli Holdings Group Limited (formerly known as EYANG Holdings (Group) Co., Limited) (Stock Code: 117), Birmingham Sports Holdings Limited (Stock Code: 2309), EPI (Holdings) Limited (Stock Code: 689), SH Group (Holdings) Limited (Stock Code: 1637), (shares of all which are listed on the Main Board of the Stock Exchange) and Asia Grocery Distribution Limited (Stock Code: 8413) (share of which is listed on the GEM of the Stock Exchange). He joined the Group in January 2006.

Mr. YANG Qing Cai, aged 70, 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.

Dr. LIU Ta-pei, aged 66, graduated from National Chung-Hsing University in Taiwan. After graduation, he continued his studies in National Cheng-Chi University, Taiwan and the University of Southern California, U.S.A. and obtained Master of Science and MBA degrees respectively. He was then conferred his Doctoral degree in public administration from the University of La Verne, U.S.A and the Doctoral degree in Finance from Shanghai University of Finance and Economics. Apart from his strong educational background, Dr. LIU has been active in the financial field for more than 20 years. Dr. LIU is currently the Executive Director of Huisheng International Holdings Limited, which is listed on the Main Board of the Stock Exchange (Stock code: 1340). He was previously the Director of Mega Financial Holdings Company Limited ("Mega Financial Holdings"), which is listed on the Taiwan Stock Exchange Corporation (Stock code: 2886.TW) and also served as the Chairman of Mega Securities Co., Ltd, a subsidiary of Mega Financial Holdings. He had also been the Director respectively of Global Securities Finance Corporation, Chung Hsing Bills Finance Corporation, and Central Investment Holding Company, and the Chairman of Jen Hwa Investment Holding Company. Dr. LIU had served China Development Industrial Bank, one of the top management of Taiwan's largest Investment Banks. He also had been the Chief Executive Officer and an Executive Director of the Core Pacific-Yamaichi Group in Hong Kong. Dr. LIU was ranked as one of the 'Top Ten Intelligent Financial Personnel in Greater China' and he was conferred the 'Best Integrity Award' in 2008. He was also granted the honour of "Golden Peak Award of Outstanding Corporation Leaders in Taiwan" in 1998. Dr. LIU is currently a member of Hong Kong Economic Development Commission. He joined the Group in February 2017.

SENIOR MANAGEMENT

Mr. HO Kam Kin, aged 40, 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 15 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. Mr. HO joined the Group in September 2016.

Ms. CHAN Siu Sarah, aged 52, 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 47, is the Director of Group Corporate Strategy, Investor Relations, and the director of various subsidiaries of the Group. He has been responsible for corporate strategy and investor relations 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 41, 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 16 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 has been responsible for human resources and administration management of the Group, she also extended the scope of management to the Information Technology Department in Hong Kong head office in recent years. She joined the Group in July 2008.

Ms. LI Ying, aged 36, is the Vice General Manager of 深圳博眾信息技術有限公司 (Shenzhen Bozone IT Co. Limited) which is a main subsidiary of the Group in China. She is mainly responsible for the daily operation and management of the company and its affiliate companies. She also provides support on the operation of the Group's lottery business in different region in China which including product planning, market development, overall operation and management, etc. Ms. LI has obtained a bachelor's degree from Hunan University in Computer Science and Wuhan University in marketing management. She has over 11 years of extensive experience in lottery technology system, system maintenance, market expansion, project management, relation with regulatory institutions and team management. She has previously served senior positions in 永恒樂彩科技公司, 思樂網絡技術公司, 穗彩技術公司 and 恒朋科技公司. She joined the Group in October 2015.

Mr. WU Zi Qiang, aged 55, 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 13 years of experience in the lottery industry and has served in senior management positions in various listed companies in Hong Kong for 16 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 2017, 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 time 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 2016 due to health reason.

The corporate governance practices of the Company will be review 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 2017.

BOARD OF DIRECTORS

Board Composition

As at 30 June 2017, the Board comprised of six Directors, including two Executive Directors, one Non-executive Directors and three INEDs. The composition of the Board during the year and up to the date of this report is as follows:

Executive Directors

Madam CHEUNG Kwai Lan *(Chairperson)*
Mr. CHAN Ting *(Deputy Chairperson and Chief Executive Officer)*

Non-executive Director

Mr. CHAN Tung Mei

Independent Non-executive Directors

Mr. TO Yan Ming Edmond
Mr. YANG Qing Cai
Dr. LIU Ta-pei *(appointed on 17 February 2017)*
Mr. ZHANG Xiu Fu *(resigned on 17 February 2017)*

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 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.

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.

Director's and Officer's 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, annual general meeting and extraordinary general meetings during the year ended 30 June 2017, 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**	**Extraordinary General Meeting**
Number of Meeting	**4**	**4**	**1**	**2**	**1**	**1**
Executive Directors						
Madam CHEUNG Kwai Lan	4/4	N/A	N/A	2/2	1/1	1/1
Mr. CHAN Ting	4/4	N/A	1/1	N/A	1/1	1/1
Non-executive Director						
Mr. CHAN Tung Mei	4/4	N/A	N/A	N/A	1/1	1/1
Independents Non-executive Directors						
Mr. TO Yan Ming Edmond	4/4	4/4	1/1	N/A	1/1	1/1
Mr. YANG Qing Cai	4/4	4/4	1/1	2/2	1/1	1/1
Dr. LIU Ta-pei *(appointed on 17 February 2017)*	1/4	1/4	0/1	0/2	0/1	1/1
Mr. ZHANG Xiu Fu *(resigned on 17 February 2017)*	3/4	3/4	1/1	2/2	0/1	N/A

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 Dr. LIU Ta-pei. 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 2017, the Audit Committee held four meetings (i) to discuss the financial reporting and the compliance procedures with the external auditors; (ii) to review the audited annual results and unaudited quarterly and interim results; and (iii) to discuss and revise the terms of reference of the Audit Committee. Individual attendance of Audit Committee members are set on page 16 of this annual report.

The Group's audited consolidated results for the year ended 30 June 2017 has been reviewed by the Audit Committee of the Company.

Remuneration Committee

The Remuneration Committee comprises four members, a majority of them being INEDs, namely Mr. TO Yan Ming Edmond, Mr. CHAN Ting, Mr. YANG Qing Cai and Dr. LIU Ta-pei. 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 2017, 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 16 of this annual report.

Annual Emoluments 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 2017 is as follows:

Emoluments Band	**No. of Individuals**
HK$6,000,001 – HK$7,000,000	1
HK$5,000,001 – HK$6,000,000	–
HK$4,000,001 – HK$5,000,000	–
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:	9

Nomination Committee

The Nomination Committee comprises three members, namely Madam CHEUNG Kwai Lan, Mr. YANG Qing Cai and Dr. LIU Ta-pei. 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 2017, two meetings were 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 16 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 Board 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".

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$700,000.

COMPANY SECRETARY

Mr. HO Kam Kin ("**Mr. HO**") was appointed as the company secretary of the Company with effect from 1 September 2016, and is currently the Group Chief Financial Officer and Authorised Representative 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 2017, 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.

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.

CONSTITUTIONAL DOCUMENT

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

The Directors are pleased to present the report together with the audited consolidated financial statements for the year ended 30 June 2017.

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 42 to the consolidated financial statements.

An analysis of the Group's performance for the year ended 30 June 2017 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 2017 are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on pages 38 and 39.

The Board does not recommend the payment of any dividend for the year ended 30 June 2017 (2016: 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 122 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 18 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$Nil (2016: HK$20,000).

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 42.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 30 June 2017, the Group made 84% of its entire sales to five customers and sales to the largest customer included therein amounted to approximately 53%. Purchases from the Group's five largest suppliers accounted for approximately 66% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 47%.

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 41 to the Consolidated Financial Statements of this annual report.

CONNECTED TRANSACTION

On 18 January 2017, the Company entered into the Amendment Agreement with the Integrated Asset Management (Asia) Limited (the "Bondholder"), to amend certain terms and conditions of the Convertible Bonds. Pursuant to the Amendment Agreement, the following amendments had been made: i) the Conversion Price of the Convertible Bonds shall be amended from HK$0.598 per Share to HK$0.359 per Share, which can be converted into for the maximum number of 249,651,810 Shares; ii) the Maturity Date of the Convertible Bonds issued under the Subscription Agreement shall be extended for six months from 17 January 2017 to 17 July 2017 with a further six months extension upon a prior written consent from the Bondholder; iii) clause 5 of Schedule 2 set in the Subscription Agreement regarding the bearing interest rate of the Convertible Bonds shall be increased from the rate of 2% per annum to 8% per annum and interest shall be paid semi-annually from the date of the Amendment Agreement; iv) clause 6(a)(iv) of Schedule 2 set in the Subscription Agreement in respect of the par value in the share capital of the Company shall be adjusted to HK$0.0125; and v) clause 14(a)(xii) of Schedule 2 set in the Subscription Agreement shall be amended as that the shareholding interest of existing controlling Shareholder of the Company, Best Frontier, remains less than 30 per cent and having not been obtained the written consent from the Bondholder.

As the Bondholder is the substantial shareholder of the Company, it constitutes as a connected transaction of the Company under Chapter 20 of the GEM Listing Rules. Details of the Amendment Agreement were disclosed in the announcement and the circular of the Company on 18 January 2017 and 10 March 2017 respectively.

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

During the year ended 30 June 2017, 63,790,000 Shares were issued to eligible persons after they had exercised their Share option rights. Net proceeds exclusive of handling fees of HK$27,940,027 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 report comprises:

Executive Directors

Madam CHEUNG Kwai Lan
Mr. CHAN Ting

Non-executive Director

Mr. CHAN Tung Mei

Independent Non-executive Directors

Mr. TO Yan Ming Edmond
Mr. YANG Qing Cai
Dr. LIU Ta-pei *(appointed on 17 February 2017)*
Mr. ZHANG Xiu Fu *(resigned on 17 February 2017)*

In accordance with Article 116 of the Articles of Association, Mr. CHAN Ting, Mr. TO Yan Ming Edmond and Dr. LIU Ta-pei 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 2017, 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:

1. Long Position in the Shares of the Company or Any of its Associated Corporations

		Number of Shares Held				
Name of Directors	**The Company/ Name of Associated Corporation**	**Interest in Controlled Corporation**	**Personal Interest**	**Family Interest**	**Total Interest**	**Approximate Percentage of Shareholding**
Madam CHEUNG Kwai Lan ("**Madam CHEUNG**") *(Note 1 & 2)*	The Company	948,565,856	4,656,000	3,020,000	956,241,856	29.06%
Mr. CHAN Tung Mei ("**Mr. CHAN**") *(Notes 1 & 3)*	The Company	–	3,020,000	953,221,856	956,241,856	29.06%
Madam CHEUNG	Best Frontier Investments Limited ("**Best Frontier**") *(Note 1)*	–	909	1	910	–
Mr. CHAN	Best Frontier	–	1	909	910	–
Dr. LIU Ta-pei ("**Dr. LIU**") *(Note 4)*	The Company	–	3,000,000	–	3,000,000	0.09%
Mr. YANG Qing Cai ("**Mr. YANG**") *(Note 5)*	The Company	–	475,000	–	475,000	0.01%

Notes:

1. 948,565,856 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 4,656,000 Shares and 3,020,000 Shares respectively. Accordingly, Madam CHEUNG is the spouse of Mr. CHAN and so both of them are deemed to be interested in the Shares.

2. The personal interests of Madam CHEUNG represents the interest in 4,656,000 Shares.

3. The personal interests of Mr. CHAN represents the interest in 3,020,000 Shares.

4. The personal interests of Dr. LIU represents the interest in 3,000,000 Shares.

5. The personal interests of Mr. YANG represents the interest in 475,000 Shares.

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 32 to the consolidated financial statements.

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

				Number of Share Options					
Name/ Category of Participants	Grant Date	Exercise Price *(Note 1)*	Exercisable Period	As at 1 July 2016	Granted	Exercised	Cancelled	Lapsed	As at 30 June 2017
Directors									
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	660,000	–	(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. ZHANG Xiu Fu	10/12/2013	0.438	01/04/2014 - 31/03/2017	600,000	–	–	–	(600,000)	–
(resigned on	10/12/2013	0.438	01/01/2015 - 31/03/2017	600,000	–	–	–	(600,000)	–
17 February 2017)	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	125,000	–	–	–	(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	12,285,000	–	(5,760,000)	–	(6,525,000)	–

Name/ Category of Participants	Grant Date	Exercise Price *(Note 1)*	Exercisable Period	As at 1 July 2016	Granted	Exercised	Cancelled	Lapsed	As at 30 June 2017
				Number of Share Options					
Employees	10/12/2013	0.438	01/04/2014 - 31/03/2017	818,000	–	(794,000)	–	(24,000)	–
	10/12/2013	0.438	01/01/2015 - 31/03/2017	2,554,000	–	(2,406,000)	–	(148,000)	–
	10/12/2013	0.438	01/01/2016 - 31/03/2017	9,308,000	–	(7,690,000)	–	(1,618,000)	–
	13/06/2014	0.952	01/07/2015 - 30/06/2018	4,044,000	–	–	–	(3,108,000)	936,000
	13/06/2014	0.952	01/07/2016 - 30/06/2018	4,044,000	–	–	–	(3,108,000)	936,000
	13/06/2014	0.952	01/07/2017 - 30/06/2018	5,392,000	–	–	–	(4,144,000)	1,248,000
	21/07/2015	1.280	01/07/2016 - 30/06/2019	1,266,000	–	–	–	(726,000)	540,000
	21/07/2015	1.280	01/07/2016 - 30/06/2019	1,266,000	–	–	–	(726,000)	540,000
	21/07/2015	1.280	01/07/2016 - 30/06/2019	1,688,000	–	–	–	(968,000)	720,000
			Sub-total	30,380,000	–	(10,890,000)	–	(14,570,000)	4,920,000
Other Eligible Participants *(Note 2)*	10/12/2013	0.438	01/04/2014 - 31/03/2017	272,000	–	(272,000)	–	–	–
	10/12/2013	0.438	01/01/2015 - 31/03/2017	276,000	–	(276,000)	–	–	–
	10/12/2013	0.438	01/01/2016 - 31/03/2017	592,000	–	(592,000)	–	–	–
	10/12/2013	0.438	01/04/2014 - 31/03/2017	10,760,000	–	(3,000,000)	–	(7,760,000)	–
	10/12/2013	0.438	01/04/2015 - 31/03/2017	10,800,000	–	(3,000,000)	–	(7,800,000)	–
	10/12/2013	0.438	01/07/2014 - 31/03/2017	46,000,000	–	(24,000,000)	–	(22,000,000)	–
	10/12/2013	0.438	01/07/2015 - 31/03/2017	48,155,000	–	(16,000,000)	–	(32,155,000)	–
	13/06/2014	0.952	01/07/2015 - 30/06/2018	20,100,000	–	–	–	–	20,100,000
	13/06/2014	0.952	01/07/2016 - 30/06/2018	20,100,000	–	–	–	–	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	177,055,000	–	(47,140,000)	–	(69,715,000)	60,200,000
			Total	**219,720,000**	**–**	**(63,790,000)**	**–**	**(90,810,000)**	**65,120,000**

Notes:

1. 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.

2. Other Eligible Participants include certain business partners and consultants of the Group.

Save as disclosed above, as at 30 June 2017, 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 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:

Dr. LIU Ta-pei, was appointed an independent non-executive Director of the Company on 17 February 2017.

Mr. ZHANG Xiu Fu, was resigned an independent non-executive Director of the Company on 17 February 2017.

Mr. TO Yan Ming Edmond, INED, was appointed an independent non-executive director of Birmingham Sports Holdings Limited (Stock Code: 2309), EPI (Holdings) Limited (Stock Code: 689), SH Group (Holdings) Limited (Stock Code: 1637), and Asia Grocery Distribution Limited (Stock Code: 8413) with effect from 15 October 2016, 18 October 2016, 6 December 2016 and 27 March 2017, respectively.

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

As at 30 June 2017, according to the register kept by the Company pursuant to section 336 of SFO, and so far as is known to any Directors or chief executive of the Company, the following persons (other than the Directors or chief executive of the Company) had, or was deemed or taken to have, an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follow:

Long Positions in the Shares

Name of Shareholders	Capacity	Number of issued Shares Held	Approximate Percentage of the Shareholding
Best Frontier & its concert parties *(Note 1)*	Beneficial Owner	956,241,856	29.06%
Integrated Asset Management (Asia) Limited ("**Integrated Asset**") & its concert parties *(Note 2)*	Beneficial Owner	536,733,000	16.31%
GAM Hong Kong Limited	Investment Manager	240,950,000	7.32%
Tarascon Asia Absolute Fund (Cayman) Ltd.	Beneficial Owner	170,099,960	5.17%

Notes:

1. 948,565,856 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 holds 4,656,000 and 3,020,000 Shares respectively. Madam CHEUNG is the spouse of Mr. CHAN and so both of them are deemed to have interests in the Shares.

2. 536,733,000 Shares are owned by Integrated Asset which is wholly owned by Mr. YAM Tak Cheung. A 8% coupon convertible bonds in aggregate amount of HK$89,625,000 for a term of 6 months was issued to Integrated Asset pursuant to the Amendment Agreement dated 18 January 2017 ("the Bonds"). A maximum of 249,651,810 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 23.90% of the current issued share capital of the Company and approximately 22.21% of the enlarged issued share capital of the Company. The adjusted conversion price is HK$0.359 per conversion share subject to adjustment.

Save as disclosed above, as at 30 June 2017, 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 14 to 20.

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with the GEM Listing Rules. The Audit Committee comprises three INEDs, Mr. TO Yan Ming Edmond, Mr. YANG Qing Cai and Dr. LIU Ta-pei. 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 2017.

The audited consolidated results of the Group for the year ended 30 June 2017 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 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

On 5 July 2017, the Board proposed to change the English name of the Company from "China Vanguard Group Limited" to "China Vanguard You Champion Holdings Limited" and to change its dual foreign name in Chinese from "眾彩科技股份有限公司" to "眾彩羽翔股份有限公司". The special resolution was duly passed by the Shareholders by way of poll at the extraordinary general meeting on 14 August 2017. The change of Company Name becomes effective on 25 August 2017.

AUDITORS

The consolidated financial statements for the year ended 30 June 2017 have been audited by Sky Base Partners CPA Limited, who will retire at the forthcoming annual general meeting of the Company to re-appointment Sky Base Partners CPA Limited as auditors of the Company.

On behalf of the Board

CHEUNG Kwai Lan
Chairperson and Executive Director

Hong Kong, 26 September 2017

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

This is the first Environmental, Social and Governance Report ("the **ESG Report**") issued by the Company. It covers the overall performance in the environmental and social aspects of the head office in Hong Kong and its business in PRC during the year ended 30 June 2017. This report is prepared in accordance with the "Environmental, Social and Governance Reporting Guide" as set out in Appendix 20 of the Listing Rules on GEM.

ENVIRONMENT

Emissions

The Group aims to minimize the energy consumption and any adverse impact on the environment during the Group's operation to provide lottery-related services. Due to the nature of our business, there is lower direct impact to the environment during our operation. Therefore, the Group's main emissions is the consumption of the electricity, paper, gas and water which is mainly attributable by ways of the lighting system, printing paper, uses of corporate vehicles and air-conditioning in office. The Group performed regular assessments on the Group's air and greenhouse gas emissions, as well as the generation and disposal of hazardous and non-hazardous waste. During the reporting period, the Group did not aware of any material non-compliance with the environmental laws and regulations.

Use of resources

To supporting the environmental protection, the Group tries its best effort to minimize the energy and resources consumption during the daily operation of the Group in Hong Kong and PRC offices. The Group strives to build an environmental working environment through our guidance and policies and participation among the staff to minimizing the adverse impact on electricity and office consumables consumption.

In order to reduce the consumption of electricity in office, the Group issues the guidance to the staff for setting the optimal temperature on the air-conditioning, all the lights and electronic appliances in office will be turned off when not in use and turning off all the lights in office during the lunch time.

Also, in order to reduce the consumables consumption in office, the Group encourages all the staffs to save and file the documents electronically, use the recycling paper for printing and print the documents in double-sided and arrange the telephone or video conferences instead of face-to-face meetings.

Environment and Natural Resources

Due to the nature of our business, the Group does not generate the substantial industrial pollutions or hazardous waste. The Group did not have any material non-compliance issues in respect of any applicable laws and regulations on environmental protection relation to air, greenhouse gas emissions, discharges into water and land, generation of hazardous and non-hazardous waste.

EMPLOYMENT AND LABOUR PRACTICES

Employment

The Group believes that human resources are the most valuable asset and core competitive advantage of the Group. The Group adopts the fair and open recruitment policy to avoid any discrimination on age, gender, race, nationality, religion or marital status. All the applicants will be assessed under the fair recruitment process.

The resting time of the Group's employees is well respected and the employees are also entitled paid holidays pursuant to statutory requirements or otherwise under their respective employment contracts. There is a computerized human resources system in place to continuously monitor the working hours and leave application of the employees. The Group also adopts zero tolerance policy towards sexual harassment at the workplace to protect its employees from unsolicited sexual advances.

The Group rewards all the employees by providing a competitive remuneration package and performs the performance appraisal on annual basis with appropriate bonus, promotion opportunities for career advancement. "Staff Hand Book" will be delivered to all employees for stating all the information regarding employment, business conduct, social security funds, compensation, leave benefits, working hours, etc. A brief orientation is provided to new coming employees to ensure that they aware of all relevant polices. During the reporting period, the Group was not aware of any material non-compliance with all relevant labour and employment laws.

Health and Safety

The Group has been committed to provide the safe, pleasant and healthy working environment to the employees in order to protect their health and safety. In order to maintain a safe and comfortable working environment, the Group designs and plan office layouts based on relevant safety provisions, ensures that fire escapes are not block and clean the office regularly. During the reporting period, the Group review the office environment and safety policies regularly and was not aware of any material non-compliance with the health and safety laws and regulations.

Development and Training

Staffs continuous development is one of crucial success of the Group. The Group provides on-board trainings and orientation for the new coming staffs. Also, the Group encourages the employees to attend the external applicable training courses or seminars during the office hours which are relevant to the job duties. The employees can entitled the examination leaves when they attend the external examination which applicable to their job duties on the examination day. The Group strives to ensure that all employees can fulfill the relevant job requirements in terms of education, training, technical and work experience.

Labour Standards

During the recruitment process, the Group strictly complies with all applicable laws and regulations in the place where it operates. The Group measures clearly that its employees are all above the minimum legal working age requirement and have been fully protected in terms of labour standards. The Group complied with all laws and regulations prohibiting child labour and forced labour. Applicant is also required to provide document proofs of academic qualifications and working experience for verifications, applicant who is suspected to have false academic qualifications and working experience will not be employed. All the staffs were employed in accordance with relevant laws and regulations in Hong Kong and PRC and the management regularly review the recruitment process to ensure that no discrimination is incurred.

OPERATING PRACTICES

Supply Chain Management

The Group believes that sourcing and selection of suppliers play a crucial part in establishing our product and brand. The Group assesses on supplier with the relevant industrial and environmental standards in supply of materials, and to consider that it is one of the supplier selection criteria. During the procurement process, the Group performs regular assessments on the environmental and social risks of the supply chain management.

Product Responsibilities

The Group and its subsidiaries have an ethic responsibilities on its product or services provided. The Group encourages employees to maintain high standards of product or services provided and are obligated to retain confidence and all information obtained in connection with their employment.

Anti-corruption

All of the Group's operations comply with the legislation on standards of conduct, such as Criminal Law of the People's Republic of China, the Anti-Unfair Competition Law of the People's Republic of China, and the Prevention of Bribery Ordinance in Hong Kong. The Group has established a corporate culture of integrity and justice, and adopted the clear guidelines for employees which strictly prohibit bribery, extortion, fraud, money laundering and other acts. The Group has also implemented the whistleblowing policy for encouraging the staff to report to the Board if there is any money laundering, bribery and irregularities.

COMMUNITY

Community Investment

The Group believes that the contribution to the society as part of our mission in order to create a more peaceful community. Therefore, the Group encourages our staffs to participate any activities which are benefit to our communities. The Group and controlling shareholders target through donations, sponsorships and charity work by supporting any activities which can help charitable, cultural, medical, educational and other needs of in our community. The Group will consider to support or donate any charitable organizations from time to time where appropriate.

INDEPENDENT AUDITORS' REPORT

天璣會計師事務所有限公司
Sky Base Partners CPA Limited

TO THE SHAREHOLDERS OF CHINA VANGUARD YOU CHAMPION HOLDINGS LIMITED (FORMERLY KNOWN AS CHINA VANGUARD GROUP LIMITED)
(incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Vanguard You Champion Holdings Limited (formerly known as China Vanguard Group Limited) (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 38 to 121, which comprise the consolidated statement of financial position as at 30 June 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

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$181,240,000 during the year ended 30 June 2017 and net current liabilities approximately HK$73,578,000 as at 30 June 2017 respectively. 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.

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KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	**How our audit addressed the key audit matter**
Impairment assessment on trade and other receivables and prepayments	
As at 30 June 2017, trade and other receivables and prepayments amounting to HK$122,767,000 were material to the Group's consolidated financial statements. The assessment of impairment provision for trade and other receivables and prepayments involved significant management's judgement including their patterns and of customers' financial positions and received cash flows from customers. The disclosures about the impairment assessment of correspondence with trade and other receivables and prepayments are included in note 24 to the consolidated financial statements.	Our audit procedures included: • checking the ageing analysis of trade and other receivables by customers • checking the debtors' historical payment patterns and the bank receipts for the payment received subsequent to the year end • checking the evidence including correspondence with the accounts receivables for the latest progress of the outstanding amounts and credit status of these accounts receivables by performing company research; and • assessing the disclosures about the Group's exposure to credit risk in the consolidated financial statements.

Key audit matter	**How our audit addressed the key audit matter**
Impairment assessment of goodwill	
As at 30 June 2017, the Group has goodwill of approximately HK$62,746,000, and in respect of which management is required to perform annual impairment assessment. Management has concluded that impairment loss of approximately HK$36,542,000 in respect of the goodwill has been recognized in the consolidated statement of profit or loss and other comprehensive income. This conclusion was based on a value in use model that required significant management judgement with respect to revenue growth, future profitability and discount rates.	Our audit procedures included: • We assessed the reasonableness of key assumptions such as revenue growth, future profitability and discount rates with reference to the business and industry circumstances. • We reconciled input data to supporting evidence, such as approved forecasts of future profits. • We considered the reasonableness of these forecasts of future profits by comparing them against past results achieved. • We assessed management's sensitivity analysis around the key assumptions, to ascertain the extent to which adverse changes, both individually or in aggregate, might impact on the outcome of the impairment assessment of the goodwill. We found the judgements made by management in relation to the value in use calculations to be reasonable based on available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all the information included in the Group's 2017 annual report, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Sky Base Partners CPA Limited
Certified Public Accountants (Practising)
26 September 2017, Hong Kong

TANG Wai Hung
Practising Certificate No.: P03525

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2017

	Notes	**Year ended 30-6-2017 HK$'000**	Year ended 30-6-2016 HK$'000
Revenue	*9*	**26,359**	34,657
Cost of sales		**(4,865)**	(3,113)
Gross profit		**21,494**	31,544
Other income	*9*	**3,954**	10,203
Provision for doubtful receivables		**(43,127)**	(46,465)
Impairment loss on assets	*10*	**(53,776)**	(85,712)
Selling and distribution expenses		**(6,837)**	(6,276)
Administrative and operating expenses		**(92,436)**	(106,226)
Operating loss		**(170,728)**	(202,932)
Finance costs	*11*	**(13,316)**	(11,988)
Share of result of joint ventures		**(31)**	(490)
Loss before tax	*12*	**(184,075)**	(215,410)
Income tax credit	*15*	**2,835**	1,568
Loss for the year		**(181,240)**	(213,842)
Loss for the year attributable to:			
Equity holders of the Company		**(175,027)**	(206,778)
Non-controlling interests		**(6,213)**	(7,064)
		(181,240)	(213,842)

	Notes	Year ended 30-6-2017 HK$'000	Year ended 30-6-2016 HK$'000
Other comprehensive expenses for the year, net of tax:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of overseas operations		**(1,192)**	(11,469)
Total comprehensive expenses for the year		**(182,432)**	(225,311)
Total comprehensive expenses for the year attributable to:			
Equity holders of the Company		**(176,006)**	(217,578)
Non-controlling interests		**(6,426)**	(7,733)
		(182,432)	(225,311)
Loss per share attributable to equity holders of the Company			
Basic	*17*	**(HK5.40 cent)**	(HK6.43 cent)
Diluted	*17*	**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

	Notes	30-6-2017 HK$'000	30-6-2016 HK$'000
Non-current assets			
Property, plant and equipment	*18*	**13,260**	16,070
Goodwill	*19*	**62,746**	99,288
Intangible assets	*20*	**8,509**	14,674
Available-for-sale financial assets	*21*	**–**	–
Interests in joint ventures	*22*	**–**	15,110
		84,515	145,142
Current assets			
Inventories	*23*	**1,692**	5,059
Trade and other receivables and prepayments	*24*	**33,554**	76,111
Bank balances and cash	*25*	**14,302**	32,999
		49,548	114,169
Current liabilities			
Trade payables, accruals and other payables	*26*	**17,125**	18,797
Amount due to a director	*27*	**15,076**	732
Obligation under finance leases – current portion	*28*	**188**	–
Convertible bonds	*29*	**89,301**	83,434
Deferred tax liabilities	*30*	**54**	1,746
Tax liabilities		**1,382**	5,121
		123,126	109,830
Net current (liabilities)/assets		**(73,578)**	4,339
Total assets less current liabilities		**10,937**	149,481

	Notes	30-6-2017 HK$'000	30-6-2016 HK$'000
Non-current liabilities			
Obligation under finance leases	28	**344**	–
		344	–
Net assets		**10,593**	149,481
Capital and reserves			
Share capital	31	**41,135**	40,338
Reserves		**(41,781)**	96,003
Equity attributable to equity holders of the Company		**(646)**	136,341
Non-controlling interests		**11,239**	13,140
Total equity		**10,593**	149,481

The consolidated financial statements on pages 38 to 121 were approved and authorized for issue by the Board of Directors on 26 September 2017 and are signed on its behalf by:

CHEUNG Kwai Lan	**CHAN Ting**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2017

	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 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 from translation of financial statements of overseas operations	–	–	–	–	–	(10,800)	–	–	–	–	(10,800)	(669)	(11,469)
Total comprehensive expenses 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 interests in subsidiary	–	–	–	–	–	–	–	–	–	–	–	5,015	5,015
Contributions from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	1,336	1,336
Share 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 subsidiary	–	–	–	–	–	–	–	–	(4,415)	–	(4,415)	4,415	–
At 30 June 2016 and at 1 July 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**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(175,027)**	**(175,027)**	**(6,213)**	**(181,240)**
Exchange differences arising from translation of financial statements of overseas operations	**–**	**–**	**–**	**–**	**–**	**(979)**	**–**	**–**	**–**	**–**	**(979)**	**(213)**	**(1,192)**
Total comprehensive expenses for the year	**–**	**–**	**–**	**–**	**–**	**(979)**	**–**	**–**	**–**	**(175,027)**	**(176,006)**	**(6,426)**	**(182,432)**
Amendments to the terms of convertible bonds	**–**	**–**	**–**	**–**	**–**	**–**	**(20,984)**	**–**	**–**	**24,184**	**3,200**	**–**	**3,200**
Deferred tax liabilities arising from amendments to the terms of convertible bonds	**–**	**–**	**–**	**–**	**–**	**–**	**(528)**	**–**	**–**	**–**	**(528)**	**–**	**(528)**
Recognition of equity-settled share-based payments	**–**	**–**	**–**	**–**	**8,407**	**–**	**–**	**–**	**–**	**–**	**8,407**	**–**	**8,407**
Share options lapsed	**–**	**–**	**–**	**–**	**(6,224)**	**–**	**–**	**–**	**–**	**6,224**	**–**	**–**	**–**
Contributions from non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**4,525**	**4,525**
Share issued upon exercise of share options	**797**	**37,835**	**–**	**–**	**(10,692)**	**–**	**–**	**–**	**–**	**–**	**27,940**	**–**	**27,940**
At 30 June 2017	**41,135**	**2,480,372**	**1,484**	**35,572**	**1,547**	**5,543**	**2,672**	**(1)**	**5,769**	**(2,574,739)**	**(646)**	**11,239**	**10,593**

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.

On 18 January 2017, the Company entered into an amendment agreement with the bondholder to amend certain terms and conditions of the bonds. In this regard, equity component of the convertible bonds of approximately HK$3,200,000 and deferred tax liabilities of approximately HK$528,000 were recognized in the convertible bonds reserve.

(e) Capital reserve represents gain on acquisition and disposal of interests in subsidiaries.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2017

	Notes	Year ended 30-6-2017 HK$'000	Year ended 30-6-2016 HK$'000
OPERATING ACTIVITIES			
Loss before tax		**(184,075)**	(215,410)
Adjustments for:			
Interest income	*9*	**(54)**	(817)
Interest expenses	*11*	**13,316**	11,988
Amortization of intangible assets	*12*	**3,604**	3,035
Depreciation of property, plant and equipment	*12*	**5,859**	4,478
Loss on disposal of property, plant and equipment	*12*	**863**	204
Gain on dissolve of subsidiaries	*12*	**(1,242)**	(122)
Impairment loss on goodwill	*12*	**36,542**	84,967
Provision for doubtful receivables	*12*	**43,127**	46,465
Impairment loss on interests in joint ventures	*12*	**14,927**	–
Written off of amount due from a related company	*12*	**1,671**	–
Change in fair value of contingent consideration		**880**	–
Impairment loss on intangible assets	*12*	**2,307**	745
Written-off of other receivables	*12*	**–**	109
Written-off of obsolete stocks	*12*	**601**	–
Equity-settled share-based payment		**8,407**	4,282
Share of result of joint ventures		**31**	490
Operating cash flows before movements in working capital		**(53,236)**	(59,586)
Changes in inventories		**2,665**	(3,634)
Changes in trade and other receivables and prepayments		**(699)**	40,466
Changes in trade payables, accruals and other payables		**(4,258)**	(16,349)
Cash used in operations		**(55,528)**	(39,103)
Tax (paid)/refund		**(3,082)**	37
Net cash used in operating activities		**(58,610)**	(39,066)

	Notes	Year ended 30-6-2017 HK$'000	Year ended 30-6-2016 HK$'000
INVESTING ACTIVITIES			
Interest received		**54**	3,557
Purchases of property, plant and equipment		**(4,650)**	(9,178)
Purchases of intangible assets		**–**	(110)
Proceeds from disposal of property, plant and equipment		**372**	191
Cash outflows on acquisition of subsidiaries	*33(a)*	**–**	(14,766)
Cash outflow arising on dissolve of a subsidiary		**(12)**	–
Net cash used in investing activities		**(4,236)**	(20,306)
FINANCING ACTIVITIES			
Interest paid		**(1,809)**	(1,793)
Issue of shares upon exercise of share options		**27,940**	8,543
Repayment of obligation under finance leases		**(228)**	–
Capital contribution from non-controlling interests		**4,525**	1,336
Amount due to a director		**14,344**	687
Net cash from financing activities		**44,772**	8,773
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(18,074)**	(50,599)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**32,999**	92,942
Effects of foreign exchange rate changes		**(623)**	(9,344)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**14,302**	32,999
Represented by:			
Bank balances and cash	*25*	**14,302**	32,999

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 P.O. Box 10008, Willow House, Cricket Square, Grand Cayman KY1-1001, 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 42 and 22 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 2017, 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 2016. 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 Improvements to HKFRSs 2014-2016 Cycle[2]
HKAS 7 (Amendments)	Disclosure Initiative[1]
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealized Losses[1]
HKAS 40 (Amendments)	Transfers of Investment Property[3]
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions[3]
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[3]
HKFRS 9	Financial Instruments[3]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
HKFRS 15	Revenue from Contracts with Customers[3]
HKFRS 15	Clarification to HKFRS 15[3]
HKFRS 16	Leases[4]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[3]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[4]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate
3 Effective for annual periods beginning on or after 1 January 2018
4 Effective for annual periods beginning on or after 1 January 2019
5 Effective for annual periods beginning on or after a date to be determined

The above new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2017 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

2. APPLICATION OF NEW AND REVISED HKFRSs – continued

HKFRS 9 Financial Instruments

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

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognized financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Based on the Group's financial instruments and risk management policies as at 30 June 2017, application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale investments, including those currently stated at cost less impairment, will either be measured as fair value through profit or loss or be designated as FVTOCI (subject to fulfillment of the designation criteria). In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortized cost and irrevocable credit commitments.

2. APPLICATION OF NEW AND REVISED HKFRSs – continued

HKFRS 9 Financial Instruments – continued

The directors of the Company anticipate that the application of new hedging requirements may not have a material impact on the Group's current hedge designation and hedge accounting as most hedging instruments are expected to meet hedge designation and hedge effectiveness upon the application of new hedging requirements.

However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Group performs a detailed review.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces 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 the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have an impact on the amounts reported as the timing of revenue recognition and the allocation of total consideration to respective performance obligations based on relative fair values may be affected, and more disclosures relating to revenue is required. In addition, the application of HKFRS 15 in the future may result in more disclosures in the consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

2. APPLICATION OF NEW AND REVISED HKFRSs – continued

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognized for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows, respectively.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 30 June 2017, the Group has non-cancellable operating lease commitments of approximately HK$7,603,000 as disclosed in note 35. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognize a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the Group completes a detailed review.

Amendments to HKAS 7 Disclosure Initiative

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. Specifically, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

Except as described above, the directors of the Company do not anticipate that the application of these new and amendments to HKFRSs will have a material effect on the amounts recognized in the Group's consolidated financial statements in the future.

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$175.0 million for the year ended 30 June 2017, net current liabilities of approximately HK$73.6 million as at 30 June 2017 and the convertible bonds with principal amount of approximately HK$89.6 million due on 17 January 2018. 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.

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 2017.

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.

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 recognized 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 recognized 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.

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 recognized 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 recognized in profit or loss.

Any contingent consideration to be transferred by the Group is recognized 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 recognized 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 recognized 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 recognized 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.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Revenue recognition

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

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

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

Revenue from consulting services 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.

Property, plant and equipment held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Non-current assets and disposal groups held for sale

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

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

Inventories

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Leasing

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

The Group as lessor

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

The Group as lessee

Assets held under finance leases are initially recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss.

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

Leasehold land and buildings

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Intangible assets

Intangible assets acquired separately are capitalized at cost and those acquired from a business combination are capitalized at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets. Intangible assets, excluding development costs, created within the business are not capitalized and expenditure is charged against the profit or loss in the year in which the expenditure is incurred.

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

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

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

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

Computer software

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

Research and development expenditures

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

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

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

Service contracts

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

Intellectual property right

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

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Intangible assets – continued

LED deployment contract

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

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is the tax expected to be payable or recoverable on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries, associates and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Foreign currencies

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

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

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

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

Cash and cash equivalents

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

Provisions and contingent liabilities

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Employee benefits

(a) Retirement benefits schemes

The Group operates a defined contribution MPF Scheme under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated statement of profit or loss and other comprehensive income as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiary that operated in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute pension, based on a certain percentage of their payroll costs, to the pension schemes. The contributions are charged to consolidated statement of profit or loss and other comprehensive income as they become payable in accordance with the rules of the pension schemes.

(b) Share option schemes

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants who, in the sole discretion of the Board, have contributed or may contribute to the Group. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

(c) Share award scheme

The Group also grants employees and consultants (but not directors) shares of the Company at nil consideration under its share award scheme. Under the share award scheme, the awarded shares are newly issued at par value. The fair value of the employees' and consultants' services received in exchange for the grant of shares newly issued is recognized as staff costs in the consolidated statement of profit or loss and other comprehensive income with a corresponding increase in an employee share-based compensation reserve under equity.

Dividends

Dividends proposed or declared after the date of the reporting period is not recognized as a liability at the date of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Segment reporting

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

Equity-settled share-based payment transactions

Share options granted to directors, employees or other eligible participants of the Company

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity as share option reserve.

At each end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss over the remaining vesting period, with a corresponding adjustment to share option reserve.

At the time when the share options are exercised, the amount previously recognized in share option reserve will be transferred to share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognized in share option reserve will be transferred to retained earnings.

The financial impact of the share options granted and fully vested before 1 July 2005 is not recorded in the Company's or the Group's financial statements until such time as the options are exercised, and no charge is recognized in the consolidated statement of profit or loss and other comprehensive income in respect of the value of options granted in the year. Upon the exercise of the share options, the resulting share issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess 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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Related parties

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or a parent of the Group.

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

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

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

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

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

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

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

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

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

Financial instruments

Financial assets and financial liabilities are recognized in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial assets

The Group's financial assets are classified into loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognized on an effective interest basis for debt instruments (other than financial assets classified as FVTPL), of which interest income is included in net gains and losses.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each end of the reporting period subsequent to initial recognition, loans and receivables including trade and other receivables and prepayments and bank balances and cash are carried at amortized cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments. At each end of the reporting period subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognized in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognized in equity is removed from equity and recognized in consolidated statement of profit or loss and other comprehensive income.

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

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Impairment of financial assets

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

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

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

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

For trade receivables that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, an impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When the trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Impairment of financial assets – continued

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

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

Financial liabilities and equity instruments

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

Equity instruments

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

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

Effective interest method

The effective interest method is a method of calculating the amortized cost of financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognized on an effective interest basis.

Financial liabilities

Financial liabilities including trade payables, accruals and other payables, amount due to a director, obligation under finance leases and convertible bonds are subsequently measured at amortized cost, using the effective interest rate method.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Convertible bonds issued by the Company

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

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

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

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

Derivative financial instruments

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

Embedded derivatives

Derivatives embedded in non-derivative host contracts are separated from the relevant host contracts (the liability component) and deemed as held-for-trading when the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contracts, and the combined contracts are not measured at FVTPL. In all other circumstances, derivatives embedded are not separated and are accounted for together with the host contracts in accordance with appropriate standards. Where the Group needs to separate an embedded derivative but is unable to measure the embedded derivative, the combined contract is treated as held-for-trading.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Derecognition

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

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Depreciation of property, plant and equipment

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

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the CGU to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Where the actual cash flows are less than expected, a material impairment loss may arise. As at 30 June 2017, the carrying amount of goodwill is approximately HK$62,746,000 (30-6-2016: approximately HK$99,288,000) with impairment loss of approximately HK$36,542,000 (Year ended 30-6-2016: approximately of HK$84,967,000) was recognized in consolidated statement of profit or loss and other comprehensive income. Details of impairment test for goodwill are set out in note 19.

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

Income taxes

As at 30 June 2017, 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$104,496,000 (30-6-2016: approximately HK$87,696,000) 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 2017, amortization of intangible assets of approximately HK$3,604,000 (Year ended 30-6-2016: approximately HK$3,035,000) 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 2017, impairment loss on intangible assets of approximately HK$2,307,000 (Year ended 30-6-2016: approximately HK$745,000) 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 applies to doubtful receivables when events or changes in circumstances indicate that the balances may not be collectible. The identification of allowance requires the use of judgement and estimates. Where the expectation on the recoverability of trade and other receivables is different from the original estimate, such difference will impact the carrying value of trade and other receivables and doubtful debts expenses in the period which such estimate has been changed.

As at 30 June 2017, provisions for doubtful receivables of approximately HK$43,127,000 (Year ended 30-6-2016: approximately HK$46,465,000) was recognized in consolidated statement of profit or loss and other comprehensive income.

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 29, and equity attributable to equity holders of the Company, comprising issued share capital disclosed in note 31, reserves and accumulated losses as disclosed in consolidated statement of changes in equity. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issuance of new debt or the redemption of existing debt. The Group's overall strategy remains unchanged throughout the year.

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	30-6-2017 **HK$'000**	30-6-2016 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**47,856**	109,110
Financial liabilities		
Amortized cost	**122,034**	102,963

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 and obligation under finance leases. 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 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 credit risk on liquid funds is limited because the counterparties are authorized banks in the Hong Kong and the PRC.

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

Foreign currency risk

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

At the end of reporting date, the Group has convertible bonds 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	
	30-6-2017	30-6-2016	**30-6-2017**	30-6-2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
HK$	**75,978**	119,017	**112,023**	94,507
US$	**7**	7	**–**	–

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 2017 would have been increased/decreased by approximately HK$1,421,000 as a result of foreign exchange losses/gains on translation of transactions denominated in HK$ (Year ended 30-6-2016: increased/decreased loss by approximately HK$2,468,000).

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 29.

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

Interest rate risk – continued

Sensitivity analysis

At 30 June 2017, 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 30-6-2016: increase/decrease loss 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 2016.

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:

30-6-2017

	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	17,125	17,125	17,125	–	–	–
Obligation under finance leases	532	555	202	353	–	–
Amount due to a director	15,076	15,076	15,076	–	–	–
Convertible bonds	89,301	89,625	89,625	–	–	–
	122,034	122,381	122,028	353	–	–

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

Liquidity risk – continued

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	–	–	–
	102,963	109,154	109,154	–	–	–

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 services provided by the Group's operating divisions as follows:

(a) Provision of lottery-related services

(b) Others included catering services, consulting services and provision of internet plus solution services

Information regarding the above segments is reported below.

8. SEGMENT INFORMATION – continued

(a) Segment revenue and results

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

Year ended 30-6-2017

	Lottery-related services HK$'000	Others HK$'000	Total HK$'000
Segment revenue:			
Sales to external customers	**21,904**	**4,455**	**26,359**
Segment results	**(156,841)**	**(376)**	**(157,217)**
Unallocated income			**1,313**
Unallocated expenses			**(14,824)**
Share of result of joint ventures			**(31)**
Finance costs			**(13,316)**
Loss before tax			**(184,075)**
Income tax credit			**2,835**
Loss for the year			**(181,240)**

8. SEGMENT INFORMATION – continued

(a) Segment revenue and results – continued

Year ended 30-6-2016

	Lottery-related services HK$'000	Others HK$'000	Total HK$'000
Segment revenue:			
Sales to external customers	34,172	485	34,657
Segment results	(198,834)	(1,620)	(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)

8. SEGMENT INFORMATION – continued

(b) Segment assets and liabilities

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

30-6-2017

	Lottery-related services HK$'000	Others HK$'000	Total HK$'000
Assets			
Segment assets	131,307	2,220	133,527
Unallocated assets			536
Total assets			134,063
Liabilities			
Segment liabilities	29,195	1,571	30,766
Unallocated liabilities			3,403
Convertible bonds			89,301
Total liabilities			123,470

8. SEGMENT INFORMATION – continued

(b) Segment assets and liabilities – continued

30-6-2016

	Lottery-related services HK$'000	Others HK$'000	Total HK$'000
Assets			
Segment assets	228,750	2,399	231,149
Unallocated assets			28,162
Total assets			259,311
Liabilities			
Segment liabilities	17,932	583	18,515
Unallocated liabilities			7,881
Convertible bonds			83,434
Total liabilities			109,830

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

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

8. SEGMENT INFORMATION – continued

(c) Other segment information

Year ended 30-6-2017

	Lottery-related 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	**5,117**	**293**	**5,410**
Depreciation of property, plant and equipment	**5,440**	**419**	**5,859**
Impairment loss on goodwill	**36,542**	**–**	**36,542**
Impairment loss on intangible assets	**2,307**	**–**	**2,307**
Loss on disposal of property, plant and equipment	**863**	**–**	**863**
Provision for doubtful receivables	**31,676**	**–**	**31,676**
Written off of obsolete stocks	**601**	–	**601**
Written off of amount due from a related company	**1,671**	**–**	**1,671**
Impairment loss on interests in joint ventures	**14,927**	**–**	**14,927**
Amortization of intangible assets	**3,604**	**–**	**3,604**

Year ended 30-6-2016

	Lottery-related 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	61	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	821	46,465
Written off of other receivables	109	–	109
Amortization of intangible assets	3,035	–	3,035

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 30-6-2017 HK$'000	Year ended 30-6-2016 HK$'000
PRC	**26,359**	22,986
Hong Kong	**–**	11,671
	26,359	34,657

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	
	30-6-2017 HK$'000	30-6-2016 HK$'000	**30-6-2017 HK$'000**	30-6-2016 HK$'000
PRC	**58,023**	94,530	**4,583**	8,901
Hong Kong	**76,040**	164,781	**827**	11,103
	134,063	259,311	**5,410**	20,004

Revenue from major products and services

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

	Year ended 30-6-2017 HK$'000	Year ended 30-6-2016 HK$'000
Lottery-related services	**21,904**	34,172
Others	**4,455**	485
	26,359	34,657

8. SEGMENT INFORMATION – continued

(e) Information about major customers

Revenue from customers of the year ended 30 June 2017 contributing over 10% of the total sales of the Group is as follows:

	Year ended 30-6-2017 HK$'000
Customer A – Provision of lottery-related services	**13,928**
Customer B – Provision of lottery-related services	**4,011**
Customer C – Provision of lottery-related services	**2,766**

9. REVENUE AND OTHER INCOME

The principal activities of the Group are (i) provision of lottery-related services and (ii) others (including catering services, consulting services and provision of internet plus solution services).

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

	Year ended 30-6-2017 HK$'000	Year ended 30-6-2016 HK$'000
Revenue		
Provision of lottery-related services	**21,904**	34,172
Others	**4,455**	485
	26,359	34,657

9. REVENUE AND OTHER INCOME – continued

	Year ended 30-6-2017 HK$'000	Year ended 30-6-2016 HK$'000
Other income		
Interest income	**54**	817
Gain on dissolve of subsidiaries	**1,242**	122
Gain on change in fair value of contingent consideration	**–**	4,304
Cancellation of consideration to acquire a subsidiary	**–**	3,350
Rental income	**1,848**	60
Others	**810**	1,550
	3,954	10,203

10. IMPAIRMENT LOSS ON ASSETS

	Year ended 30-6-2017 HK$'000	Year ended 30-6-2016 HK$'000
Impairment loss on goodwill	**36,542**	84,967
Impairment loss on intangible assets	**2,307**	745
Impairment loss on interests in joint ventures	**14,927**	–
	53,776	85,712

11. FINANCE COSTS

	Year ended 30-6-2017 HK$'000	Year ended 30-6-2016 HK$'000
Interest on:		
– Interest on finance leases	**16**	–
– Convertible bonds	**13,300**	11,988
	13,316	11,988

12. LOSS BEFORE TAX

	Year ended 30-6-2017 HK$'000	Year ended 30-6-2016 HK$'000
Loss before tax has been arrived at after charging/(crediting):		
Staff costs (excluding Directors' emoluments *(note 13)*):		
– Wages and salaries	**33,036**	42,694
– Retirement benefits scheme contributions	**377**	440
– Equity-settled share-based payment	**987**	3,952
Total staff costs	**34,400**	47,086
Cost of inventories sold	**4,865**	3,113
Auditors' remuneration	**761**	1,050
Depreciation of property, plant and equipment:		
– Owned assets	**5,722**	4,478
– Asset held under finance leases	**137**	–
Donations	**–**	20
Amortization of intangible assets	**3,604**	3,035
Equity-settled share-based payment to other eligible participants	**7,420**	51
Loss on disposal of property, plant and equipment	**863**	204
Gain on dissolve of subsidiaries	**(1,242)**	(122)
Impairment loss on intangible assets	**2,307**	745
Impairment loss on goodwill	**36,542**	84,967
Impairment loss on interests in joint ventures	**14,927**	–
Minimum lease payments under operating leases:		
– Land and buildings	**7,638**	13,272
– Office equipment	**65**	50
Provision for doubtful receivables	**43,127**	46,465
Written-off of other receivables	**–**	109
Written-off of amount due from a related company	**1,671**	–
Written-off of obsolete stocks	**601**	–
Exchange losses, net	**2,068**	116

13. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

Emoluments paid or payables to each of the 7 Directors (Year ended 30-6-2016: 6) during the year were as follows:

For the year ended 30 June 2017

	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
Executive Directors					
CHEUNG Kwai Lan	240	6,558	–	–	6,798
CHAN Ting	240	3,058	18	–	3,316
Non-executive Director					
CHAN Tung Mei	120	360	–	–	480
Independent Non-executive Directors					
ZHANG Xiu Fu *(Note 2)*	76	–	–	–	76
YANG Qing Cai	120	–	–	–	120
TO Yan Ming Edmond	240	–	–	–	240
LIU Ta-pei *(Note 1)*	89	–	–	–	89
	1,125	9,976	18	–	11,119

Total Directors' emoluments for the year ended 30 June 2017 amounted to approximately HK$11,119,000 (Year ended 30-6-2016: approximately HK$12,148,000).

Note 1: LIU Ta-pei appointed as independent non-executive director on 17 February 2017.

Note 2: ZHANG Xiu Fu resigned as independent non-executive director on 17 February 2017.

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

(a) Directors' emoluments – continued

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

(b) Senior management's emoluments

The 5 individuals (Year ended 30-6-2016: 5) whose emoluments were the highest in the Group for the year include 2 directors (Year ended 30-6-2016: 2) whose emoluments are set out in the above. The emoluments payable to the remaining 3 (Year ended 30-6-2016: 3) individuals during the year as follows:

	Year ended 30-6-2017 HK$'000	Year ended 30-6-2016 HK$'000
Salaries, allowances and other benefits	**3,996**	6,240
Equity-settled share-based payment	**–**	473
Contributions to retirement benefits scheme	**54**	53
	4,050	6,766

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

(b) Senior management's emoluments – continued

The emoluments fell with the following bands:

	No. of individuals Year ended 30-6-2017	No. of individuals Year ended 30-6-2016
Emoluments bands:		
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	2
Nil – HK$1,000,000	1	–

During the year ended 30 June 2017, no emoluments have been paid by the Group to the 2 directors (Year ended 30-6-2016: 2) or the 3 (Year ended 30-6-2016: 3) highest paid individuals as an inducement to join the Group or as compensation for loss of office.

14. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 30-6-2017 HK$'000	Year ended 30-6-2016 HK$'000
Wages and salaries	44,137	54,546
Retirement benefits scheme contributions	395	457
Equity-settled share-based payment	987	4,231
Total staff costs	45,519	59,234

15. INCOME TAX CREDIT

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

	Year ended 30-6-2017 HK$'000	Year ended 30-6-2016 HK$'000
Over provision in prior years		
– Hong Kong Profits Tax	**20**	–
– Other jurisdiction	**595**	182
	615	182
Deferred tax	**2,220**	1,386
Income tax credit for the year	**2,835**	1,568

Hong Kong Profits Tax has been provided at 16.5% (30-6-2016: 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.

15. INCOME TAX CREDIT – continued

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

	Year ended 30-6-2017 HK$'000	Year ended 30-6-2016 HK$'000
Loss before tax	**(184,075)**	(215,410)
Tax at the Hong Kong Profits Tax rate	**30,372**	35,542
Tax concession	**271**	549
Tax effect of expenses that are not deductible for tax purposes	**(23,858)**	(25,894)
Tax effect of income that is not taxable for tax purposes	**906**	1,862
Tax effect of tax losses not recognized	**(5,548)**	(10,700)
Tax effect of utilization of tax losses previously not recognized	**–**	108
Tax effect on profits or losses attributable to a joint venture	**(5)**	(81)
Others	**82**	–
Tax effect of over provision in prior years	**615**	182
Income tax credit	**2,835**	1,568

Notes:

(a) The applicable tax rate for Hong Kong is 16.5% (Year ended 30-6-2016: 16.5%) and applicable tax rate in the PRC is 25% (Year ended 30-6-2016: 25%).

(b) The share of tax attributable to joint ventures amounting to approximately HK$5,000 (Year ended 30-6-2016: approximately HK$81,000) 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$104,496,000 (30-6-2016: approximately HK$87,696,000) available for offset against future profits. No deferred tax asset has been recognized in respect of the unused tax losses due to the unpredictability of future profits streams. Deductible temporary differences have not been recognized in these financial statements owing to the absence of objective evidence in respect of the availability of sufficient taxable profits that are expected to arise to offset against the deductible temporary differences. Included in unused estimated tax losses are losses of approximately HK$33,440,000 (30-6-2016: approximately HK$29,521,000) that will expire within 1 to 5 years from the year origination. Other losses may be carried forward indefinitely.

15. INCOME TAX CREDIT – continued

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

	Year ended 30-6-2017 HK$'000	Year ended 30-6-2016 HK$'000
Deductible temporary differences:		
Unutilized tax losses	**104,496**	87,696
Other	**9,585**	26,278
Accelerated tax allowances	**343**	–
Taxable temporary differences:		
Accelerated tax allowances	**–**	(300)
	114,424	113,674

16. DIVIDENDS

No dividend was paid or proposed during the year ended 30 June 2017, nor has any dividend been proposed since the end of reporting date (Year ended 30-6-2016: Nil).

17. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

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

	Year ended 30-6-2017 HK$'000	Year ended 30-6-2016 HK$'000
Loss for the year attributable to the equity holders of the Company	**(175,027)**	(206,778)
Number of shares	**'000**	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	**3,243,380**	3,216,595
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**3,585,540**	3,507,280

For the year ended 30 June 2017 and 30 June 2016, outstanding convertible bonds and share options of the Company are anti-dilutive since their exercise or concession would result in a decrease in loss per share.

18. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Furniture, fixtures and equipment HK$'000	Plant and machinery HK$'000	Leasehold improvement HK$'000	Motor vehicles HK$'000	Computer equipment HK$'000	Total HK$'000
COST							
At 1 July 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)
At 30 June 2016 and 1 July 2016	1,319	8,480	8,282	4,982	6,300	13,864	43,227
Additions	–	94	–	505	820	3,991	5,410
Disposal	(1,301)	(1,780)	(1,935)	(269)	(2,144)	(472)	(7,901)
Exchange realignment	(18)	(112)	(112)	(40)	(55)	(175)	(512)
At 30 June 2017	–	6,682	6,235	5,178	4,921	17,208	40,224
ACCUMULATED DEPRECIATION							
At 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)
At 30 June 2016 and 1 July 2016	401	5,949	7,920	1,868	4,231	6,788	27,157
Charged for the year	40	694	249	1,059	607	3,210	5,859
Eliminated on disposal	(436)	(1,452)	(1,917)	(70)	(1,744)	(155)	(5,774)
Exchange realignment	(5)	(72)	(105)	(1)	(40)	(55)	(278)
At 30 June 2017	–	5,119	6,147	2,856	3,054	9,788	26,964
CARRYING VALUES							
At 30 June 2017	**–**	**1,563**	**88**	**2,322**	**1,867**	**7,420**	**13,260**
At 30 June 2016	918	2,531	362	3,114	2,069	7,076	16,070

18. PROPERTY, PLANT AND EQUIPMENT – continued

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

At 30 June 2017, the carrying value of the Group's property, plant and equipment approximately of HK$683,000 was held under finance leases (30-6-2016: Nil).

19. GOODWILL

	Lottery-related services HK$'000
COST	
At 1 July 2015	174,050
Acquisition of subsidiaries	10,205
At 30 June 2016, 1 July 2016 and 30 June 2017	**184,255**
IMPAIRMENT	
At 1 July 2015	–
Impairment loss recognized for the year	84,967
At 30 June 2016 and 1 July 2016	84,967
Impairment loss recognized for the year	36,542
At 30 June 2017	**121,509**
CARRYING VALUES	
At 30 June 2017	**62,746**
At 30 June 2016	99,288

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 2017, the Group recognized an impairment loss of approximately HK$36,542,000 (Year ended 30-6-2016: HK$84,967,000) in relation to goodwill arising on lottery-related services business.

19. 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 5% (Year ended 30-6-2016: 15%) 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 10% (Year ended 30-6-2016: 15%).

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

20. 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
COST						
At 1 July 2015	268	5,982	9,513	6,253	3,877	25,893
Acquisition of a subsidiary	–	110	–	–	–	110
Exchange realignment	(17)	(398)	(635)	(418)	(259)	(1,727)
At 30 June 2016 and at 1 July 2016	251	5,694	8,878	5,835	3,618	24,276
Disposal	–	(2,447)	–	–	–	(2,447)
Exchange realignment	(3)	(77)	(121)	(79)	(49)	(329)
At 30 June 2017	248	3,170	8,757	5,756	3,569	21,500
AMORTIZATION						
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)
At 30 June 2016 and at 1 July 2016	–	5,589	1,871	1,167	–	8,627
Charged for the year	–	22	1,735	1,140	707	3,604
Eliminated on disposal	–	(2,447)	–	–	–	(2,447)
Exchange realignment	–	(76)	(9)	(5)	(3)	(93)
At 30 June 2017	–	3,088	3,597	2,302	704	9,691
IMPAIRMENT						
At 1 July 2015	268	–	–	–	–	268
Impairment loss recognized for the year	–	–	–	–	745	745
Exchange realignment	(17)	–	–	–	(21)	(38)
At 30 June 2016 and at 1 July 2016	251	–	–	–	724	975
Impairment loss recognized for the year	–	–	186	–	2,121	2,307
Exchange realignment	(3)	–	1	–	20	18
At 30 June 2017	248	–	187	–	2,865	3,300
CARRYING VALUES						
At 30 June 2017	**–**	**82**	**4,973**	**3,454**	–	**8,509**
At 30 June 2016	–	105	7,007	4,668	2,894	14,674

Impairment loss was recognized for the year ended 30-6-2017 was approximately of HK$2,307,000 (Year ended 30-6-2016: approximately of HK$745,000).

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Listed investment HK$'000	Unlisted investment HK$'000	Total HK$'000
COST			
At 1 July 2015, 30 June 2016, 1 July 2016 and 30 June 2017	3	63,780	63,783
IMPAIRMENT			
At 1 July 2015, 30 June 2016, 1 July 2016 and 30 June 2017	3	63,780	63,783
CARRYING VALUES			
At 30 June 2017	–	–	–
At 30 June 2016	–	–	–
	(Note a)	*(Note b)*	

(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.

22. INTERESTS IN JOINT VENTURES

	30-6-2017	30-6-2016
	HK$'000	HK$'000
Investment cost	**47,860**	47,860
Share of net assets of joint ventures	**(39,457)**	(39,426)
	8,403	8,434
Amount due from joint ventures	**6,586**	6,676
Impairment loss	**(14,927)**	–
Exchange realignment	**(62)**	–
	–	15,110

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 2017 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

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

22. 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.

	30-6-2017 HK$'000	30-6-2016 HK$'000
Current assets	**51,230**	52,101
Non-current assets	**1,164**	1,120
Current liabilities	**(14,021)**	(14,273)
Translation reserve	**(16,648)**	(23,221)
Other reserve	**(4,575)**	1,486
	17,150	17,213
Reconciled to the Group's interests in the joint venture		
Gross amounts of the joint venture's net assets	**17,150**	17,213
Group's effective interest	**49%**	49%
Group's share of the joint ventures' net assets	**8,403**	8,434

	Year ended 30-6-2017 HK$'000	Year ended 30-6-2016 HK$'000
Revenue	**40**	2,590
Expenses	**(155)**	(4,018)
Non-controlling interests	**52**	429
Loss for the year	**(63)**	(999)
Group's share of loss at 49%	**(31)**	(490)

23. INVENTORIES

	30-6-2017 HK$'000	30-6-2016 HK$'000
Raw materials and consumables	**67**	223
Finished goods	**1,625**	4,836
	1,692	5,059

All inventories are stated at cost.

24. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	30-6-2017 HK$'000	30-6-2016 HK$'000
Trade receivables	**82,195**	78,714
Other receivables and prepayments	**40,572**	43,936
	122,767	122,650
Less: Provision for doubtful receivables	**(89,213)**	(46,539)
	33,554	76,111

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:

	30-6-2017 HK$'000	30-6-2016 HK$'000
0 to 30 days	**4,919**	3,077
31 to 60 days	**1,314**	13,788
61 to 180 days	**5,993**	13,164
181 to 365 days	**339**	34,918
Over 1 year	**69,630**	13,767
	82,195	78,714

The trade receivables with carrying amount of approximately HK$3,187,000 (30-6-2016: approximately HK$5,321,000) 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 2017, the Group made an allowance of approximately HK$43,127,000 (Year ended 30-6-2016: approximately HK$46,465,000) in respect of trade and other receivables and prepayments, 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:

	30-6-2017 HK$'000	30-6-2016 HK$'000
Balance at the beginning of the year	**46,539**	74
Additions for the year	**43,127**	46,465
Exchange realignment	**(453)**	–
Balance at the end of the year	**89,213**	46,539

24. 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$11,779,000 (30-6-2016: approximately HK$33,319,000) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amount are still considered recoverable. The Group does not hold any collateral over these balances. The aging of these overdue trade receivables but not impaired is as follows:

	30-6-2017 **HK$'000**	30-6-2016 HK$'000
0 to 30 days	**1,335**	1,359
31 to 60 days	**1,314**	1,308
61 to 180 days	**5,994**	2,115
181 to 365 days	**340**	11,811
Over 1 year	**2,796**	16,726
	11,779	33,319

The fair value of the Group's trade receivables as at 30 June 2017 approximates to the corresponding carrying amount.

Other receivables, deposits and prepayments included the following:

(a) Amounts due from subsidiaries of a joint venture of Nil (30-6-2016: approximately HK$1,117,000). The amounts are unsecured, interest free and have no fixed repayment terms.

(b) Amounts due from related companies of approximately HK$1,762,000 (30-6-2016: approximately HK$351,000). The amounts are unsecured, interest free and have no fixed repayment terms.

25. BANK BALANCES AND CASH

	30-6-2017 HK$'000	30-6-2016 HK$'000
Cash and bank deposits denominated in:		
Hong Kong dollar	**9,724**	17,440
Renminbi	**4,571**	15,552
United States dollar	**7**	7
	14,302	32,999

Included in the bank balances were approximately HK$4,464,000 (30-6-2016: approximately HK$15,468,000), 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.

26. TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES

	30-6-2017 HK$'000	30-6-2016 HK$'000
Trade payables	**1,106**	136
Accruals and other payables	**16,019**	18,661
	17,125	18,797

An aged analysis of the Group's trade payables at the end of the reporting period, based on the date of goods and services received, is as follows:

	30-6-2017 HK$'000	30-6-2016 HK$'000
0 to 30 days	**921**	–
31 to 120 days	**–**	–
121 to 180 days	**–**	–
181 to 365 days	**50**	–
Over 1 year	**135**	136
	1,106	136

The fair value of the Group's trade payables, accruals and other payables as at 30 June 2017 approximates to the corresponding carrying amount.

Included in trade payables, accruals and other payables, there was consideration payable of approximately HK$2,080,000 (30-6-2016: approximately HK$4,701,000) arisen from acquisition of subsidiaries in previous year.

27. AMOUNT DUE TO A DIRECTOR

	30-6-2017 HK$'000	30-6-2016 HK$'000
CHEUNG Kwai Lan	**15,076**	732

Amount due to a director is unsecured, interest free and has no fixed repayment term.

28. OBLIGATION UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	30-6-2017 HK$'000	30-6-2016 HK$'000	**30-6-2017 HK$'000**	30-6-2016 HK$'000
Within one year	**202**	–	**188**	–
In the second to fifth year inclusive	**353**	–	**344**	–
	555	–		
Less: future finance charges	**(23)**	–		
Present value of lease obligation	**532**	–	**532**	–
Less: amount due within one year shown under current liabilities			**(188)**	–
Amount due after one year			**344**	–

29. CONVERTIBLE BONDS

(a) 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.

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".

29. CONVERTIBLE BONDS – continued

(a) 2% Coupon Bonds Due 2017 – continued

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%

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

	30-6-2017 HK$'000	30-6-2016 HK$'000
Nominal value of convertible bonds issued	**89,625**	89,625
Equity component	**(28,963)**	(28,963)
Liability component	**60,662**	60,662
Imputed finance costs	**34,340**	27,162
Interest paid and payable	**(5,377)**	(4,390)
Deemed to be settled by amendment of terms	**(89,625)**	–
Carrying amount	**–**	83,434

(b) 8% Coupon Bonds Due 2017

On 18 January 2017, the Company entered into an amendment agreement with the bondholder to amend certain terms and conditions of 2% coupon bonds. The conversion price shall be amended to HK$0.359 per share and it can be converted into for the maximum of 249,651,810 shares. The maturity date shall be extended to 17 July 2017 and a further six months extension to 17 January 2018 upon a written consent from the bondholder. As at the reporting date, the Company has received a written consent for the further extension. The interest rate shall be increased to 8% per annum and paid semi-annually from the date of the amendment agreement.

The convertible bonds contain liability and equity components. The effective interest rate of the liability component is 16.32% per annum. The equity component is presented under the equity heading of "convertible bonds reserve".

29. CONVERTIBLE BONDS – continued

(b) 8% Coupon Bonds Due 2017 – continued

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:	8% per annum
(c)	Maturity date:	17 July 2017
(d)	Conversion price:	HK$0.359
(e)	Risk-free rate:	0.771%
(f)	Expected volatility:	89.30%
(g)	Expected dividend yield:	0%

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

	30-6-2017 HK$'000	30-6-2016 HK$'000
Nominal value of convertible bonds issued	**89,625**	–
Equity component	**(3,200)**	–
Liability component	**86,425**	–
Imputed finance costs	**6,122**	–
Interest paid and payable	**(3,246)**	–
Carrying amount	**89,301**	–

30. DEFERRED TAX LIABILITIES

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

	30-6-2017 HK$'000	30-6-2016 HK$'000
Balance at the beginning of the year	**1,746**	3,132
Deferred tax recognized directly in convertible bonds reserve	**528**	–
Deferred tax credited to consolidated statement of profit or loss and other comprehensive income	**(2,220)**	(1,386)
Balance at the end of the year	**54**	1,746

Deferred tax liabilities are to be recovered and settled within 12 months.

31. SHARE CAPITAL

	Number of shares '000	HK$'000
Authorized:		
At 1 July 2015, 30 June 2016, 1 July 2016 and 30 June 2017, ordinary shares of HK$0.0125 each	16,000,000	200,000
Issued and fully paid:		
At 1 July 2015, ordinary shares of HK$0.0125 each	3,207,765	40,097
Shares issued upon exercise of share options *(Note a)*	19,300	241
At 30 June 2016 and 1 July 2016, ordinary shares of HK$0.0125 each	3,227,065	40,338
Shares issued upon exercise of share options *(Note b)*	63,790	797
At 30 June 2017, ordinary shares of HK$0.0125 each	3,290,855	41,135

Notes:

(a) For the year ended 30 June 2016, an aggregate of 19,300,000 shares were issued upon exercise of share options.

(b) For the year ended 30 June 2017, an aggregate of 63,790,000 shares were issued upon exercise of share options.

32. 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 2017, Nil share option (Year ended 30-6-2016: 24,220,000 shares) were granted by the Company, a total of 90,810,000 (Year ended 30-6-2016: 6,785,000) share options were lapsed, 63,790,000 (Year ended 30-6-2016: 19,300,000) share options were exercised and there were 65,120,000 share options outstanding as at 30 June 2017 (Year ended 30-6-2016: 219,720,000). 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 2017

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

32. SHARE-BASED PAYMENT TRANSACTION – continued

Share Option Scheme – continued

Year ended 30 June 2017

Grantee	Grant date	Exercise price HK$ *(Note 1)*	Exercisable period	Balance as at 1 July 2016 *(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 2017
				Number of Share Options					
Independent Non-Executive Directors									
Mr. ZHANG Xiu Fu	10/12/2013	0.438	01/04/2014 – 31/03/2017	600,000	–	–	–	(600,000)	–
(resigned on	10/12/2013	0.438	01/01/2015 – 31/03/2017	600,000	–	–	–	(600,000)	–
17 February 2017)	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	125,000	–	–	–	(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	1,342,000	–	(1,318,000)	–	(24,000)	–
	10/12/2013	0.438	01/01/2015 – 31/03/2017	2,578,000	–	(2,430,000)	–	(148,000)	–
	10/12/2013	0.438	01/01/2016 – 31/03/2017	9,900,000	–	(8,282,000)	–	(1,618,000)	–
	10/12/2013	0.438	01/04/2014 – 31/03/2017	10,760,000	–	(3,000,000)	–	(7,760,000)	–
	10/12/2013	0.438	01/04/2015 – 31/03/2017	10,800,000	–	(3,000,000)	–	(7,800,000)	–
	10/12/2013	0.438	01/07/2014 – 31/03/2017	46,000,000	–	(24,000,000)	–	(22,000,000)	–
	10/12/2013	0.438	01/07/2015 – 31/03/2017	48,155,000	–	(16,000,000)	–	(32,155,000)	–
	21/07/2015	1.280	01/07/2016 – 30/06/2019	1,266,000	–	–	–	(726,000)	540,000
	21/07/2015	1.280	01/01/2017 – 30/06/2019	1,266,000	–	–	–	(726,000)	540,000
	21/07/2015	1.280	01/01/2018 – 30/06/2019	1,688,000	–	–	–	(968,000)	720,000
			Sub-total	146,040,000	–	(63,790,000)	–	(80,450,000)	1,800,000
Other Eligible Participants *(Note 2)*	13/06/2014	0.952	01/07/2015 – 30/06/2018	4,044,000	–	–	–	(3,108,000)	936,000
	13/06/2014	0.952	01/07/2016 – 30/06/2018	4,044,000	–	–	–	(3,108,000)	936,000
	13/06/2014	0.952	01/07/2017 – 30/06/2018	5,392,000	–	–	–	(4,144,000)	1,248,000
	13/06/2014	0.952	01/07/2015 – 30/06/2018	20,100,000	–	–	–	–	20,100,000
	13/06/2014	0.952	01/07/2016 – 30/06/2018	20,100,000	–	–	–	–	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	73,680,000	–	–	–	(10,360,000)	63,320,000
			Total	**219,720,000**	**–**	**(63,790,000)**	**–**	**(90,810,000)**	**65,120,000**

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.

32. SHARE-BASED PAYMENT TRANSACTION – continued

Share Option Scheme – continued

Year ended 30 June 2016

				Number of Share Options					
Grantee	Grant date	Exercise price HK$ *(Note 1)*	Exercisable period	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
Executive Directors									
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
Non-Executive Directors									
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

32. SHARE-BASED PAYMENT TRANSACTION – continued

Share Option Scheme – continued

Year ended 30 June 2016

Grantee	Grant date	Exercise price HK$ *(Note 1)*	Exercisable period	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
				Number of Share Options					
Independent Non-Executive Directors									
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
			Total	**221,585,000**	**24,220,000**	**(19,300,000)**	**–**	**(6,785,000)**	**219,720,000**

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.

32. SHARE-BASED PAYMENT TRANSACTION – continued

Share Option Scheme – continued

At 30 June 2017, the number of shares in respect of which options had been granted and remained outstanding under the scheme was 1.98% (30-6-2016: 6.81%) of the shares of the Company in issue at that date.

The maximum number of shares issued and to be issued on the exercise of options granted and to be granted to each eligible participant (included both exercised and outstanding options) in any 12 month period must not exceed 1% of the total issued share capital of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to Shareholder's approval in a general meeting.

Share options do not confer rights on the holders to dividends or to vote at Shareholders' meetings. The Group recognized the total expenses of approximately HK$8,407,000 for the year ended 30 June 2017 (Year ended 30-6-2016: approximately HK$4,282,000) 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.

33. 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)
	5,177	–	5,177
Goodwill arising on acquisition			10,205
Total consideration (RMB13,000,000)			15,382
Satisfied by:			
Cash consideration			15,382
Net cash outflow arising on acquisition:			
Cash consideration			(15,382)
Bank balances and cash acquired			616
			(14,766)

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

(b) Major non-cash transactions

During the year, the Group incurred imputed interest on convertible bonds of approximately HK$13,300,000 (Year ended 30-6-2016: approximately HK$11,988,000).

During the year, the Group incurred share-based payment expenses for the share option granted of approximately HK$8,407,000 (Year ended 30-6-2016: approximately HK$4,282,000).

34. CONTINGENT LIABILITIES

The Group and the Company did not have significant contingent liabilities as at 30 June 2017 (30-6-2016: Nil).

35. OPERATING LEASE COMMITMENTS

The Group as lessee

As at 30 June 2017, the Group had commitments for future minimum lease payments in respect of rented premises under non-cancellable operating leases which fall due as follows:

	30-6-2017 **HK$'000**	30-6-2016 HK$'000
Within one year	**5,841**	7,367
In the second to fifth years inclusive	**1,762**	8,903
	7,603	16,270

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 2017, the Group had commitments for future minimum lease arrangement in respect of rented premises under non-cancellable operating leases which fall due as follows:

	30-6-2017 **HK$'000**	30-6-2016 HK$'000
Within one year	**2,095**	19
In the second to fifth years inclusive	**2,372**	–
	4,467	19

36. CAPITAL COMMITMENTS

	30-6-2017 HK$'000	30-6-2016 HK$'000
Capital expenditure in respect of acquisition of equity interest in subsidiaries	**40,561**	38,505
Capital expenditure in respect of investment in joint ventures	**10,971**	–
	51,532	38,505

37. 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$395,000 (Year ended 30-6-2016: approximately HK$457,000) 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.

38. 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 2017 (30-6-2016: Nil).

39. PLEDGE OF ASSETS

No asset of the Group was pledged as securities to any third parties as at 30 June 2017 (30-6-2016: Nil).

40. 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 2017 (Year ended 30-6-2016: 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.

41. RELATED PARTY TRANSACTIONS

(a) Transaction with Connected or related parties

	Year ended 30-6-2017 HK$'000	Year ended 30-6-2016 HK$'000
Consultancy income (refund)/received from a related party	**–**	(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$15,076,000 (30-6-2016: approximately HK$732,000) is unsecured, interest free and has no fixed repayment term.

(b) Amounts due from related companies of approximately HK$1,762,000 (30-6-2016: approximately HK$351,000. The amounts are unsecured, interest free and have no fixed repayment terms.

(c) Amounts due from subsidiaries of a joint venture of Nil (30-6-2016: approximately HK$1,117,000). The amounts are unsecured, interest free and have no fixed repayment terms.

41. RELATED PARTY TRANSACTIONS – continued

(c) Compensation of directors and key management personnel

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

	Year ended 30-6-2017 HK$'000	Year ended 30-6-2016 HK$'000
Short term benefits	**16,849**	20,732
Post-employment benefits	**105**	123
Equity-settled share-based payment	**–**	963
	16,954	21,818

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

Particulars of the Company's principal subsidiaries as at 30 June 2017 are as follows:

Name	Place of incorporation and operation	Nominal value of issued and paid-up share	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Ace Bingo Group Limited	BVI	Ordinary share US$1	–	100%	Investment holding
安徽奧彩信息科技有限公司 # (Anhui Ao Cai Information Technology Limited†)	PRC	Registered capital RMB22,000,000	–	51%	Provision of lottery-related services
安徽奧盈信息科技有限公司 # (Anhui Ao Ying Information Technology Limited†)	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

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

Particulars of the Company's principal subsidiaries as at 30 June 2017 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 Direct	Indirect	Principal activities
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

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

Particulars of the Company's principal subsidiaries as at 30 June 2017 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 Direct	Indirect	Principal activities
黑龍江省博眾信息技術有限公司 # (Heilongjiang Bozone IT Co. Limited†)	PRC	Registered capital RMB500,000	–	65%	Provision of lottery-related hardware and software systems
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

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

Particulars of the Company's principal subsidiaries as at 30 June 2017 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 Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Rain International Company Limited	Hong Kong	Ordinary shares HK$1,000,000	–	100%	Distribution of natural supplementary products
深圳市博眾信息技術有限公司 # (Shenzhen Bozone IT Co. Limited†)	PRC	Registered capital 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†)	PRC	Registered capital RMB1,000,000	–	100%	Provision of lottery-related hardware and software systems
深圳市龍雲企業管理諮詢有限公司 # (Shenzhen Longyun Consultancy Company Limited†)	PRC	Registered capital RMB100,000	–	100%	Investment holding
深圳生港餐飲管理有限公司 # (Shenzhen Sheng-Gang Catering Investment Limited†)	PRC	Registered capital RMB100,000	–	100%	Food and catering services
深圳生港科技有限公司 # (Shenzhen Sheng-Gang Technology Co. Limited†)	PRC	Registered capital US$6,809,751	100%	–	Investment holding
四川嘉明文化有限責任公司 # (Sichuan Jia Ming Culture Limited†)	PRC	Registered capital RMB2,000,000	–	100%	Provision of lottery-related services
山東光彩信息科技有限公司 # (Shandong Guang Cai Information Technology Limited†)	PRC	Registered capital RMB3,000,000	–	51%	Provision of lottery-related hardware and software systems

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

Particulars of the Company's principal subsidiaries as at 30 June 2017 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 Direct	Indirect	Principal activities
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 30-6-2017	30-6-2016
Provision of lottery-related services	PRC	**11**	11

Principal activity	Place of incorporation and operation	Number of wholly owned subsidiaries 30-6-2017	30-6-2016
Provision of lottery-related services	PRC	**6**	6

42. 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	
		30-6-2017	30-6-2016	**30-6-2017**	30-6-2016	**30-6-2017**	30-6-2016
				HK$'000	HK$'000	**HK$'000**	HK$'000
Anhui Ao Cai Information Technology Limited	PRC	**49%**	49%	**(3,253)**	(3,559)	**6,577**	5,380
Caimi (Beijing) Science and Technology Co., Ltd.	PRC	**49.21%**	49.21%	**(2,867)**	(1,545)	**506**	3,446
Individual immaterial subsidiaries with non-controlling interests				**(93)**	(1,960)	**4,156**	4,314
Total				**(6,213)**	(7,064)	**11,239**	13,140

42. 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

	30-6-2017 HK$'000	30-6-2016 HK$'000
Non-current assets	**7,583**	6,831
Current assets	**29,833**	17,040
Current liabilities	**(41,141)**	(25,289)
Non-current liabilities	**–**	–
Equity attributable to equity holders of the Company	**(10,302)**	(6,798)
Non-controlling interests	**6,577**	5,380

	Year ended 30-6-2017 HK$'000	Year ended 30-6-2016 HK$'000
Revenue	**2,034**	1,776
Expenses	**(8,779)**	(9,040)
Loss for the year	**(6,745)**	(7,264)
Loss attributable to equity holders of the Company	**(3,492)**	(3,705)
Loss attributable to non-controlling interests	**(3,253)**	(3,559)
	(6,745)	(7,264)
Net cash outflows from operating activities	**(3,150)**	(3,130)
Net cash outflows from investing activities	**(5,111)**	(305)
Net cash inflows from financing activities	**9,182**	–
Net cash inflows/(outflows)	**921**	(3,435)

42. 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.

	30-6-2017 HK$'000	30-6-2016 HK$'000
Non-current assets	**–**	407
Current assets	**2,432**	7,767
Current liabilities	**(1,405)**	(1,171)
Non-current liabilities	**–**	–
Equity attributable to equity holders of the Company	**521**	3,557
Non-controlling interests	**506**	3,446

	Year ended 30-6-2017 HK$'000	31-1-2016 to 30-6-2016 HK$'000
Revenue	**1,479**	9
Expenses	**(7,304)**	(3,149)
Loss for the year/period	**(5,825)**	(3,140)
Loss attributable to equity holders of the Company	**(2,958)**	(1,595)
Loss attributable to non-controlling interests	**(2,867)**	(1,545)
	(5,825)	(3,140)
Net cash outflows from operating activities	**(4,252)**	(9,179)
Net cash (outflows)/inflows from investing activities	**(156)**	8
Net cash (outflows)/inflows from financing activities	**(1,560)**	15,172
Net cash (outflows)/inflows	**(5,968)**	6,001

43. SUMMARIZED STATEMENTS OF FINANCIAL INFORMATION OF THE COMPANY

(a) Statement of Financial Position

	30-6-2017 HK$'000	30-6-2016 HK$'000
Property, plant and equipment	**1,841**	2,270
Intangible assets	**82**	104
Interests in subsidiaries	**113,305**	131,994
Trade and other receivables and prepayments	**1,296**	14,127
Bank balances and cash	**9,422**	17,258
Trade and other payables	**(18,570)**	(17,755)
Amount due to a director	**(13,745)**	(1,082)
Taxation	**–**	(3,102)
Obligation under finance leases	**(532)**	–
Convertible bonds	**(89,301)**	(83,434)
Deferred tax liabilities	**(54)**	(1,746)
Net assets	**3,744**	58,634
Share capital	**41,135**	40,338
Reserves	**(37,391)**	18,296
Total equity	**3,744**	58,634

43. 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 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 expenses for the year	–	–	–	–	–	–	–	(96,253)	(96,253)
At 30 June 2016 and 1 July 2016	40,338	2,442,537	1,484	35,572	10,056	24,184	2,569	(2,498,106)	58,634
Recognition of equity-settled share-based payments	–	–	–	–	8,407	–	–	–	8,407
Amendments to the terms of convertible bonds	–	–	–	–	–	(20,984)	–	24,184	3,200
Deferred tax liabilities arising from amendments to the terms of convertible bonds	–	–	–	–	–	(528)	–	–	(528)
Share options lapsed	–	–	–	–	(6,224)	–	–	–	(6,224)
Shares issued upon exercise of share options	797	37,835	–	–	(10,692)	–	–	–	27,940
Total comprehensive expenses for the year	–	–	–	–	–	–	–	(87,685)	(87,685)
At 30 June 2017	41,135	2,480,372	1,484	35,572	1,547	2,672	2,569	(2,561,607)	3,744

44. EVENTS AFTER REPORTING PERIOD

On 5 July 2017, the Board proposed to change the English name of the Company from "China Vanguard Group Limited" to "China Vanguard You Champion Holdings Limited" and to change its dual foreign name in Chinese from "眾彩科技股份有限公司" to "眾彩羽翔股份有限公司". The special resolution was duly passed by the shareholders by way of poll at the extraordinary general meeting on 14 August 2017. The change of Company Name becomes effective on 25 August 2017.

45. COMPARATIVE FIGURERS

The following comparative figures have been reclassified to conform with current year's presentation:

(a) Impairment loss on intangible assets approximately HK$745,000 was reclassified from administrative and operating expenses to impairment loss on assets.

(b) Business segment of land and property development, trading and consulting services was grouped to others.

FIVE-YEAR FINANCIAL SUMMARY

For the year ended 30 June 2017

RESULTS

	For the year ended 30 June				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000 (Restated)	HK$'000 (Restated)
Revenue	**26,359**	34,657	123,736	95,786	39,098
Cost of sales	**(4,865)**	(3,113)	(5,950)	(5,980)	(4,597)
Gross profit	**21,494**	31,544	117,786	89,806	34,501
Other income	**3,954**	10,203	3,876	10,451	1,090
Selling and distribution expenses	**(6,837)**	(6,276)	(5,246)	(1,268)	(690)
Administrative and operating expenses	**(92,436)**	(106,226)	(89,283)	(67,171)	(69,824)
Provision for doubtful receivables	**(43,127)**	(46,465)	–	–	–
Impairment loss on assets	**(53,776)**	(85,712)	–	–	–
Gain on disposal of subsidiaries and associates	**–**	–	4,665	–	–
Finance costs	**(13,316)**	(11,988)	(10,720)	(9,753)	(10,123)
Share of result of joint ventures	**(31)**	(490)	(905)	(2,881)	3,250
(Loss)/profit before tax	**(184,075)**	(215,410)	20,173	19,184	(41,796)
Income tax credit/(expenses)	**2,835**	1,568	(2,329)	(6,038)	(672)
(Loss)/profit for the year	**(181,240)**	(213,842)	17,844	13,146	(42,468)

ASSETS AND LIABILITIES

	30-6-2017	30-6-2016	30-6-2015	30-6-2014	30-6-2013
	HK$'000	HK$'000	HK$'000	HK$'000 (Restated)	HK$'000 (Restated)
Total assets	**134,063**	259,311	467,296	436,478	192,985
Total liabilities	**(123,470)**	(109,830)	(109,345)	(98,984)	(148,094)
Net assets	**10,593**	149,481	357,951	337,494	44,891
Equity attributable to equity holders of the Company	**(646)**	136,341	345,509	326,864	40,077
Non-controlling interests	**11,239**	13,140	12,442	10,630	4,814
Total equity	**10,593**	149,481	357,951	337,494	44,891

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 You Champion Holdings 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)

"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 2016"	financial year ended 30 June 2016
"Year 2017"	financial year ended 30 June 2017