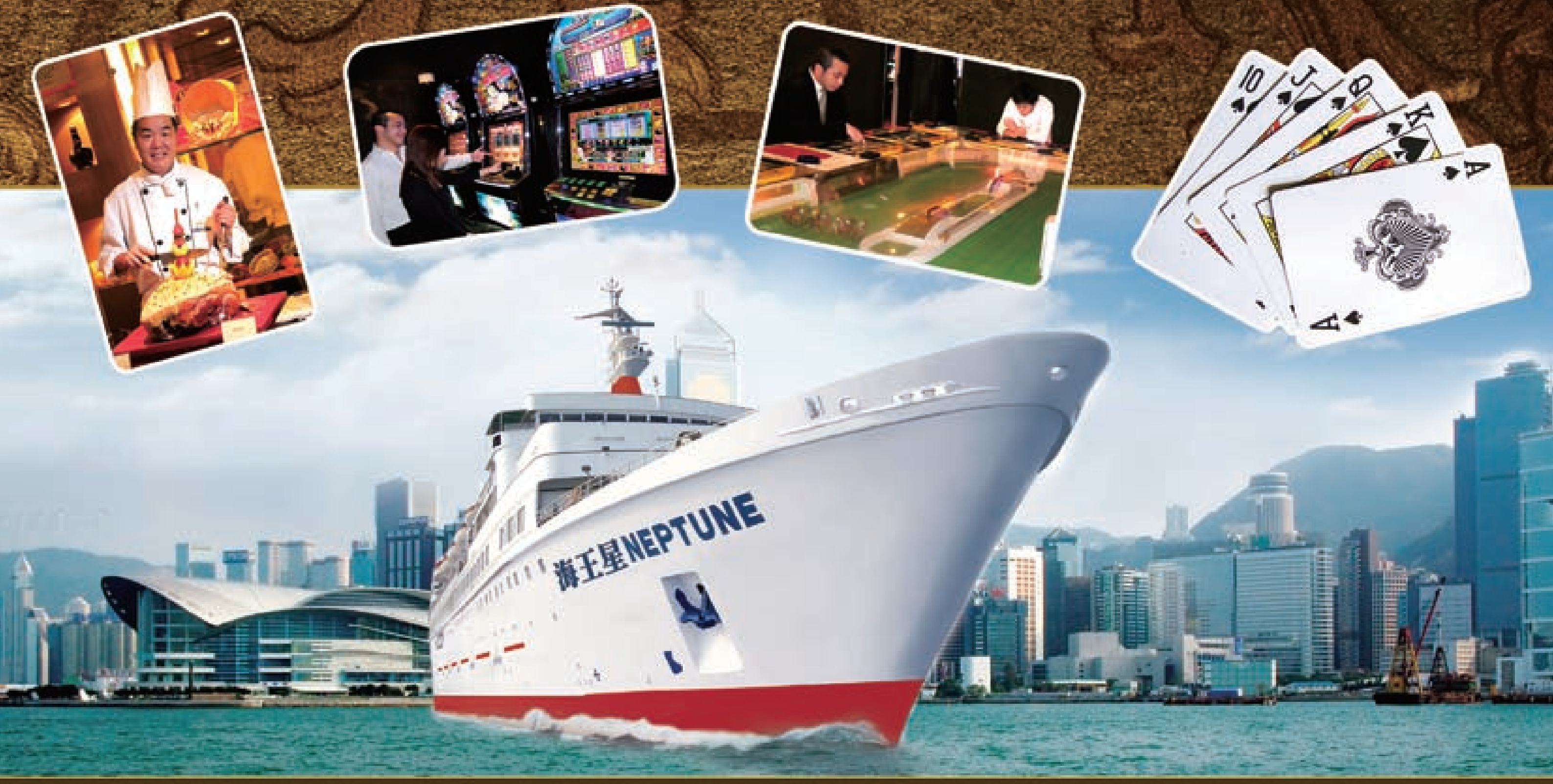

NEPTUNE GROUP LIMITED
海王國際集團有限公司

(Incorporated in Hong Kong with limited liability)

stock code：00070

Annual Report 2009

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Executive directors:

Mr. Lin Cheuk Fung *(Chairman)*

Mr. Nicholas J. Niglio

Mr. Chan Shiu Kwong, Stephen

Mr. Lau Kwok Hung

Mr. Wan Yau Shing, Ban

Independent non-executive directors:

Mr. Cheung Yat Hung, Alton

Mr. Yue Fu Wing

Mr. Wong Tat Tung

COMPANY SECRETARY

Mr. Lau Kwok Hung

AUDIT COMMITTEE

Mr. Cheung Yat Hung, Alton

Mr. Yue Fu Wing

Mr. Wong Tat Tung

AUDITORS

CCIF CPA Limited

20/F, Sunning Plaza,

10 Hysan Avenue,

Causeway Bay,

Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

Chong Hing Bank Limited

LEGAL ADVISORS

Robertsons Solicitors & Notaries

SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Rooms 1712-16, 17th Floor, Hopewell Centre,
183 Queen's Road East,
Hong Kong

REGISTERED OFFICE

Room 1601, 16/F, China United Centre,
28 Marble Road,
North Point,
Hong Kong

E-MAIL

enquiry@neptune.com.hk

STOCK CODE

00070

Group Financial Summary

CONSOLIDATED PROFIT AND LOSS ACCOUNT (HK$'000)

	Year ended 30 June 2006	Year ended 30 June 2007	Year ended 30 June 2008	**Year ended 30 June 2009**
Turnover	103,134.00	129,959.00	390,767.00	**463,268.00**
Profit/(Loss) attributable to shareholders	7,147.00	4,645.00	(149,514.00)	**42,590.00**

CONSOLIDATED BALANCE SHEET (HK$'000)

	As at 30 June 2006	As at 30 June 2007	As at 30 June 2008	**As at 30 June 2009**
Fixed assets	179,872.00	161,853.00	142,880.00	**120,808.00**
Investment properties	28,400.00	28,550.00	30,500.00	**31,527.00**
Interest in an associate	–	–	148,617.00	**133,928.00**
Intangible asset	–	–	2,016,793.00	**1,754,993.00**
Other non-current assets	2,688.00	2,559.00	15,145.00	**10,483.00**
Net current assets	30,087.00	103,627.00	379,037.00	**251,290.00**
Total assets lee current liabilities	241,047.00	296,589.00	2,732,972.00	**2,303,029.00**
Convertible notes	–	–	685,393.00	**492,440.00**
Deferred tax liabilites	331.00	393.00	50,089.00	**32,317.00**
Net assets	240,716.00	296,196.00	1,997,490.00	**1,778,272.00**
Representing:				
Share capital	247,953.00	287,953.00	769,449.00	**769,449**
Reserves	(18,079)	(7,345)	536,446	**364,626**
Shareholder's funds	229,874.00	280,608.00	1,305,895.00	**1,134,075**
Minority interests	10,842.00	15,588.00	691,595.00	**644,197**
Total equity	240,716.00	296,196.00	1,997,490.00	**1,778,272**
Shareholder's funds – NBV per share (HK$)	0.019	0.19	0.34	**0.29**
Earnings/(loss) per share (HK$)	0.58 cents	0.34 cents	(5.61) cents	**1.11 cents**

Chairman's Statement

On behalf of the Board of Directors (the "Board") I am pleased to present the annual report and financial results of Neptune Group Limited (the "Company") and its subsidiaries (the "Group") for the year ended 30 June 2009.

CONTINUING BUSINESS REVIEW

The past year has been a particularly satisfying year for the company. As outlined in my prior statement, "extraordinary regional and global economic pressures" had arrived, yet have been withstood by the Company. Many of the business impediments implemented have either been recently rescinded or softened. Key economic indicators have been upbeat. Tourist arrivals in Macau have been in ever increasing numbers reaching a nearly 12% growth year over year. Gross gaming wins for all have reached a record level in September 2009 and overall a 30% growth from 2007. We confidently feel that during these trying times the Company has continued to create value for our shareholders and yet attain the highest standard of corporate governance. We continue to feel confident in the future of the economy in general and in the future of the Company in particular. The volatility of the economic environment, notwithstanding, did little to impede our resolve to build a strong and intelligent business platform. We have opened the company's core business to potential further expansion. We have and will continue to explore other gaming opportunities world wide and when appropriate will act positively toward it. Non-core business acquisitions remain a distinct possibility as prospects for increasing shareholder value arise throughout Asia. Our ever commitment to the Neptune brand remains strong. We focus on a high level of professional competence and behavior to broadcast our brand world wide. In the past, we have spoken of our resolve not to let any economic downturn sway us from our mission of extraordinary performance. I firmly believe this has been accomplished and will continue into the future.

The company vision remains committed to be one of leading gaming, entertainment and tourist related companies in the Asia Pacific region. Management continue to be diligent in pursuing opportunities previously mentioned in Macau and elsewhere so as to develop new souses of synergy and increase shareholder value. The coming 6 months look to a brighter prospect than ever before. Leadership transformation within the SAR has been seamless. This certainly has and will bear positive results for the company. It is our responsibility to continue to monitor and report any and all significant economic and governmental issues that may impact the company. We will do just that and be vigilant in doing so. My opinion is that 2010 shall be a year of continued accomplishment and growth. We will do all that is necessary for our shareholders, employees and customers to ensure this.

BUSINESS REVIEW AND LOOKING FORWARD STATEMENT

The Company believes our future holds considerable opportunities for growth and development. Our cruise business remains in place and plays a critical part in both our earnings and brand recognition. We continue to see remarkable market resilience for Macau in both weathering the current economic storm and ability to expand. As other gaming jurisdictions, such as North America and Europe, suffer double digit decline Macau performs to the contrary. The recent defeat of a gaming initiative in Taiwan allows Macau to continue its regional gaming domination in the short to mid term. We can all appreciate the fact that Macau is the only Chinese city that allows gaming and together with its central location makes a perfect fit for visitors throughout the region. Our gaming business will play an important role in driving revenue for the Company at this moment. Our cruise business will continue to contribute additional stable revenue to us and new outside investments are being considered to supplement and expand our balance sheet. As we seek to possibly diversify some of our holdings, we remain vigilant of the risks. While we expect to entertain many opportunities, those chosen, if any, must pass a rigorous strength test.

It is also prudent at this point in my statement to make mention of the expected licensing and opening of two Integrated Resorts in Singapore. While such an event is expected to have regional negative impact on the Company, certain potential marketing alliances may arise and thus need inclusion. As its predecessor, our pact with an Australian operators last year opened new channels of cross marketing opportunities, so too does Singapore. While the company waits on governmental regulations to be formalized, one can only be impressed by the size and scope of the IR's. As such, we will be quick to investigate our options and possibly enter to an agreement to exchange ideas, platforms and even customers to benefit both parties. Of course all of this is predicated on favorable government regulations.

ACKNOWLEDGEMENT

Finally, I would like to express my sincere appreciation to our shareholders, strategic partners and customers for their unfailing support and confidence. I would like to extend my sincere gratitude to all staff members of the Group for their many contributions and dedications. Without them our success would not be possible.

Lin Cheuk Fung
Chairman of the Board

Hong Kong, 28 October 2009

Management Discussion and Analysis

BUSINESS OVERVIEW

The audited net profit of the Group for the year ended 30 June 2009 amounted to approximately HK$217,700,000 (2008: loss HK$24,989,000) after impairment of intangible assets which amount to approximately HK$261,800,000 (2008: HK$171,000,000).

Macao tourism started rebounding in July of this year showing some stabilization in gaming business after battered by financial crisis, a tough year 2008. Macao enjoyed a surge of casino revenue growth in third quarter of this year after a string of positive news from local government to bolster the revival of economy.

It is premature to suggest broader market rally has arrived now. Even though our firm's gaming sector showed positive results but the current obstacles include shaky economy and regulations regarding visa restriction from China to Macao effective from 1 October this year and increased competition from Singapore vying to become another attraction resort early next year always doubt the boost of Macao will last into next year and we cannot ascertain whether we out of the wood yet.

GAMING RELATED BUSINESS

Revenue for the commission from rolling turnover for the year was recorded approximately HK$433,268,000 (2008: HK$235,038,000). The strong revenue growth is only due to a low comparison base effect because this year figure comprises of full year commission income derived from junkets' business, which equal to 0.4% on gross rolling turnover, operated in Sands, Las Vegas and The Venetian as compare last year which was a partial year. Share of commission in Galaxy Entertainment of Star World was captured in a separate item as share of profit from associated companies. Extra caution is advised to all in projecting next year's revenue. Outside influences beyond control of the company could and may affect our continued growth. The company will make every effort to proper conduct its business in such a manner that the end result will be growth.

MANUFACTURING AND TRADING ELECTRICAL EQUIPMENT AND PROVISION OF ELECTRICAL ENGINEERING AND CONTRACTING SERVICES

During the year, We sold 80% of our equity interest in the Linfield Group to an independent third party at cash consideration of HK$40,000,000, resulting in a loss of approximately HK$15,222,000 on this disposal.

The Directors expect that the global electrical equipment market in the near future will still be affected by the downturn of the global economic environment. As mentioned in our previous reports, in order to shore up more liquidity and maintain a competitive edge under the tough economic environment, the Group has decided to dispose this business segment in 2009. The Disposal is in line with the restructuring plan of the Group and is an opportunity for the Group to dispose this company at a reasonable price. In addition, the Group can have additional funding from the proceeds from the Disposal to prepare for the challenging business environment in the near future.

CRUISE BUSINESS

Revenue for the leasing of the cruise ship for the year was recorded HK$30,000,000 (2008: HK$36,000,000) when compared with last year. It accounted for approximately 6.5% (2008:13.3%) of the Group's total turnover. Segment result amounted to approximately HK$12,737,000 (2008: HK$20,244,000). Contribution from cruise rental, an decrease of HK$7,507,000 when compared with last year. Last year rental business was hurt by lower demand in weakening market, falling prices, as well as continued high raw material cost. Amid further the sign of weaker economy by end of last year, we reduce our monthly leasing charge that ultimately lower our profit margin.

FINANCIAL REVIEW

For the financial year ended 30 June 2009, the Group recorded a turnover of approximately HK$463,268,000 (2008: HK$271,038,000), an increase 70.92% compared to the previous year.

A profit attributable to equity shareholders of the Company is approximately HK$42,590,000, or HK$1.11 cents (profit) a share, or compared with previous year net loss of approximately HK$149,514,000, or HK$5.61 cents (loss) a share. Up to year 2009, the accumulated impairment loss of goodwill and intangible asset after acquisition of junket business in Venetian were in total of HK$644 million. Bombarded by so much negative news relating to China's tighten visa restriction, it was against all our prediction to the contrary, the business went down and failed to achieve a predetermined revenue which resulted to compensations from the vendors for shortfall in guaranteed profit in total amount of HK$71 million during this year.

Our earning before interest, taxes, depreciation and amortisation (EBITDA) was HK$263,801,000, up from HK$4,233,000 for the previous year, an increase of 613.2%. Regardless our strong result of commission income in 2009 reflects the continued solid performance of all investing activities, the impairment loss on intangible asset and goodwill is overwhelming dent to this figure.

DIVIDEND

The Directors do not recommend the payment of final dividend for the year ended 30 June 2009 (2008: Nil).

CAPITAL STRUCTURE

As at 30 June 2009, the total issued share capital of the Company was HK$769,448,900 divided into 3,847,244,500 ordinary shares of HK$0.2 each.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group had net current assets of HK$251,290,000 as at 30 June 2009 (2008: HK$379,037,000). There are no bank and other borrowings as at 30 June 2009 (2008: HK$867,000). The total equity of the Group as at year end was HK$1,778,272,000 (2008: HK$1,997,490,000). The gearing ratio, calculated on the basis of total debt (comprises bank overdrafts, promissory notes and convertible notes) over total shareholders' funds as at 30 June 2009, was approximately 43.42% (2008: 53.7%).

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING (Continued)

The total liabilities of the Group comprises mainly of convertible notes. As at 30 June 2009, the face value of total liabilities amount to approximately HK$770,224,000 (2008: HK$998,349,000), comprising of HK$210 million dividend payable, HK$33 million trade payable and other payable, HK$2.7 million tax payable, HK$32.3 million deferred tax liabilities and the liability component of convertible notes which were HK$492 million. The convertible notes are unsecured, with effective interest rate approximately 5% and maturing on 16 March 2018. The remaining half of promissory notes amount to HK$15 million issued for acquiring entire share capital of Koppert International Ltd on 1 August 2007 also had been settled during this financial year and there were no more outstanding promissory notes.

PLEDGE OF GROUP'S ASSETS

As at 30 June 2009, no leasehold land and buildings in Hong Kong of the Group were pledged to secure the bank facilities (2008: HK$Nil).

CONTINGENT LIABILITIES

On 1 September 2004, a writ of summons and statement of claim was made by The Center (49) Limited against the Company in respect of the office previously rented by the Group. The claim is for a sum of approximately HK$3.3 million together with interest and cost. In the opinion of the directors, the amount claimed is unreasonable. The Group would vigorously contest against such claim. After obtaining legal advice, a provision of approximately HK$1.6 million has been made in the financial statements for the year ended 30 June 2004. During the year ended 30 June 2009, there has been no significant progress. As at the date of approval of these financial statements, the case is still pending for hearing.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES

As the Group's transactions are mostly settled by Hong Kong dollars, the exposure to foreign exchange fluctuation is minimal, therefore no use of financial instruments for hedging purpose is considered necessary.

As at 30 June 2009, the Group did not have any foreign currency investments which have been hedged by currency borrowings and other hedging instruments.

CAPITAL COMMITMENT

On 22 June 2008 and 27 June 2008, Rich Pearl Enterprises Limited ("Rich Pearl"), a wholly-owned subsidiary of the Company, entered into the Share Acquisition Agreement and a deed of variation respectively to acquire from Mr. Choi, 100% of the total issued share capital of Best Max Limited ("Best Max") for a total consideration of HK$4,320,000,000.

However, as a result of the current worldwide financial crisis coupled with the PRC Government's travel restrictions on PRC nationals to Macau, it has become apparent to the Company and Mr. Choi that the original terms of the Share Acquisition Agreement require amendment. On 31 March 2009, the parties to the Share Acquisition Agreement entered into the Acquisition Agreement Deed of Termination to terminate the Share Acquisition Agreement. On the same day, Rich Pearl entered into the New Share Acquisition Agreement. Under the New Share Acquisition Agreement, Rich Pearl will acquire from Mr. Choi 100% of the total issued share capital of Best Max, the total consideration of which will be HK$57,708,000. The consideration for the New Acquisition shall be satisfied by Rich Pearl in cash from internal resources.

Best Max is an investment holding company and is wholly owned by Mr. Choi. The main asset of Best Max will be 10% of the Star Profit, the profit stream acquired by it under the New Star Profit Agreement.

The consideration for the new Acquisition agreement was paid by Rich Pearl as refundable deposit in a sum of HK$50,000,000 which were duly paid on 31 July 2008 and another HK$7,708,000 in cash upon Completion.

At 30 June 2009, capital commitment in aggregate for the acquisition is as follow:

	THE GROUP AND THE COMPANY	
	2009	2008
	HK$'000	HK$'000
Contracted but not provided for acquisition of:		
– Best Max Ltd	**7,708**	4,320,000
	7,708	4,320,000

EMPLOYEES

The Group employs approximately 78 staff in Hong Kong and their remuneration packages are generally structured by reference to market terms and individual merit. Salaries are normally reviewed on an annual basis based on performance appraisals and other relevant factors.

SUBSEQUENT EVENT

Details of significant events occurring after the balance sheet date are set out in Note 43 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year, neither the Company nor any its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

EXECUTIVE DIRECTORS

Mr. Lin Cheuk Fung, aged 36, was appointed as an executive director on 21 June 2005 and re-designated as the chairman of the Board of the Company on 8 June 2006. Mr. Lin has over 10 years of experience in a number of business activities ranging from garment industry, automobile business, property investment, cruise ship operation to casino operation. Currently, he is a director of the Hong Kong Commerce & Industry Association Ltd. and the vice president of The Association of Industries and Commerce of N.E. New Territories. The Board is of the view that Mr. Lin's extensive business experience is valuable to the Group and will, in the long run, assist the Group to diversify into other areas of business.

Mr. Nicholas J. Niglio, aged 63, was appointed as an executive director on 3 September 2007. He has over 25 years varied background in gambling focused entertainment field dating back to 1983. Throughout all these years, he versed himself in management of all kinds of gaming activities and have proven success of his accomplishments.

Prior to his current position, Mr. Niglio previously was Executive Vice President of Trump Taj Mahal Casino Resort, Inc. Atlantic City NJ ("Trump") serving as senior executive in Casino marketing and international operation, from October 1993 to August 2001, he originally joined Trump in October 1993 as Executive Vice President to oversee all operational and administrative management of marketing program. Regional offices including Asia, Middle East, Europe and Latin America were all under his management.

Mr. Niglio worked at Caesars World Inc, Atlantic City NJ from 1986 to 1993 in such capacities as: Senior Vice President Eastern Operation and Vice President Casino Operations of Caesars Palace. He worked at Caesars in such capacities to develop casino marketing operation in all aspect and to train up staff to raise the level of customer service.

Mr. Niglio was also a senior executive holding the position of Vice President Casino Marketing and director of Casino Administration in Resort International Hotel and Casino, Atlantic City NJ from 1978 to 1986.

Mr. Niglio graduated from the California State University with a Master degree in business administration, a B.S. degree in accounting from Saint Peter's College, Jersey City NJ.

Mr. Chan Shiu Kwong, Stephen, aged 53, was appointed as an executive director of the Company on 20 April 2005. Mr. Chan holds a Master degree in Professional Accounting from Hong Kong Polytechnic University and a Bachelor of Commerce. He is currently a fellow member of CPA (Australia) and member of Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Secretaries and Administrators, and the Hong Kong Institute of Company Secretaries. Mr. Chan has over 23 years of experience in property development, manufacturing, travel and gaming related industries. He has worked for multinational companies and listed companies providing him profound experience in merger and acquisition, treasury and corporate finance.

Mr. Lau Kwok Hung, aged 63, was appointed as an executive director of the Company on 11 October 2001. Mr. Lau holds a Senior Executive Master degree in Business Administration from Charles Darwin University and has passed the HKSI Financial Market Principal Programme Examination. He is currently a fellow of the Hong Kong Institute of Certified Public Accountants. Formerly, he was also a fellow of the Association of Chartered Certified Accountants and an associate member of the Chartered Institute of Management Accountants. He has over 25 years of experience in accounting and finance, auditing, taxation, company secretarial practice and corporate finance. He is also the company secretary of the Company.

Mr. Wan Yau Shing, Ban, aged 44, was appointed as an executive director of the Company on 11 April 2007. Mr. Wan Yau Shing is a management veteran in gaming industry. Mr. Wan has over 20 years of working experience in Macau gaming industry and cruise management, of which more than 10 years are in senior management positions. Mr. Wan was an appointed junket of several renowned casinos in Macau (including Lisboa) and was the operational director in cruise companies including Orient Princess, Success Cruise and Sea Pearl. With his remarkable success to manage gaming industry, he has a reputable standing in Macau gaming industry.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Alton Cheung, aged 46, was elected as an independent non-executive director on 5 June 2007. He has over 12 years of business experience and is an elite of automobile dealer industry. At present he is currently holding directorship in a number of private companies which engaging in automobile distribution in PRC, China among most of the finest brand automobile in the world.

He graduated from California College of Arts and Craft, Berkeley, USA holding a Bachelor degree major in faculty of communication and fine arts. Also he is currently an Independent Non-executive Director of Hang Ten (Holdings) Ltd. being a listed company in Hong Kong and now a full membership of Royal Hong Kong Yacht Club and Hong Kong Jockey Club.

Mr. Yue Fu Wing, aged 41, was appointed as an independent non-executive director and a member of the audit committee of the Company on 15 January 2005. Mr. Yue is a fellow of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. He has a Master Degree in PRC Accounting from Jinan University in China and a Bachelor Degree in Accountancy from the City University of Hong Kong. Mr. Yue has over ten years of experience in accounting and finance. He has worked for a multinational company, a Hong Kong listed company and an international accounting firm.

Mr. Wong Tat Tung, aged 39, has over 12 years of business experience in the field of wealth management, asset management specializing in fund portfolio and offshore financial arrangement. He is a co-founder of CASH Federick Taylor Ltd. and was subsequently appointed as managing director thereafter. At present, Mr. Wong is an executive director of CASH Asset Management Ltd. Prior to joining CASH, Mr. Wong obtained vast experience in asset management whilst working as Vice President for Credit Suisse Privilege Limited in Hong Kong and across Asia.

At present, Mr. Wong serves as a councilor of Sham Shui Po District Council for the Hong Kong Special Administrative Region and a committee member of the city of Jiangmen Chinese People's Political Consultative Conference in Guangdong province. He is also an Honorary Citizen of Ararat Rural City, Australia. Mr. Wong is a keen supporter of many community service organizations including but not limited to "Guangdong Jiangmen City Young Entrepreneur's association", "Guangdong Young Entrepreneur's Association", "Sham Shui Po District Fire Safety Ambassador Honorary President's Association" etc. and now is Vice Chairman of Yan Oi Tong and at same time offered by many educational institutions as distinguished school board members of their schools. Mr. Wong is currently an Honorary advisor of Registered Financial Planner Institute US.

SENIOR MANAGEMENT

Various businesses and functions of the Company are respectively under the direct responsibilities of the executive directors who are regarded as senior management of the Company.

CORPORATE GOVERNANCE PRACTICES

During the year ended 30 June 2009, the Company has, as far as possible, complied with the provisions of the Code on Corporate Governance Practices (the "Code Provisions") as set out in Appendix 14 of the Listing Rules, except for the deviation from Code Provision A.4.1 which is described below:

– Non-executive directors should be appointed for specific terms and subject to re-elections. All independent non-executive directors of the Company are not appointed for specific terms, but subject to retirement by rotations and re-elections at the annual general meeting of the Company in accordance with Bye-Laws of the Company.

MODE CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in Appendix 10 of the Listing Rules. Having made specific enquiry, all Directors have fully complied with the required standard set out in the Model Code during the year ended 30 June 2009.

THE BOARD OF DIRECTORS

(a) Composition

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision making. The Board currently comprises five executive directors, and three independent non-executive directors. The biographical details of the directors are set out on pages 12 to 14 of this Annual Report. The Company has received from each of the independent non-executive directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considered all the independent non-executive directors to be independent.

(b) Roles of Chairman and Chief Executive Officer

The Code Provision A.2.1 stipulates that the roles of chairman of the Board (the "Chairman") and chief executive officer (the "CEO") should be separated and should not be performed by the same individual and that the division of responsibilities between the Chairman and the CEO should be clearly stated. The Company fully supports such a division of responsibility between the Chairman and the CEO in order to ensure a balance of power and authority. The positions of the chairman of the Board and the chief executive officer are segregated and are held by Mr. Lin Cheuk Fung and Mr. Nicholas J. Niglio respectively. These positions have clearly defined separate responsibilities.

The chairman is responsible for leading and supervising the operations of the Board of Directors, effective planning of board meetings, ensuring the Board is acting to the best interests of the Company.

The chief executive officer is responsible for the administration of the Company business, as well as to formulate and implement Company policies, and answerable to the Board in relation to the Company overall operation.

THE BOARD OF DIRECTORS (Continued)

(c) Responsibilities

The Board determines the overall strategies, monitors and controls operating and financial performance and sets appropriate policies to manage risks in pursuit of the Group's strategic objectives. Day-to-day management of the Group's business is delegated to the executive director or officer in charge of each division. The functions and power that are so delegated are reviewed periodically to ensure that they remain appropriate.

(d) 8 board meetings were held during the financial year ended 30 June 2009. Details of directors' attendance records are set out below:

	Attendance of Board meetings
Executive directors	
Mr. Lin Cheuk Fung	7/8
Mr. Nicholas J. Niglio	6/8
Mr. Chan Shiu Kwong, Stephen	8/8
Mr. Lau Kwok Hung	8/8
Mr. Wan Yau Shing, Ban	7/8
Independent non-executive directors	
Mr. Cheung Yat Hung, Alton	3/8
Mr. Yue Fu Wing	6/8
Mr. Wong Tat Tung	1/8

BOARD COMMITTEES

Two committees, namely, the audit committee and the remuneration committee were established under the Board to oversee their functions. The board has not established a nomination committee at the moment, but will continue to review whether there is a need to establish such a nomination committee in future.

(a) Audit Committee

The audit committee comprises three independent non-executive directors, namely Mr. Cheung Yat Hung, Alton, Mr. Yue Fu Wing and Mr. Wong Tat Tung. Mr. Yue Fu Wing possesses relevant professional qualifications and financial management expertise and meets the requirements of rule 3.2.1 of the Listing Rules.

The audit committee has clear terms of reference and is accountable to the Board. It assists the Board in meeting its responsibilities for ensuring an effective system of internal control and compliance and in meeting its external financial reporting objectives.

BOARD COMMITTEES (Continued)

(a) Audit Committee (Continued)

3 audit committee meetings were held during the financial year ended 30 June 2009. Attendance of the members is set out below:

Members	Attendance of Audit Committee meetings
Mr. Yue Fu Wing	3/3
Mr. Cheung Yat Hung, Alton	3/3
Mr. Wong Tat Tung	1/3

The following is a summary of the work performed by the audit committee during the year:

- review of the Group's unaudited interim report for the six months ended 31 December 2008 and audited financial statements for the year ended 30 June 2009;
- review of the internal control and risk management framework;
- review of new and/or revised accounting standards and practices applicable to the Group and their impacts to the Group; and
- report of the findings and making recommendations to the Board for improvements or implementations in respect of the above matters.

(b) Remuneration Committee

The remuneration committee comprises two independent non-executive directors and one executive director. The remuneration committee was established with specific written terms of reference and is principally responsible for reviewing and approving remuneration packages of directors and senior management, including salaries, bonuses, benefits in kind and the terms on which they participate in any share option schemes. No director or senior management will determine his own remuneration. The Remuneration Committee met once during the year.

NOMINATION OF DIRECTORS

The Board is responsible for the formulation of nomination policies, making recommendations to shareholders on directors standing for re-election, providing sufficient biographical details of directors to enable shareholders to make an informed decision on the re-election, and where necessary, nominating appropriate persons to fill causal vacancies or as additions to the Board. The chairman from time to time reviews the composition of the Board with particular regard to ensuring that there is an appropriate number of directors on the Board. He also identifies and nominates qualified individuals for appointment as new directors of the Company.

New directors of the Company will be appointed by the Board. The Board will take into consideration criteria such as expertise, experience, integrity and commitment when considering new director appointments.

RESPONSIBILITIES IN RESPECT OF FINANCIAL STATEMENTS

The directors acknowledge their responsibility for preparing the accounts which were prepared in accordance with statutory requirements and applicable accounting standards. A statement by the auditors about their reporting responsibilities is set out on page 25 of this annual report.

There are no material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

AUDITORS' REMUNERATION

During the year ended 30 June 2009, the remuneration paid and payable to the auditors of the Company, CCIF CPA Limited for provision of statutory audit and other non-audit services were approximately HK$650,000 and HK$50,000 respectively.

INTERNAL CONTROL

The internal control system is designed to facilitate the effectiveness and efficiency of operations, safeguard assets against unauthorized use and disposition, ensure the maintenance of proper accounting records and the truth and fairness of the financial statements, and ensure compliance with relevant legislation and regulations. It provides reasonable, but not absolute, assurance against material misstatement or loss and manages rather than eliminates risks associated with its business activities.

The Board, recognizing its responsibilities in ensuring sound internal controls, has developed a risk management framework for the Group to assist in:

– identifying the significant risks faced by the Group in the operating environment as well as evaluating the impact of such risks identified;

– developing the necessary measures for managing these risks; and

– monitoring and reviewing the effectiveness of such measures.

The Board has entrusted the audit committee with the responsibility to oversee the implementation of the risk management framework of the Group. In discharging this responsibility, the audit committee:

– periodically evaluates identified risks for their continuing relevance in the operating environment and inclusion in the risk management framework;

– assesses adequacy of action plans and control systems developed to manage these risks; and

– monitors the performance of management in executing the action plans and operating the control systems.

INTERNAL CONTROL (Continued)

These on-going processes have been in place for the year under review, and reviewed periodically by the audit committee.

Furthermore, the Board takes extreme precautionary measures in the handling of price-sensitive information. Such information is restricted to a need-to-know basis.

Management is currently of the view that there is no immediate need to set up an internal audit function within the Group in light of the size, nature and complexity of the Group's business. The situation will be reviewed from time to time.

COMMUNICATIONS WITH SHAREHOLDERS

The Company recognizes the importance of maintaining an on-going and timely communication with shareholders to enable them to form their own judgment and to provide constructive feedback.

The primary communication channel between the Company and its shareholders is through the publication of notices, circulars, interim and annual reports. The Company's Registrars serve the shareholders regarding all share registration matters. The Company's annual general meeting provides a useful forum for shareholders to exchange views with the Board. Separate resolutions are proposed at general meeting on each substantially separate issue, including the election of individual directors. The Company has also complied with the requirements of the Listing Rules and the Articles of Association in respect of voting by poll and other related matters.

DIRECTORS

The directors of the Company during the year were:

Executive directors:
Mr. Lin Cheuk Fung (Chairman)
Mr. Nicholas J. Niglio
Mr. Chan Shiu Kwong, Stephen
Mr. Lau Kwok Hung
Mr. Wan Yau Shing, Ban

Independent non-executive directors:
Mr. Yue Fu Wing
Mr. Cheung Yat Hung, Alton
Mr. Wong Tat Tung

In accordance with Article 79, Mr. Wan Yau Shing, Ban and Mr. Wong Tat Tung shall retire from their offices by rotation at the AGM. Being eligible, Mr. Wan Yau Shing, Ban will offer himself for re-election as executive Director.

Mr. Wong Tat Tung, an independent non-executive Director, has served a notice to the Board that he will not offer himself for re-election as independent non-executive Director at the AGM due to his personal commitments. Mr. Wong Tat Tung will retire as an independent non-executive Director at the conclusion of the AGM.

The terms of office of non-executive directors are subject to retirement by rotation in accordance with the above Articles.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Company considers all of the independent non-executive directors are independent.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

I. Shares

As at 30 June 2009, the interests of the directors and their associates in the shares, underlying shares and debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Long positions in ordinary shares of the Company

Director	Nature of interest	Number of ordinary shares held	Percentage of shares held
Mr. Lin Cheuk Fung	Personal	375,000,000	9.75%

Note: Save as disclosed above and other than certain nominee shares in the subsidiaries held by directors in trust for the Company, none of the Company's directors or their associates had any interests, or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as defined in the SFO.

II. Options

The Company operates a share option scheme (the "Scheme") under which the directors may, at their discretion, grant options to employees, including any of the directors of the Company, to subscribe for shares in the Company, subject to the stipulated terms and conditions. Details of the Company's share option scheme are set out in the Note 37 to the financial statements.

Share options of the Company

Name of director	Number of ordinary share options held	Percentage of issued options
Mr. Lin Cheuk Fung	2,390,000	0.96%
Mr. Chan Shiu Kwong, Stephen	2,388,000	0.96%
Mr. Lau Kwok Hung	2,388,000	0.96%
Mr. Wan Yau Shing, Ban	3,000,000	1.20%
Mr. Nicholas J. Niglio	2,300,000	0.92%

Save as disclosed above, none of the Company's directors and chief executives, or their spouses or children under the age of 18, had any rights to subscribe for the securities of the Company, or had exercised any such rights during the year.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

The share option scheme adopted by the Company on 30 November 2000 enables the directors and employees of the Group to subscribe for shares in the Company, details of which are set out in Note 37 to financial statements. The share option scheme was adopted prior to the new rules on share option schemes under the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange coming into operation. The Company may only grant further options under the share option scheme if the options are granted in accordance with the requirement of the new rules of Chapter 17 of the Listing Rules.

Particulars of the Company's new share option scheme effective on 18 September 2007 and unless otherwise cancelled or amended, will remain in force for 10 years from that date and details of movements in the share options of the Company during the year are set out in Note 37 to the financial statements.

Saves as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares in or debenture of the Company or any other body corporate.

SUBSIDIARIES

Details of the Company's subsidiaries at 30 June 2009 are set out in Note 20 to financial statements.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year.

DIRECTOR'S SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

DIRECTORS' INTEREST IN CONTRACTS

Saved as disclosed in Note 42 to the financial statement, no contracts of significance to which the Company or any of its subsidiaries was a party and in which any director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS AND INTERESTS DISCLOSABLE UNDER THE SFO

At 30 June 2009, the following interest of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name of shareholders	Number of ordinary shares held	Percentage of shares held
Mr. Lin Cheuk Fung	375,000,000	9.75%
Ultra Choice Limited	720,000,000	18.71%
Faith Mount Limited	720,000,000	18.71%

Details of the above interests of Mr. Lin Cheuk Fung are also disclosed above under directors' interest in securities. Save as disclosed above, no person had registered an interest of 5% or more of the share capital of the Company that was required to be recorded under Section 336 of the SFO as at 30 June 2009.

MATERIAL RELATED PARTY TRANSACTIONS

Details of other related party transactions of the Group are set out in Note 42 to financial statements.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Details of biographical details of directors and senior management are set out on pages 12 to 14 of this annual report.

RETIREMENT SCHEME

Details of the retirement scheme of the Group and the employer's pension costs charged to the consolidated income statement for the year are set out in Note 36 to financial statements. In the opinion of the directors, the Group had no significant obligations at 30 June 2009 for long service payments to its employees pursuant to the requirements under the Employment Ordinance.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company was in compliance with the provisions of the Code on Corporate Governance Practices (the "Code Provisions") as set out in Appendix 14 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the "Listing Rules"), throughout the accounting year covered by the financial statements, except for code provision A.4.1 details of which are set out in the Corporate Governance Report on pages 15 to 19 of this annual report.

MODEL CODE FOR SECURITIES BY DIRECTORS

The Company has complied with the code of conduct regarding securities transactions by the directors on terms no less exacting than the required standard of dealings as set out in the Model Code. Having made specific enquiry of all directors, they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transaction by the directors adopted by the Company. Details of compliance with the Model Code by directors are set out in the Corporate Governance Report on page 15 of this annual report.

SUBSEQUENT EVENTS

Details of significant events occurring after the balance sheet date are set out in Note 43 to the financial statements.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company. At the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares are required under the Listing Rules.

AUDIT COMMITTEE

The audit committee, comprising three members, all being independent non-executive directors of the Company, has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the Group's financial statements for the year ended 30 June 2009.

AUDITORS

In March 2009, Messrs HLB Hodgson Impey Cheng resigned as auditors of the Company and appointment of CCIF CPA Limited as auditors of the Company was approved.

CCIF CPA Limited shall retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On Behalf of the Board

Lin Cheuk Fung
Chairman

Hong Kong, 28 October 2009

Independent Auditor's Report

CCIF

CCIF CPA LIMITED
20/F Sunning Plaza
10 Hysan Avenue
Causeway Bay, Hong Kong

TO THE SHAREHOLDERS OF NEPTUNE GROUP LIMITED
(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Neptune Group Limited (the "Company") set out on pages 27 to 123, which comprise the consolidated and company balance sheets as at 30 June 2009, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

CCIF CPA Limited
Certified Public Accountants
Hong Kong, 28 October 2009

Yau Hok Hung
Practising Certificate Number P04911

Consolidated Income Statement

For the year ended 30 June 2009

	Note	2009 HK$'000	2008 HK$'000 (restated)
Continuing operations:			
Turnover	5	**463,268**	271,038
Cost of sales		**(17,216)**	(17,843)
Gross profit		**446,052**	253,195
Other revenue	6	**71,184**	12,714
Other net (loss)/income	7	**(2,614)**	90,920
General and administrative expenses		**(13,303)**	(12,203)
Equity-settled share-based payment expenses		**–**	(30,640)
Impairment of intangible assets	18	**(261,800)**	(171,000)
Impairment of goodwill	19	**–**	(210,928)
Profit/(loss) from operations		**239,519**	(67,942)
Share of results of associate		**12,766**	42,470
Finance costs	8(a)	**(29,951)**	(9,705)
Profit/(loss) before taxation	8	**222,334**	(35,177)
Income tax	9(a)	**3,093**	714
Profit/(loss) for the year from continuing operations		**225,427**	(34,463)
Discontinued operations:			
Profit for the year from discontinued operations	10	**7,495**	9,474
Loss on disposal of subsidiaries, net of tax of HK$Nil	39	**(15,222)**	–
		(7,727)	9,474
Profit/(loss) for the year		**217,700**	(24,989)
Attributable to			
– Equity shareholders of the Company	13	**42,590**	(149,514)
– Minority interests		**175,110**	124,525
Profit/(loss) for the year		**217,700**	(24,989)
Earnings/(loss) per share – basic	14(a)		
– From continuing and discontinued operations		**1.11 cents**	(5.61) cents
– From continuing operations		**1.35 cents**	(5.89) cents
– From discontinued operations		**(0.24) cents**	0.28 cents
Earnings/(loss) per share – diluted			
– From continuing and discontinued operations	14(b)	**1.14 cents**	(5.61) cents
– From continuing operations		**1.27 cents**	(5.89) cents
– From discontinued operations		**(0.13) cents**	0.28 cents

The accompanying notes form an integral part of these financial statements.

Consolidated Balance Sheet

At 30 June 2009

	Note	2009 HK$'000	2009 HK$'000	2008 HK$'000	2008 HK$'000
Non-current assets					
Property, plant and equipment	15(a)		**120,808**		142,880
Investment properties	16		**31,527**		30,500
Prepaid land premiums	17		**–**		4,662
Intangible assets	18		**1,754,993**		2,016,793
Goodwill	19		**10,483**		10,483
Interest in an associate	21		**133,928**		148,617
			2,051,739		2,353,935
Current assets					
Securities held for trading	22	**345**		282	
Inventories	23	**–**		16,968	
Loan receivables	24	**–**		6,000	
Amount due from a related company	25	**–**		710	
Trade and other receivables	26	**428,571**		388,033	
Derivative financial instruments	27	**–**		145,328	
Amounts due from customers for contract work	28	**–**		2,211	
Dividend receivable from an associate		**27,455**		42,470	
Pledged bank deposits		**–**		214	
Cash at securities companies		**264**		264	
Cash and bank balances		**40,122**		39,424	
		496,757		641,904	
Less: Current liabilities					
Bank overdrafts	29	**–**		867	
Promissory notes	30	**–**		15,000	
Trade and other payables	31	**33,353**		26,842	
Amounts due to customers for contract work	28	**–**		5,741	
Dividend payable to minority shareholders		**209,447**		210,153	
Income tax payable	32	**2,667**		4,264	
		245,467		262,867	
Net current assets			**251,290**		379,037
Total assets less current liabilities			**2,303,029**		2,732,972

Consolidated Balance Sheet (Continued)

At 30 June 2009

	Note	2009 HK$'000	2009 HK$'000	2008 HK$'000	2008 HK$'000
Less: Non-current liabilities					
Deferred tax liabilities	33(a)	**32,317**		50,089	
Convertible notes	34	**492,440**		685,393	
			524,757		735,482
Net assets			**1,778,272**		1,997,490
Capital and reserves	35				
Share capital			**769,449**		769,449
Reserves			**364,626**		536,446
Equity attributable to equity shareholders of the Company			**1,134,075**		1,305,895
Minority interests			**644,197**		691,595
Total equity			**1,778,272**		1,997,490

Approved and authorised for issue by the Board of Directors on 28 October 2009.

Lau Kwok Hung
Director

Chan Shiu Kwong, Stephen
Director

The accompanying notes form an integral part of these financial statements.

Balance Sheet

At 30 June 2009

	Note	2009 HK$'000	2009 HK$'000	2008 HK$'000	2008 HK$'000
Non-current assets					
Property, plant and equipment	15(b)		**192**		1,076
Interests in subsidiaries	20		**1,545,576**		2,013,959
			1,545,768		2,015,035
Current assets					
Trade and other receivables	26	**133,110**		989	
Derivative financial instruments	27	**–**		145,328	
Cash at securities companies		**247**		247	
Cash and bank balances		**35,979**		6,989	
		169,336		153,553	
Less: Current liabilities					
Bank overdrafts	29	**–**		37	
Promissory notes	30	**–**		15,000	
Trade and other payables	31	**5,863**		5,745	
Amounts due to subsidiaries	20	**153,825**		2,226	
Income tax payable	32	**178**		–	
		159,866		23,008	
Net current assets			**9,470**		130,545
Total assets less current liabilities			**1,555,238**		2,145,580
Less: Non-current liabilities					
Deferred tax liabilities	33(b)	**31,360**		49,270	
Convertible notes	34	**492,440**		685,393	
			523,800		734,663
Net assets			**1,031,438**		1,410,917
Capital and reserves	35				
Share capital			**769,449**		769,449
Reserves			**261,989**		641,468
Total equity			**1,031,438**		1,410,917

Approved and authorised for issue by the Board of Directors on 28 October 2009.

Lau Kwok Hung
Director

Chan Shiu Kwong, Stephen
Director

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2009

	Attributable to equity shareholders of the Company								
	Share capital	Share premium	Convertible notes reserve	Non-distributable reserve	Share options reserve	Accumulated losses	Sub-total	Minority interest	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 July 2007	**287,953**	**61,752**	**-**	**2,264**	**6,068**	**(77,429)**	**280,608**	**15,588**	**296,196**
(Loss)/profit for the year	–	–	–	–	–	(149,514)	(149,514)	124,525	(24,989)
Total recognised income and expense for the year	–	–	–	–	–	(149,514)	(149,514)	124,525	(24,989)
Equity component of convertible notes	–	–	595,783	–	–	–	595,783	–	595,783
Deferred tax arising on issue of convertible notes	–	–	(50,404)	–	–	–	(50,404)	–	(50,404)
Issue of shares	193,496	91,612	–	–	–	–	285,108	–	285,108
Share issue expenses	–	(4,566)	–	–	–	–	(4,566)	–	(4,566)
Consideration shares	288,000	30,240	–	–	–	–	318,240	–	318,240
Acquisition of subsidiaries	–	–	–	–	–	–	–	761,635	761,635
Recognition of equity-settled share-based payment expenses	–	–	–	–	30,640	–	30,640	–	30,640
Lapse of equity-settled share-based payment expenses	–	–	–	–	(9,700)	9,700	–	–	–
Dividend payable to minority shareholders	–	–	–	–	–	–	–	(210,153)	(210,153)
Balance at 30 June 2008 and 1 July 2008	**769,449**	**179,038**	**545,379**	**2,264**	**27,008**	**(217,243)**	**1,305,895**	**691,595**	**1,997,490**
Redemption of convertible notes	–	–	(182,549)	–	–	(46,244)	(228,793)	–	(228,793)
Deferred tax effect on equity component of convertible notes	–	–	14,383	–	–	–	14,383	–	14,383
Profit for the year	–	–	–	–	–	42,590	42,590	175,110	217,700
Total recognised income and expense for the year	–	–	(168,166)	–	–	(3,654)	(171,820)	175,110	3,290
Disposal of subsidiaries	–	–	–	–	–	–	–	(13,061)	(13,061)
Dividend payable to minority shareholders	–	–	–	–	–	–	–	(209,447)	(209,447)
Balance at 30 June 2009	**769,449**	**179,038**	**377,213**	**2,264**	**27,008**	**(220,897)**	**1,134,075**	**644,197**	**1,778,272**

The accompanying notes form an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 30 June 2009

	Note	**2009** **HK$'000**	2008 HK$'000
Operating activities			
Profit/(loss) before taxation			
– continuing operations		**222,334**	(35,177)
– discontinued operations	10(a)	**8,937**	11,319
		231,271	(23,858)
Adjustments for:			
Interest income	6	**(258)**	(11,637)
Dividend income from listed investments		**–**	(21)
Equity-settled share-based payment expenses		**–**	30,640
Fair value changes on securities held for trading	7	**(63)**	(2,116)
Fair value changes on investment properties	7, 16	**(1,027)**	(1,950)
Fair value changes on derivative financial instruments	7	**112,602**	(38,521)
Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost		**–**	(48,333)
Amortisation of prepaid land premium	17	**123**	123
Depreciation	15(a)	**17,678**	18,263
Finance costs	8(a)	**29,951**	9,705
Share of results of associate	21	**(12,766)**	(42,470)
Gain on redemption of convertible notes	7	**(108,898)**	–
Loss on disposal of property, plant and equipment		**631**	2,958
Write-down of inventories		**723**	547
Impairment of intangible assets	18	**261,800**	171,000
Impairment of goodwill	19	**–**	210,928
Impairment loss recognised in respect of trade receivables		**–**	357
Reversal of impairment loss recognised in respect of trade receivables		**–**	(246)
Operating profit before working capital changes		**531,767**	275,369
Decrease/(increase) in inventories		**858**	(205)
Increase in trade and other receivables		**(71,022)**	(246,754)
Decrease in loan receivables		**6,000**	22,000
Increase/(decrease) in trade and other payables		**15,983**	(8,704)
Decrease in amount due to a minority shareholder		**–**	(29,100)
Cash generated from operations		**483,586**	12,606
Hong Kong Profits Tax paid		**(486)**	(797)
Net cash inflow generated from operating activities		**483,100**	11,809

Consolidated Cash Flow Statement (Continued)

For the year ended 30 June 2009

	Note	2009 HK$'000	2008 HK$'000
Investing activities			
Payment for purchase of property, plant and equipment		**(62)**	(2,248)
Payment for purchase of prepaid land premiums		**–**	(2,328)
Net cash inflow in respect of disposal of subsidiaries	39	**9,459**	–
Interest received		**258**	4,132
Dividend received		**42,470**	21
Proceeds from sale of securities held for trading		**–**	3,616
Acquisition of subsidiaries		**–**	(320,743)
(Increase)/decrease in pledged bank deposits		**–**	(146)
Net cash generated from/(used in) investing activities		**52,125**	(317,696)
Financing activities			
Proceeds from issue of shares		**–**	203,295
Payment for share issue expenses		**–**	(4,566)
Repayment of promissory notes		**(15,000)**	(15,000)
Payment for redemption of convertible notes		**(301,500)**	–
Interest paid		**(7,007)**	(13)
Dividends paid to minority shareholders		**(210,153)**	–
Net cash (used in)/generated from financing activities		**(533,660)**	183,716
Net increase/(decrease) in cash and cash equivalents		**1,565**	(122,171)
Cash and cash equivalents at the beginning of the year		**38,821**	160,992
Cash and cash equivalents at the end of the year		**40,386**	38,821
Analysis of the balances of cash and cash equivalents:			
Cash and bank balances		**40,122**	39,424
Cash at securities companies		**264**	264
Bank overdrafts		**–**	(867)
		40,386	38,821

The accompanying notes form an integral part of these financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the List of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

(i) Basis of measurement

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets are stated at their fair value as explained in the accounting policies set out below:

– investment properties (see note 1(f));

– financial instruments classified as available-for-sale or as trading investments (see note 1(d)); and

– derivative financial instruments (see note 1(e)).

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell (see note 1(w)).

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of preparation of the financial statements (Continued)

(ii) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity ("functional currency"). These consolidated financial statements are presented in Hong Kong dollars ("presentation currency"), which is the Company's functional currency. All financial information presented in Hong Kong dollars ("HK$") has been rounded to the nearest thousand, except unless otherwise stated.

(iii) Use of estimates and judgement

The preparation of 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 recognised 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 periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

(c) Basis of consolidation

The consolidated financial statements for the year ended 30 June 2009 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associate.

(i) Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "*Business Combinations*" are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "*Non-Current Assets Held for Sale and Discontinued Operations*", which are recognised and measured at fair value less costs to sell (see note 1(w)).

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Basis of consolidation (Continued)

(ii) Subsidiaries and minority interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

Loans from holders of minority interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet in accordance with notes 1(m), (n) or (o) depending on the nature of the liability.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses (see note 1(k)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 1(w)).

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Basis of consolidation (Continued)

(iii) Associate

An associate in an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 1(w)). Under the equity method, the investment is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets and any impairment loss relating to the investment (see notes 1(c)(iv) and (k)). The Group's share of the post-acquisition, post-tax results of the associate and any impairment loss for the year are recognised in the consolidated income statement.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal and constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's long term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

In the Company's balance sheet, investment in associate is stated at cost less impairment losses (see note 1(k)), unless it is classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 1(w)).

(iv) Goodwill

Goodwill represents the excess of the cost of a business combination or an investment in an associate over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(k)). In respect of associate, the carrying amount of goodwill is included in the carrying amount of the interest in the associate and the investment as a whole is tested for impairment whenever there is objective evidence of impairment (see note 1(k)).

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Basis of consolidation (Continued)

(iv) Goodwill (Continued)

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate is recognised immediately in profit or loss.

On disposal of a cash generating unit or an associate during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(d) Other investments in equity securities

The Group's and the Company's policies for investments in equity securities, other than investments in subsidiaries and associates, are as follows:

Investments in equity securities are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in note 1(t)(iii) and (iv).

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses (see note 1(k)).

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised directly in equity in the fair value reserve. Dividend income from these investments is recognised in profit or loss in accordance with the policy set out in note 1(t)(iii). When these investments are derecognised or impaired (see note 1(k)), the cumulative gain or loss is reclassified from equity to profit or loss.

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(f) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(h)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated in the balance sheet at fair value, unless they are still in the course of construction or development at the balance sheet date and their fair value cannot be reliably determined at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 1(t)(ii).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 1(h)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 1(h).

(g) Other property, plant and equipment

Items of other property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 1(k)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(u)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Other property, plant and equipment (Continued)

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

–	Buildings	Over the terms of leases
–	Leasehold improvements	5 years
–	Plant and machinery	6 – 7 years
–	Furniture, fixtures and equipment	5 – 7 years
–	Computer equipment	5 years
–	Cruise ship	20 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(h) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exception:

– property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 1(f)).

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Leased assets (Continued)

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 1(f)).

(i) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(k)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The intangible assets with finite useful lives are amortised from the date they are available for use.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset, which is indefinite, is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

(j) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 1(k)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities (other than investments in subsidiaries: see note 1(k)(ii)) and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– Significant financial difficulty of the debtor;
– a breach of contract, such as a default or delinquency in interest or principal payments;
– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
– a significant or prolonged decline in the fair of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For investment in associate recognised using the equity method (see note 1(c)(iii)), the impairment loss is measured by comparing the recoverable amount of the investment as a whole with its carrying amount in accordance with note 1(k)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(k)(ii).

– For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Impairment of assets (Continued)

(i) *Impairment of investments in equity securities and other receivables* (Continued)

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

– For available-for-sale securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

  Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in equity.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) *Impairment of other assets*

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– Property, plant and equipment;
– pre-paid interests in leasehold land classified as being held under an operating lease;
– intangible assets;
– investments in subsidiaries (except for those classified as held for sale (or included in a disposal group that is classified as held for sale)) (see note 1(w)); and
– goodwill

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Impairment of assets (Continued)

(ii) *Impairment of other assets* (Continued)

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net 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 time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating units to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(m) Convertible notes

(i) Convertible notes that contain an equity component

Convertible notes that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition the liability component of the convertible notes is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the convertible notes reserve until either the note is converted or redeemed.

If the note is converted, the convertible notes reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, the capital reserve is released directly to retained profits.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Convertible notes (Continued)

(ii) Other convertible notes

Convertible notes which do not contain an equity component are accounted for as follows:

At initial recognition the derivative component of the convertible notes is measured at fair value and presented as part of derivative financial instruments (see note 1(e)). Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs that relate to the issue of the convertible note are allocated to the liability and derivative components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in profit or loss.

The derivative component is subsequently remeasured in accordance with note 1(e). The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method.

If the note is converted, the carrying amounts of the derivative and liability components are transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, any difference between the amount paid and the carrying amounts of both components is recognised in profit or loss.

(n) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(o) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) 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. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plan

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a share options reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year under review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share options reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the share options reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share options reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a results of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case the relevant amounts of tax are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided that those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxation differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Income tax (Continued)

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(s) Provisions and contingent liabilities

(i) Contingent liabilities acquired in business combinations

Contingent liabilities acquired as part of a business combination are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 1(s)(ii). Contingent liabilities acquired in a business combination that cannot be reliably fair valued are disclosed in accordance with note 1(s)(ii).

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Provisions and contingent liabilities (Continued)

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company 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.

(t) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Revenue from assignment of profit is recognised when the Group's right to receive profit is established.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iii) Dividends

– Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

– Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Revenue recognition (Continued)

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method.

(v) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(vi) Construction services income

When the outcome of a construction contract can be estimated reliably, revenue from fixed price construction contract is recognised on the percentage of completion method, measured by reference to the percentage of revenue certified to date to estimated total contract value. When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable that the costs incurred will be recovered.

(vii) Services income

Services income is recognised when the services rendered.

(u) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(v) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Translation of foreign currencies (Continued)

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong dollars at the closing foreign exchange rates at the balance sheet date. The resulting exchange differences are recognised directly in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(w) Non-current assets held for sale and discontinued operations

(i) Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred tax assets, financial assets (other than investments in subsidiaries and associate) and investment properties. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 1.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Non-current assets held for sale and discontinued operations (Continued)

(ii) Discontinued operations

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

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

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

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

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

(x) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has The ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following new Interpretations and an amendment to HKFRSs that are first effective for the current accounting period of the Group and the Company:

- HK(IFRIC) 11 *"HKFRS 2 – Group and Treasury Share Transactions"*
- HK(IFRIC) 12 *"Service Concession Arrangements"*
- HK(IFRIC) 14 *"HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction"*
- Amendments to HKAS 39 *"Financial Instruments: Recognition and Measurement"* and HKFRS 7 *"Financial Instruments: Disclosures" – Reclassification of financial assets*
- Amendments to HK(IFRIC) 9 *"Reassessment of Embedded Derivatives"* and HKAS 39 *"Financial Instruments: Recognition and Measurement" – Embedded derivatives*

These HKFRS developments have had no material impact on the Group's financial statements as either they were consistent with accounting policies already adopted by the Group or they were not relevant to the Group's and the Company's operations.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 45).

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

In the process of applying the Group's accounting policies which are described in note 1, the management has made certain key assumptions concerning the future, and other key resources of estimation uncertainty at the balance sheet date, that may have a significant risk in causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

(a) Impairment of intangible assets with indefinite useful lives and goodwill

In accordance with HKAS 36 "*Impairment of assets*" and the relevant accounting policies stated in note 1, the Group is required to test each of intangible assets with indefinite useful lives and goodwill for impairment by comparing its recoverable amount with its carrying amount annually, whether there is an indication that such asset may be impaired. An impairment loss is recognised when the asset's recoverable amount has declined below its carrying amount. The recoverable amount is the greater of its fair value less costs to sell and value in use. In determining the recoverable amount, significant judgements are required and the Group uses all readily available information, including estimates based on reasonable and supportable assumptions, projections of sale volume and operating costs or other market data, to arrive at an amount that is a reasonable approximation of recoverable amount. Any adverse changes in the assumptions used in determining the recoverable amount would cause the carrying amount of the asset to be significantly different from the recoverable amount.

(b) Impairment of property, plant and equipment and prepaid land premiums

If circumstances indicate that the carrying amounts of property, plant and equipment and prepaid land premiums may not be recoverable, the assets may be considered "impaired" and are tested for impairment in accordance with HKAS 36 "*Impairment of assets*" and the relevant accounting policies stated in note 1. An impairment loss is recognised when the asset's recoverable amount has declined below its carrying amount. The recoverable amount is the greater of its fair value less costs to sell and value in use. The asset's recoverable amount will also be estimated if circumstances indicate that an impairment loss previously recognised no longer exists or may have decreased. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. In determining the recoverable amount, significant judgements are required and the Group uses all readily available information, including estimates based on reasonable and supportable assumptions, projections of sale volume and operating costs or other market data, to arrive at an amount that is a reasonable approximation of recoverable amount. Any adverse changes in the assumptions used in determining the recoverable amount would cause the carrying amount of the asset to be significantly different from the recoverable amount.

(c) Impairment of receivables

Receivables that are measured at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, impairment loss is provided. Objective evidence of impairment includes observable data that comes to the attention of the Group about loss events such as a significant decline in the estimated future cash flow of an individual debtor or the portfolio of debtors, and significant changes in the financial condition that have an adverse effect on the debtor. If there is a change in the objective evidence of impairment in relation to the debtor, the impairment loss would be higher or lower than the allowance for doubtful debts recognised in the financial statements.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

(d) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of distributing and selling products of similar nature. It could change significant as a result of competitor actions in response to severe industry cycles or other changes in market condition. Management will reassess the estimations at each balance sheet date.

(e) Estimation of useful lives of property, plant and equipment and intangible assets

In assessing the estimated useful lives of property, plant and equipment and intangible assets, management takes into account factors such as the expected usage of the assets by the Group based on past experience, the expected physical wear and tear (which depends on operational factors), technical obsolescence arising from changes or improvements in production or from a change in market demand for the product or service output of the asset. The estimation of the useful life is a matter of judgement based on the experience of the Group.

Management reviews the useful lives of property, plant and equipment and intangible assets annually, and if expectations are significantly different from previous estimates of useful economic lives, the useful lives and, therefore, the depreciation and amortisation rates for the future periods will be adjusted accordingly.

(f) Income tax

Determining income tax provisions involve judgement on the future tax treatment of certain transactions and interpretation of tax rules. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations.

Deferred tax assets are recognized for tax losses not yet used and temporary deductible differences. As those deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgement is required to assess the propability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

(g) Estimation of fair value of investment properties

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgment, the Group considers information from a variety of sources, including:

(i) current prices in an active market for properties of a different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

(ii) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

(g) Estimation of fair value of investment properties (Continued)

(iii) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing leases and other contracts, and (where possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

If information on current or recent prices of investment properties is not available, the fair values of investment properties are determined using discounted cash flow valuation techniques. The Group uses assumptions that are mainly based on market conditions existing at each balance date.

The principal assumptions underlying management's estimation of fair value are those related to: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data, and actual transactions by the Group and those reported by the market.

The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

The Group assesses the fair value of its investment properties based on valuation determined by qualified independent professional valuers in Hong Kong and the PRC.

(h) Measurement of convertible notes

On issuance of convertible notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible note and this amount is carried as current liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in the convertible notes reserve, net of transaction costs. The splitting of the liability and equity components requires an estimation of the market interest rate.

(i) Derivative financial instruments

The directors of the Company use their judgement in selecting appropriate valuation techniques to determine the fair value of derivative financial instruments not quoted in an active market, where the valuation techniques are those commonly applied by market practitioners. Assumptions are made based on market statistics and adjusted for specific features of the instrument. Details of assumptions used are disclosed in note 27.

4. FINANCIAL AND CAPITAL RISK MANAGEMENTS

(a) Financial risk management

Exposure to credit, liquidity and market risks (including interest rate risk, foreign currency risk and equity risk) arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(i) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group's credit risk is primarily attributable to trade and other receivables and cash at banks. Management has a credit policy in place and the exposures to these credit risks are monitored on a ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and may take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Further details on the Group's credit policy are set out in note 26. In addition, the Group reviews the recoverable amount of each individual debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. Normally, the Group does not obtain collateral from customers.

The credit risk on cash at bank is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the balance sheet date, 34.6% (2008: 63.2%) and 59.3% (2008: 77.7%) of the total trade and other receivables was due from the Group's largest customer and the two largest customers respectively within the gaming and entertainment segment.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet after deducting any impairment allowance. The Group does not provide any guarantees which would expose the Group or the Company to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 26.

4. FINANCIAL AND CAPITAL RISK MANAGEMENTS (Continued)

(a) Financial risk management (Continued)

(ii) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. 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 and adequate other financial resources to meet its liquidity requirements in the short and longer term.

The following table show the remaining contractual maturities at the balance sheet date of the Group's and the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group and the Company can be required to pay:

The Group		Contractual undiscounted cash outflow				
	Weighted average effective interest rate	Within 1 year or on demand	After 1 year but less than 5 years	More than 5 years	Total	Balance sheet carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 30 June 2009						
Non-derivative financial liabilities						
Trade and other payables	–	33,353	–	–	33,353	33,353
Dividend payable to minority shareholders	–	209,447	–	–	209,447	209,447
Convertible notes	5	6,825	27,300	709,800	743,925	492,440
		249,625	27,300	709,800	986,725	735,240
At 30 June 2008						
Non-derivative financial liabilities						
Bank overdrafts	–	867	–	–	867	867
Promissory notes	–	15,000	–	–	15,000	15,000
Trade and other payables	–	26,842	–	–	26,842	26,842
Amounts due to customers for contract work	–	5,741	–	–	5,741	5,741
Dividend payable to minority shareholders	–	210,153	–	–	210,153	210,153
Convertible notes	5	9,840	39,360	1,033,200	1,082,400	685,393
		268,443	39,360	1,033,200	1,341,003	943,996

4. FINANCIAL AND CAPITAL RISK MANAGEMENTS (Continued)

(a) Financial risk management (Continued)

(ii) Liquidity risk (Continued)

The Company	Weighted average effective interest rate	Contractual undiscounted cash outflow				Balance sheet carrying amount
		Within 1 year or on demand	More than 1 year but less than 5 years	More than 5 years	Total	
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 30 June 2009						
Non-derivative financial liabilities						
Trade and other payables	–	5,863	–	–	5,863	5,863
Amounts due to subsidiaries	–	153,825	–	–	153,825	153,825
Convertible notes	5	6,825	27,300	709,800	743,925	492,440
		166,513	27,300	709,800	903,613	652,128
At 30 June 2008						
Non-derivative financial liabilities						
Bank overdrafts	–	37	–	–	37	37
Promissory notes	–	15,000	–	–	15,000	15,000
Trade and other payables	–	5,745	–	–	5,745	5,745
Amounts due to subsidiaries	–	2,226	–	–	2,226	2,226
Convertible notes	5	9,840	39,360	1,033,200	1,082,400	685,393
		32,848	39,360	1,033,200	1,105,408	708,401

(iii) Interest rate risk

The Group's interest rate risk arises primarily from long-term borrowings issued at a fixed rate that expose the Group to fair value interest rate risk. The Group's interest rate profile as monitored by management is set out below. The Group does not expect any changes on interest rate which might materially affect the Group's result of operations.

During the year, the Group and the Company had not entered into any interest rate swap contracts.

4. FINANCIAL AND CAPITAL RISK MANAGEMENTS (Continued)

(a) Financial risk management (Continued)

(iii) Interest rate risk (Continued)

Interest rate profile

The following table details the interest rate profile of the Group and the Company's long-term borrowings at the balance sheet date:

	The Group and the Company			
	2009		2008	
	Effective interest rate %	**HK$'000**	Effective interest rate %	HK$'000
Fixed rate borrowings:				
Convertible notes	**5**	**492,440**	5	685,393

(iv) Foreign currency risk

During the year ended 30 June 2009, the Group has disposal of the sales of electrical equipments segment and the electrical engineering and contracting services segment, After such disposal, the Group is not exposed to any significant foreign currency risk as its revenue, expenses, assets and liabilities are predominately denominated in the functional currency of the operations to which they relate.

(v) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as securities held for trading (see note 22). The management manages this exposure by maintaining a portfolio of investments with different risk and return profiles. The Group's equity price risk is mainly concentrated on equity securities operating in garment and telecommunication industry sectors quoted in The Stock Exchange of Hong Kong Limited.

The Group is also exposed to equity price risk arising from changes in the Company's own share price to the extent that the Company's own equity instruments underlie the fair values of financial derivatives of the Group. As at the balance sheet date the Group is exposed to this risk through the redemption rights attached to the convertible notes issued by the Company as disclosed in note 27.

In the opinion of the Company's directors, the Group does not expect any changes on equity prices which might materially affect the Group's result of operations.

4. FINANCIAL AND CAPITAL RISK MANAGEMENTS (Continued)

(a) Financial risk management (Continued)

(vi) Fair value of financial instruments

The fair value of financial assets and financial liabilities are determined as follows:

(i) the fair value of financial assets and financial liabilities (including derivative instruments) with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively; and

(ii) the fair value of other financial assets and financial liabilities (including derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input. For an option-based derivative, the fair value is estimated using option pricing model (for example, Binomial option pricing model).

The directors consider that the carrying amounts of financial assets and financial liabilities recorded in the consolidated financial statements approximate their fair values.

(b) Capital risk management

The Group's objectives when managing capital are to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of debt (which includes bank overdrafts, promissory notes and convertible notes), and equity attributable to equity holders of the Company, comprising issued share capital, reserves and accumulated losses.

Gearing ratio

The directors review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. The ratio is calculated based on total debt and shareholders' equity.

The gearing ratio at the year end was as follows:

	The Group		The Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Total debt #	**492,440**	701,260	**492,440**	700,430
Shareholders' equity	**1,134,075**	1,305,895	**1,031,438**	1,410,917
Gearing ratio	**43.42%**	53.70%	**47.74%**	49.64%

Total debt comprises bank overdrafts, promissory notes and convertible notes as detailed in Notes 29, 30 and 34.

5. TURNOVER AND SEGMENT REPORTING

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are leasing of the 70% owned cruise and receiving the profit streams from gaming and entertainment related business. The Group's manufacturing and trading of electrical equipment and provision of electrical engineering and contracting services were discontinued during the year.

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

Continuing operations:

– the gaming and entertainment segment consisted of the receive of profit streams from gaming and entertainment related business; and

– the cruise leasing segment consisted of the leasing and management of the cruise.

5. TURNOVER AND SEGMENT REPORTING (Continued)

Discontinued operations:

– The sale of electrical equipments segment consisted of the manufacture and trading of electrical equipments; and

– the electrical engineering and contracting services segment consisted of the provision of electrical engineering and contracting services.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

(a) Business segments

For the year ended 30 June 2009

	Continuing operations			Discontinued operations			
	Gaming and entertainment HK$'000	Cruise leasing HK$'000	Sub-total HK$'000	Sale of electrical equipments HK$'000	Electrical engineering and contracting services HK$'000	Sub-total HK$'000	Consolidated HK$'000
Segment turnover:							
Sales/services to external customers	433,268	30,000	463,268	86,423	23,267	109,690	572,958
Segment results	240,152	12,737	252,889	9,052	(33)	9,019	261,908
Unallocated operating income and expenses			(13,370)			(82)	(13,452)
Share of results of associate	12,766	–	12,766	–	–	–	12,766
Finance costs			(29,951)			–	(29,951)
Profit before taxation			222,334			8,937	231,271
Income tax			3,093			(1,442)	1,651
Profit for the year			225,427			7,495	232,922
Segment assets	2,297,218	129,285	2,426,503	–	–	–	2,426,503
Unallocated assets							121,993
Total assets							2,548,496
Segment liabilities	24	23,571	23,595	–	–	–	23,595
Unallocated liabilities							
– convertible notes							492,440
– dividend payable to minority shareholders							209,447
– others							44,742
Total liabilities							770,224

5. TURNOVER AND SEGMENT REPORTING (Continued)

(a) Business segments (Continued)

For the year ended 30 June 2009 (Continued)

	Continuing operations			Discontinued operations			
	Gaming and entertainment HK$'000	Cruise leasing HK$'000	Sub-total HK$'000	Sale of electrical equipments HK$'000	Electrical engineering and contracting services HK$'000	Sub-total HK$'000	Consolidated HK$'000
Other segment information:							
Capital expenditure	–	–	–	34	–	34	34
Unallocated amounts							28
							62
Depreciation and amortisation	–	17,216	17,216	303	–	303	17,519
Unallocated amounts							282
							17,801
Other non-cash expenses:							
Write-down of inventories	–	–	–	723	–	723	
Impairment of intangible assets	261,800	–	261,800	–	–	–	

5. TURNOVER AND SEGMENT REPORTING (Continued)

(a) Business segments (Continued)

For the year ended 30 June 2008

	Continuing operations			Discontinued operations			
	Gaming and entertainment HK$'000	Cruise leasing HK$'000	Sub-total HK$'000	Sale of electrical equipments HK$'000	Electrical engineering and contracting services HK$'000	Sub-total HK$'000	Consolidated HK$'000
Segment turnover:							
Turnover from external customers	235,038	36,000	271,038	93,352	26,377	119,729	390,767
Segment results	(93,352)	20,244	(73,108)	7,610	3,683	11,293	(61,815)
Unallocated operating income and expenses			35,806			26	35,832
Equity-settled share-based payment expenses			(30,640)			–	(30,640)
Share of results of associate	42,470	–	42,470	–	–	–	42,470
Finance costs			(9,705)			–	(9,705)
Loss before taxation			(35,177)			11,319	(23,858)
Income tax			714			(1,845)	(1,131)
Net loss for the year			(34,463)			9,474	(24,989)
Segment assets	2,550,528	170,928	2,721,456	74,354	11,297	85,651	2,807,107
Unallocated assets							188,732
Total assets							2,995,839
Segment liabilities	24	24	48	16,586	8,278	24,864	24,912
Unallocated liabilities							
– convertible notes							685,393
– dividend payable to minority shareholders							210,153
– others							77,891
Total liabilities							998,349

5. TURNOVER AND SEGMENT REPORTING (Continued)

(a) Business segments (Continued)

For the year ended 30 June 2008 (Continued)

	Continuing operations			Discontinued operations			
	Gaming and entertainment HK$'000	Cruise leasing HK$'000	Sub-total HK$'000	Sale of electrical equipments HK$'000	Electrical engineering and contracting services HK$'000	Sub-total HK$'000	Consolidated HK$'000
Other segment information:							
Capital expenditure	2,187,793	254	2,188,047	3,533	–	3,533	2,191,580
Unallocated amounts							789
							2,192,369
Depreciation and amortisation	–	17,914	17,914	299	–	299	18,213
Unallocated amounts							173
							18,386
Other non-cash expenses:							
Write-down of inventories	–	–	–	547	–	547	
Impairment loss recognised in respect of trade receivables	–	–	–	87	270	357	
Impairment of intangible assets	171,000	–	171,000	–	–	–	
Impairment of goodwill	210,928	–	210,928	–	–	–	

(b) Geographical segments

The Group's business operates in two principal geographical areas – Hong Kong and Macau. In presenting information on the basis of geographical segments, segment turnover is based on the location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

	Hong Kong		Macau	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Turnover from external customers	**139,690**	155,729	**433,268**	235,038
Segment assets	**251,278**	445,311	**2,297,218**	2,550,528
Capital expenditure incurred during the year	**62**	4,576	**–**	2,187,793

6. OTHER REVENUE

An analysis of the Group's other revenue is as follows:

	2009 HK$'000	2008 HK$'000
Continuing operations:		
Bank interest income	**10**	2,119
Other interest income	**42**	9,105
	52	11,224
Dividend income from listed investments	**–**	21
Compensations from the vendors for shortfall in guaranteed profits (see note (b) below)	**71,132**	1,445
Sundry income	**–**	24
	71,184	12,714
Discontinued operations (note 10):		
Bank interest income	**206**	413
Commission income	**88**	59
Sundry income	**535**	396
	829	868
Total	**72,013**	13,582

Notes:

(a) Total interest income on financial assets not at fair value through profit or loss as follows:

	2009 HK$'000	2008 HK$'000
Continuing operations	**52**	11,224
Discontinued operations	**206**	413
	258	11,637

(b) Pursuant to the profit guarantee agreements in respect of 85% equity interests in Sky Advantage Limited ("Sky Advantage") (see note 38(c)) and Profit Forest Limited ("Profit Forest") (see note 38(d)), the Group is entitled to receive compensations from vendors for Sky Advantage's and Profit Forest's failure to achieving a predetermined guaranteed profits for the period up to 31 December 2010.

During the years ended 30 June 2009 and 2008, profit generated from Sky Advantage and Profit Forest did not meet the profit guarantee under the relevant profit guarantee agreements, and accordingly the Group claimed the compensations from the vendors for shortfall in guarantee profits of Sky Advantage and Profit Forest.

7. OTHER NET (LOSS)/INCOME

An analysis of the Group's other net (loss)/income is as follows:

	2009 HK$'000	2008 HK$'000
Continuing operations:		
Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (Note 38(b))	–	48,333
Fair value changes on investment properties (Note 16)	1,027	1,950
Fair value changes on securities held for trading	63	2,116
Fair value changes on derivative financial instruments (Note 27)	(112,602)	38,521
Gain on redemption of convertible notes	108,898	–
	(2,614)	90,920

8. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is arrived at after charging/(crediting):

(a) Finance costs

	2009 HK$'000	2008 HK$'000
Continuing operations:		
Interest on bank overdrafts wholly repayable within five years	–	13
Imputed interest expense on convertible notes (Note 34)	29,951	9,692
Total interest expense on financial liabilities not at fair value through profit on loss	29,951	9,705

8. PROFIT/(LOSS) BEFORE TAXATION (Continued)

(b) Staff costs (including directors' remuneration)

	2009 HK$'000	2008 HK$'000
Continuing operations:		
Contributions to defined contribution retirement plan	**109**	114
Equity-settled share-based payment expenses	**–**	30,640
Salaries and other benefits	**6,722**	4,774
	6,831	35,528
Discontinued operations (Note 10):		
Contributions to defined contribution retirement plan	**535**	540
Salaries, wages and other benefits	**13,599**	14,240
	14,134	14,780
Total staff costs	**20,965**	50,308

(c) Other items

	2009 HK$'000	2008 HK$'000
Continuing operations:		
Auditors' remuneration		
– audit services	**650**	650
Depreciation of property, plant and equipment (Note 15)	**17,498**	17,964
Loss on disposal of property, plant and equipment	**631**	2,958
Operating lease charges in respect of land and buildings	**1,142**	1,556
Discontinued operations (Note 10):		
Amortisation of land lease premiums (Note 17)	**123**	123
Depreciation of property, plant and equipment	**180**	299
Operating lease rentals in respect of land and buildings	**–**	121
Auditors' remuneration		
– audit services	**227**	218
Impairment loss recognised in respect of trade receivables	**–**	357
Reversal of impairment loss recognised in respect of trade receivables	**–**	(246)
Write-down of inventories	**723**	547
Cost of inventories	**56,410**	60,147

9. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Continuing operations

(i) Income tax in the consolidated income statement represents:

	2009 HK$'000	2008 HK$'000
Current tax – Hong Kong Profits Tax		
Under-provision in respect of prior years	**178**	–
Deferred tax:		
Origination and reversal of temporary differences	**(3,271)**	(646)
Effect on deferred tax balances at 1 July resulting from a change in tax rate	**–**	(68)
	(3,271)	(714)
	(3,093)	(714)

No provision for Hong Kong Profits Tax and other income taxes has been made as the companies comprising the continuing operations did not have estimated assessable profits subject to any income tax in Hong Kong and other tax jurisdictions concerned during the years ended 30 June 2009 and 2008.

(ii) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2009 HK$'000	2008 HK$'000
Profit/(loss) before taxation	**222,334**	(35,177)
Notional tax on profit/(loss) before taxation, calculated at the rates applicable to profits in the countries concerned	**36,772**	(16,967)
Tax effect of non-deductible expenses	**67,140**	70,138
Tax effect of non-taxable income	**(108,271)**	(56,964)
Tax effect of unrecognised temporary differences	**(11)**	147
Tax effect of unused tax loss not recognised	**1,099**	3,000
Under-provision in respect of prior years	**178**	–
Effect on deferred tax balances at 1 July resulting from a charge in tax rate	**–**	(68)
Actual tax credit	**(3,093)**	(714)

9. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (Continued)

(b) Discontinued operations

(i) Income tax in the note 10 represents:

	2009 HK$'000	2008 HK$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	**1,410**	1,839
Over-provision in respect of prior years	**(50)**	–
	1,360	1,839
Deferred tax:		
Origination and reversal of temporary differences	**82**	6
	1,442	1,845

The provision for Hong Kong Profit Tax for the year ended 30 June 2009 is calculated at 16.5% (2008: 16.5%) of the estimated assessable profits of the companies comprising the discontinued operations for the year.

(ii) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2009 HK$'000	2008 HK$'000
Profit before taxation	**8,937**	11,319
National tax on profit before taxation, calculated at a rate of 16.5%	**1,475**	1,868
Tax effect of non-deductible expenses	**51**	51
Tax effect of non-taxable income	**(34)**	(68)
Effect on deferred tax balances at 1 July resulting from a change in tax rate	**–**	(6)
Over-provision in previous year	**(50)**	–
Actual tax expense	**1,442**	1,845

10. DISCONTINUED OPERATIONS

During the year ended 30 June 2009, the Group's manufacturing and trading of electrical equipment and provision of electrical engineering and contracting services were discontinued following the disposal of the Group's 80% equity interests in Linfield International Limited and its subsidiaries (the "Linfield Group") to an independent third party, resulting in a loss on disposal of approximately HK$15,222,000 (see note 39).

(a) The results of the discontinued operations for the years ended 30 June 2009 and 2008 were as follows:

	Note	**2009 HK$'000**	2008 HK$'000
Turnover	5	**109,690**	119,729
Cost of sales		**(91,767)**	(98,356)
Gross profit		**17,923**	21,373
Other revenue	6	**829**	868
Selling and distribution expenses		**(1,630)**	(1,771)
General and administrative expenses		**(8,185)**	(9,151)
Profit from operations		**8,937**	11,319
Finance costs		**–**	–
Profit before taxation	8	**8,937**	11,319
Income tax	9(b)	**(1,442)**	(1,845)
Profit for the year		**7,495**	9,474

(b) The net cash flows of the discontinued operations for the years ended 30 June 2009 and 2008 were as follows:

	2009 HK$'000	2008 HK$'000
Net cash inflow from operating activities	**7,272**	11,253
Net cash inflow/(outflow) from investing activities	**171**	(3,120)
Net cash inflow/(outflow) from financing activities	**–**	–
Net cash inflow incurred by the discontinued operation	**7,443**	8,133

11. DIRECTORS' REMUNERATION

Directors' remuneration, disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

THE GROUP

Name of director	Directors' fee		Salaries, allowances and benefits in kind		Mandatory provident fund contributions		Equity-settled share-based payment expenses		Total	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Executive director										
Mr. Lin Cheuk Fung	**–**	–	**900**	960	**12**	12	**–**	293	**912**	1,265
Mr. Lau Kwok Hung	**–**	–	**685**	715	**12**	12	**–**	293	**697**	1,020
Mr. Chan Shiu Kwong, Stephen	**–**	–	**626**	650	**12**	12	**–**	293	**638**	955
Mr. Wan Yau Shing, Ban	**–**	–	**415**	420	**12**	12	**–**	–	**427**	432
Mr. Nicholas J. Niglio (appointed on 3 September 2007)	**–**	–	**390**	360	**12**	12	**–**	293	**402**	665
Mr. Lau Kwok Keung (retired on 22 December 2008)	**50**	100	**–**	–	**–**	–	**–**	–	**50**	100
Independent non-executive director										
Mr. Yue Fu Wing	**60**	60	**–**	–	**–**	–	**–**	–	**60**	60
Mr. Cheung Yat Hung, Alton	**60**	60	**–**	–	**–**	–	**–**	–	**60**	60
Mr. Wong Tat Tung (appointed on 22 August 2008)	**50**	–	**–**	–	**–**	–	**–**	–	**50**	–
Mr. Wong Yuk Man (resigned on 4 August 2008)	**5**	60	**–**	–	**–**	–	**–**	–	**5**	60
	225	280	**3,016**	3,105	**60**	60	**–**	1,172	**3,301**	4,617

During the year ended 30 June 2008, share options of approximately HK$1,172,000 were granted to the directors under the Company's share options scheme.

During the years ended 30 June 2009 and 2008, no emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office. None of the directors has waived any emoluments during the years ended 30 June 2009 and 2008.

12. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2008: four) are directors, details of whose emoluments are disclosed in Note 11 above. The aggregate of the emoluments in respect of the other two (2008: one) individuals are as follows:

	2009	2008
	HK$'000	HK$'000
Salaries and other emoluments	**2,400**	554
Mandatory provident fund contributions	**–**	–
	2,400	554

The emoluments of the two (2008: one) individuals with the highest emoluments are within the following bands:

	Number of employees	
	2009	2008
Nil – HK$1,000,000	**–**	1
HK$1,000,001 – HK$1,500,000	**2**	–

13. PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit/(loss) attributable to equity shareholders of the Company includes a loss of approximately HK$256,069,000 (2008: profit of approximately HK$4,522,000) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's (loss)/profit for the year:

	2009	2008
	HK$'000	HK$'000
Amount of consolidated (loss)/profit attributable to equity shareholders dealt with in the Company's financial statements	**(256,069)**	4,522
Dividends from subsidiaries attributable to the profits of the previous financial year, approved and paid during the year	**91,000**	–
Company's (loss)/profit for the year (note 35(a))	**(165,069)**	4,522

14. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of the basic earnings/(loss) per share is based on the consolidated profit/(loss) attributable to ordinary equity shareholders of the Company and the weighted average of approximately 3,847,245,000 ordinary shares (2008: 2,666,172,000 ordinary shares) in issue during the year, calculated as follows:

(i) Profit/(loss) attributable to ordinary equity shareholders of the Company

	2009	2008
	HK$'000	HK$'000
Continuing operations	**51,816**	(157,093)
Discontinued operations	**(9,226)**	7,579
	42,590	(149,514)

(ii) Weighted average number of ordinary shares

	2009	2008
	'000	'000
Issued ordinary shares at 1 July	**3,847,245**	1,439,763
Effect of share issued under open offer (note 35(b)(ii))	**–**	704,146
Effect of shares issued under share placement (note 35(b)(iii))	**–**	223,246
Effect of share issued for acquisition of subsidiaries	**–**	299,017
Weighted average number of ordinary shares at 30 June	**3,847,245**	2,666,172

14. EARNINGS/(LOSS) PER SHARE (Continued)

(b) Diluted earnings/(loss) per share

The calculation of diluted earnings per share is based on the consolidated profit/(loss) attributable to ordinary equity shareholders of the Company and the weighted average number of approximately 6,704,222,000 (2008: 2,666,172,000) ordinary shares in issue during the year after adjusting for the effect of all dilutive potential shares, calculated as follows:

(i) Profit/(loss) attributable to equity shareholders of the Company (diluted)

	2009 HK$'000	2008 HK$'000
From continuing and discontinued operations:		
Profit attributable to equity shareholders	**42,590**	(149,514)
After tax effect of effective interest on liability component of convertible bonds	**33,655**	–*
Profit attributable to equity shareholders (diluted)	**76,245**	(149,514)
Attributable to:		
Continuing operations	**85,471**	(157,093)
Discontinued operation	**(9,226)**	7,579
	76,245	(149,514)

(ii) Weighted average number of ordinary shares (diluted)

	2009 Shares '000	2008 Shares '000
Weighted average number of ordinary shares at 1 July	**3,847,245**	2,666,172
Effect of conversion of convertible bonds	**2,856,977**	–*
Weighted average number of ordinary shares (diluted) at 30 June	**6,704,222**	2,666,172

* Diluted loss per share for the year ended 30 June 2008 was the same as basic loss per share because (i) the average market price of ordinary shares, at no time during the year. exceeds the exercise price of the share options, therefore, the exercise of share options would be anti-dilutive, and (ii) the effect of the Company's outstanding convertible notes were anti-dilutive.

15. PROPERTY, PLANT AND EQUIPMENT

(a) The Group

	Buildings in Hong Kong HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Computer equipment HK$'000	Cruise ship HK$'000	Total HK$'000
Cost:							
At 1 July 2007	3,195	42,545	20,081	2,014	326	129,180	197,341
Additions	1,083	668	272	104	121	–	2,248
Disposals	–	(3,480)	–	–	–	–	(3,480)
At 30 June 2008	4,278	39,733	20,353	2,118	447	129,180	196,109
At 1 July 2008	4,278	39,733	20,353	2,118	447	129,180	196,109
Reclassification	–	(37)	–	37	–	–	–
Additions	–	–	–	62	–	–	62
Disposals							
– through disposal of subsidiaries	(4,278)	–	(84)	(445)	–	–	(4,807)
– others	–	(1,079)	(47)	(1,607)	(222)	–	(2,955)
At 30 June 2009	–	38,617	20,222	165	225	129,180	188,409
Accumulated depreciation:							
At 1 July 2007	480	14,853	5,317	1,632	288	12,918	35,488
Charge for the year	107	8,509	2,982	194	12	6,459	18,263
Written back on disposals	–	(522)	–	–	–	–	(522)
At 30 June 2008	587	22,840	8,299	1,826	300	19,377	53,229
At 1 July 2008	587	22,840	8,299	1,826	300	19,377	53,229
Charge for the year	106	7,939	3,044	95	35	6,459	17,678
Written back on disposals							
– through disposal of subsidiaries	(693)	–	(61)	(228)	–	–	(982)
– others	–	(447)	(47)	(1,607)	(223)	–	(2,324)
At 30 June 2009	–	30,332	11,235	86	112	25,836	67,601
Carrying amount:							
At 30 June 2009	**–**	**8,285**	**8,987**	**79**	**113**	**103,344**	**120,808**
At 30 June 2008	3,691	16,893	12,054	292	147	109,803	142,880

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) The Company

	Furniture, fixtures and equipment HK$'000	Leasehold improvements HK$'000	Computer equipment HK$'000	Total HK$'000
Cost:				
At 1 July 2007	98	447	103	648
Additions	–	668	121	789
At 30 June 2008	98	1,115	224	1,437
At 1 July 2008	98	1,115	224	1,437
Reclassification	37	(37)	–	–
Additions	30	–	1	31
Disposals	–	(1,078)	–	(1,078)
At 30 June 2009	165	–	225	390
Accumulated depreciation:				
At 30 June 2007 and 1 July 2007	37	142	64	243
Charge for the year	18	89	11	118
At 30 June 2008	55	231	75	361
At 1 July 2008	55	231	75	361
Charge for the year	31	216	37	284
Written back on disposals	–	(447)	–	(447)
At 30 June 2009	86	–	112	198
Carrying amount:				
At 30 June 2009	**79**	**–**	**113**	**192**
At 30 June 2008	43	884	149	1,076

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) Cruise ship leased out under an operating lease

The Group lease out cruise ship under an operating lease. The lease typically run for an initial period of two years, with an option to renew the lease after that date at which all terms are renegotiated. Lease payments are usually adjusted every two years to reflect market rentals. The lease do not include contingent rental.

At 30 June 2009, the Group's total future minimum lease payments under a non-cancellable operating lease are receivables as follows:

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Within 1 year	**24,000**	36,000
After 1 year but within 5 years	**12,000**	9,000
	36,000	45,000

16. INVESTMENT PROPERTIES

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Fair value:		
At 1 July	**30,500**	28,550
Fair value changes	**1,027**	1,950
At 30 June	**31,527**	30,500

The fair value of the Group's investment properties at 30 June 2009 and 2008 have been arrived at on the basis of a valuation carried out on that date by Messrs. Chung, Chan & Associates, an independent qualified professional valuers not connected with the Group. Messrs. Chung, Chan & Associates are members of The Royal Institution of Chartered Surveyors and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to Hong Kong Institution Surveyors Valuation Standards on Properties, was arrived at by reference to market evidence of transaction prices for similar properties.

16. INVESTMENT PROPERTIES (Continued)

All of the Group's property interests held for capital appreciation are measured using the fair value model and are classified and accounted for as investment properties.

The carrying amount of investment properties shown above comprises:

	2009 HK$'000	2008 HK$'000
Representing:		
Leasehold land in the People's Republic of China (the "PRC"):		
– Long term lease	**31,527**	30,500

17. PREPAID LAND PREMIUMS

The Group's interest in leasehold land and land use rights represent prepaid operating lease payment and their carrying amounts are analysed as follows:

	THE GROUP	
	2009 HK$'000	2008 HK$'000
Cost:		
At 1 July	**5,164**	2,836
Additions	**–**	2,328
Disposals through disposal of subsidiaries	**(5,164)**	–
At 30 June	**–**	5,164
Accumulated amortisation:		
At 1 July	**380**	257
Charge for the year	**123**	123
Written back on disposals	**(503)**	–
At 30 June	**–**	380
Carrying amount:		
At 30 June	**–**	4,784

	2009 HK$'000	2008 HK$'000
Representing:		
Leasehold land in Hong Kong:		
Medium term lease	**–**	4,784
Analysed for reporting purposes as:		
Current assets (included in trade and other receivables)	**–**	122
Non-current assets	**–**	4,662
	–	4,784

18. INTANGIBLE ASSETS

THE GROUP

	Rights in sharing of profit streams HK$'000	Development cost HK$'000	Total HK$'000
Cost:			
At 1 July 2007	–	4,673	4,673
Additions on acquisition of subsidiaries	2,187,793	–	2,187,793
At 30 June 2008	2,187,793	4,673	2,192,466
At 1 July 2008	2,187,793	4,673	2,192,466
Disposals through disposal of subsidiaries	–	(4,673)	(4,673)
At 30 June 2009	2,187,793	–	2,187,793
Accumulated amortisation and impairment losses:			
At 1 July 2007	–	4,673	4,673
Impairment loss recognised for the year	171,000	–	171,000
At 30 June 2008	171,000	4,673	175,673
At 1 July 2008	171,000	4,673	175,673
Impairment loss recognised for the year	261,800	–	261,800
Written back on disposals	–	(4,673)	(4,673)
At 30 June 2009	432,800	–	432,800
Carrying amount:			
At 30 June 2009	**1,754,993**	**–**	**1,754,993**
At 30 June 2008	2,016,793	–	2,016,793

18. INTANGIBLE ASSETS (Continued)

The intangible assets of the rights in sharing of profit streams are from junket business at the casinos' VIP rooms in Macau for an indefinite period of time. Such intangible assets are carried at cost less accumulated impairment losses, and related to gaming and entertainment segment.

Details of rights in sharing of profit streams are as follows:

	Hou Wan Profit Agreement HK$'000	Neptune Ouro Profit Agreement HK$'000	Hao Cai Profit Agreement HK$'000	Total HK$'000
Fair value during acquisition	567,793	405,000	1,215,000	2,187,793
Impairment loss recognised for the year	–	(43,000)	(128,000)	(171,000)
At 30 June 2008 and 1 July 2008	567,793	362,000	1,087,000	2,016,793
Impairment loss recognised for the year	–	(65,200)	(196,600)	(261,800)
At 30 July 2009	567,793	296,800	890,400	1,754,993

Impairment tests for intangible assets with indefinite lives

The recoverable amount of the intangible assets with indefinite lives is determined based on value-in-use calculations by reference to the valuation report issued by Messrs. Ascent Partners Transaction Services Limited ("Ascent Partners") (2008: Messrs. BMI Appraisals Limited ("BMI")), independent qualified professional valuers. These calculations use cash flow projections based on financial budgets approved by the directors of the Company covering a five-year period. Cash flows beyond the five-year periods are extrapolated using a steady 2.85% (2008: 2.00%) growth rate, which does not exceed the long-term average growth rate for gaming industry. The cash flows are discounted using a discount rate of 14.02% (2008: 16.77%). The discount rate used are pre-tax and reflect specific risks relating to the gaming and entertainment segment.

The impairment loss of approximately HK$261,800,000 (2008: HK$171,000,000) recognized during the year solely relates to the Group's gaming and entertainment segment. The main factor contributing to the impairment was that the profit generated from Sky Advantage and Profit Forest, non-wholly owned subsidiaries of the Company, did not meet the profit guarantee under the Neptune Ouro Profit Agreement and Hao Cai Profit Agreement, respectively. As the intangible assets have been reduced to their recoverable amounts, any adverse change in the assumptions used in the calculation of recoverable amount would result in further impairment losses.

19. GOODWILL

THE GROUP

	2009 HK$'000	2008 HK$'000
Cost:		
At 1 July	**221,411**	45
Additions on acquisition of subsidiaries	**–**	229,557
Adjustments to measurement for acquisitions (note)	**–**	(8,191)
At 30 June	**221,411**	221,411
Accumulated impairment losses:		
At 1 July	**210,928**	–
Impairment loss recognised for the year	**–**	210,928
At 30 June	**210,928**	210,928
Carrying amount:		
At 30 June	**10,483**	**10,483**

Note:

The amounts represented the adjustments to the contingent consideration for acquisitions during the year due to the compensation from profit guarantee granted by the vendors.

As explained in Note 5, the Group uses business segments as its primary segment for reporting segment information. For the purposes of impairment testing, goodwill (net of accumulated impairment losses) as at 30 June 2009 has been allocated to the following cash generating units (CGUs) as follows:

	2009 HK$'000	2008 HK$'000
Gaming and entertainment unit	**10,438**	10,438
Cruise leasing unit	**45**	45
	10,483	10,483

19. GOODWILL (Continued)

During the year ended 30 June 2009, the directors of the Company assessed the recoverable amount of goodwill, and determined the goodwill associated with the Group's gaming and entertainment unit was impaired by approximately HK$Nil (2008: HK$210,928,000). The recoverable amount of the gaming and entertainment unit was assessed by reference to value in use. A discount factor of 14.02% (2008: 16.77%) per annum was applied in value in use model.

The main factor contributing to the impairment of the CGUs of the gaming and entertainment unit in respect of the year ended 30 June 2008 was that the profit guarantee under the Neptune Ouro Profit Agreement and Hao Cai Profit Agreement have not been attained.

(a) Gaming and entertainment unit

The value in use calculation uses cash flow projections based on financial budgets approved by the directors covering a 5-year period. Cash flow beyond that five year period have been extrapolated using a steady 2.85% (2008: 2%) growth rate. This growth rate does not exceed the long-term average growth rate for the industry in which the gaming and entertainment unit operates.

Key assumptions used in the value in use calculations for gaming and entertainment unit are as follows:

	2009	2008
Growth rate	**2.85%**	2%
Discount rate	**14.02%**	16.77%

Details of goodwill of gaming and entertainment unit are as follows:

	Credible Limited HK$'000	**Sky Advantage** HK$'000	**Profit Forest** HK$'000	**Total** HK$'000
Goodwill arising from acquisition of subsidiaries	10,438	6,314	212,805	229,557
Adjustments to measurement for acquisitions	–	(2,048)	(6,143)	(8,191)
Impairment loss recognised for the year	–	(4,266)	(206,662)	(210,928)
At 30 June 2008, 1 July 2008 and 30 June 2009	**10,438**	**–**	**–**	**10,438**

20. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2009	2008
	HK$'000	HK$'000
Unlisted investments, at cost	**308,393**	344,793
Less: Accumulated impairment losses recognised in respect of investment cost	**(5,000)**	(5,000)
	303,393	339,793
Amounts due from subsidiaries (note (a))	**1,647,050**	1,821,033
Less: Accumulated impairment losses recognised in respect of amounts due from subsidiaries	**(404,867)**	(146,867)
	1,242,183	1,674,166
Total interests in subsidiaries	**1,545,576**	2,013,959
Amounts due to Subsidiaries (note (b))	**153,825**	2,226

20. INTERESTS IN SUBSIDIARIES (Continued)

Note:

(a) The amounts due from subsidiaries are non-trade nature, unsecured, interest free and have no fixed terms of repayment, except for a loan to a subsidiary of HK$Nil (2008: HK$70,000,000) which is unsecured, carries interest at 2% per annum over bank's prime rate and has no fixed terms of repayment.

The directors of the Company had reviewed the net asset values of the Company's subsidiaries as at 30 June 2009 and considered their operating performance, the directors are of the view that an impairment loss of approximately HK$258,000,000 (2008: a reversal of impairment loss of approximately HK$3,500,000) was recognised so as to write down the amounts due from subsidiaries to their net recoverable values.

(b) The amounts due to subsidiaries are unsecured, interest free and repayable on demand.

(c) Particulars of the Company's subsidiaries at 30 June 2009 are as follows:

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued ordinary share capital/registered capital held by the Company		Principal activity
			Directly %	Indirectly %	
Anwill Investments Limited	Hong Kong/ Hong Kong	HK$2	–	100	Property development
Base Move Investments Limited*	The British Virgin Islands/Macau	US$100	–	20	Receive profit streams from gaming and entertainment related business
Century Element Entertainment (HK) Limited	Hong Kong/ Hong Kong	HK$2	–	100	Dormant
Credible Limited	The British Virgin Islands/Hong Kong	US$100	100	–	Investment holding
Discovery Net Limited	The British Virgin Islands/Hong Kong	US$50,000	–	100	Securities trading
Eagles Wing Limited	Hong Kong/ Hong Kong	HK$100	100	–	Dormant
Great Well Global Limited	The British Virgin Islands/Hong Kong	US$1	100	–	Dormant
Hero Will Limited	The British Virgin Islands/Hong Kong	US$100	100	–	Investment holding

20. INTERESTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued ordinary share capital/registered capital held by the Company		Principal activity
			Directly %	Indirectly %	
Jumbo Profit Investments Limited	The British Virgin Islands/Hong Kong	US$1	100	–	Securities trading
Koppert International Limited	The British Virgin Islands/Hong Kong	US$100	100	–	Investment holding
Lexwin Company Limited	Hong Kong/ Hong Kong	HK$2	100	–	Dormant
Massive Resources Corporation (China) Limited	Hong Kong/ Hong Kong	HK$2	100	–	Dormant
Profit Forest Limited	The British Virgin Islands/Macau	US$100	–	85	Receive profit streams from gaming and entertainment related business
Rich Pearl Enterprises Limited	The British Virgin Islands/Hong Kong	US$100	100	–	Investment holding
Sky Advantage Limited	The British Virgin Islands/Macau	US$100	–	85	Receive profit streams from gaming and entertainment related business
Smart Brilliance Development Limited	Hong Kong/ Hong Kong	HK$10,000	100	–	Dormant
Sources Investments Limited	Hong Kong/ Hong Kong	HK$2	100	–	Securities trading
Stand Great Limited	The British Virgin Islands/Hong Kong	US$100	100	–	Investment holding
Talent Ascent Limited	Hong Kong/ Hong Kong	HK$10,000	100	–	Dormant

20. INTERESTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued ordinary share capital/registered capital held by the Company		Principal activity
			Directly %	Indirectly %	
Tenin Investments Limited	Hong Kong/ Hong Kong	HK$2	–	100	Property development
Walden Maritime S.A.	Republic of Panama/ Hong Kong	US$10,000	70	–	Cruise leasing
World Target International Limited	The British Virgin Islands/Hong Kong	US$1	100	–	Securities trading

None of the subsidiaries had any loan capital outstanding at the end of the year, or at any time during the year.

* The currently exercisable purchased call option, if exercise, would give the Company 70% voting power over Base Move Investments Limited ("Base Move"). Based on the directors' assessment, the currently exercisable purchased call option provided the Company with the potential voting rights over Base Move which in turn provided the Company with the ability to control Base Move. In preparing the consolidated financial statements of the Company, for the years ended 30 June 2009 and 2008, Base Move was consolidated as a subsidiary in accordance with HKAS 27. As the Company held 20% equity interests in Base Move, 80% of the post-acquisition results and net assets of Base Move were allocated to minority interests.

21. INTEREST IN AN ASSOCIATE

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Share of net assets	**133,928**	148,617

21. INTEREST IN AN ASSOCIATE (Continued)

As at 30 June 2009, the Group had interest in the following associate:

Name of entity	Form of business structure	Place of incorporation/ operation	Class of shares held	Proportion of nominal value of issued capital held by the Group	Proportion of voting power held	Principal activity
Good Omen Enterprises Limited	Incorporated	The British Virgin Islands/Macau	Ordinary	20%	20%	Receive profit streams from gaming and entertainment related business

The summarised financial information in respect of the Group's associate is set out below:

	2009 HK$'000	2008 HK$'000
Intangible assets	**669,641**	743,078
Other assets	**137,299**	227,902
Total assets	**806,940**	970,980
Total liabilities	**(137,298)**	(227,901)
Net assets	**669,642**	743,089
Group's share of net assets of associate	**133,928**	148,617
Revenue	**137,292**	203,272
Profit for the year	**63,832**	212,354
Group's share of results of associate for the year	**12,766**	42,470

22. SECURITEIS HELD FOR TRADING

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Securities held for trading, at fair value		
– Equity securities listed in Hong Kong	**345**	282

The fair values of the listed equity securities are determined based on the quoted market bid prices available on The Stock Exchange of Hong Kong Limited.

23. INVENTORIES

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Raw materials	**–**	16,003
Work in progress	**–**	1,928
Less: Provision for write-down inventories	**–**	(963)
	–	16,968

24. LOAN RECEIVABLES

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Loans to independent third parties	**–**	6,000

During the year ended 30 June 2008, the Group provided a short-term loan to an independent third party and the loan was unsecured and fully repaid in July 2008. The effective interest rate was approximately 9% (2008: 9%) per annum.

25. AMOUNT DUE FROM A RELATED COMPANY

Name of company	Maximum balance during the year	THE GROUP 2009	2008
	HK$'000	HK$'000	HK$'000
Company in which two directors of subsidiaries have beneficial interests			
Gason Electrical Contracting Limited	710	–	710

The amount due was unsecured, interest free and recoverable on demand. The amount was fully settled during the year ended 30 June 2009.

26. TRADE AND OTHER RECEIVABLES

	THE GROUP		THE COMPANY	
	2009	2008	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000
Trade receivables	305,268	365,874	–	–
Compensations receivable under the profit guarantee agreements	71,132	1,445	–	–
Dividend receivable from subsidiaries	–	–	132,000	–
Other receivables	856	18,876	754	714
Loans and receivables	377,256	386,195	132,754	714
Deposits for acquisition of a subsidiary	50,000	–	–	–
Sundry deposits and prepayments	1,315	1,838	356	275
	428,571	388,033	133,110	989

Movement of trade receivables

	THE GROUP 2009	2008
	HK$'000	HK$'000
Trade receivables	305,268	366,367
Less: Impairment loss recognised in respect of trade receivables	–	(493)
	305,268	365,874

26. TRADE AND OTHER RECEIVABLES (Continued)

The Group's trading terms with its customers are mainly on credit. The credit terms are generally for a period of 30 days for gaming and entertainment segment, 60 days for sale of electrical equipments segment, 30 days for cruise leasing segment and 30 days for electrical engineering and contracting services segment. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management.

Up to the date of these consolidated financial statements, 54% (2008: 100%) of the outstanding trade receivables from gaming and entertainment segment as at 30 June 2009 have been settled subsequently.

Aging analysis of the Group's trade receivables, net of provision for impairment loss

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
0 – 30 days	**23,434**	61,900
31 – 60 days	**28,889**	58,783
61 – 90 days	**28,054**	36,799
Over 90 days	**224,891**	208,392
	305,268	365,874

Movement in provision for impairment loss recognised in respect of trade receivables

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
At the beginning of the year	**493**	819
Impairment loss recognised in respect of trade receivables	**–**	357
Amounts written off as uncollectible	**–**	(437)
Reversal of impairment loss in respect of trade receivables	**–**	(246)
Disposal of subsidiaries	**(493)**	–
At the end of the year	**–**	493

Included in provision for impairment loss recognised in respect of trade receivables are individually impaired trade receivables with balance of approximately HK$Nil (2008: HK$357,000). The individually impaired receivables related to customers that were in financial difficulties and the directors assessed that the amounts are not expected to be recovered.

26. TRADE AND OTHER RECEIVABLES (Continued)

Trade receivables that are not impaired

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Neither past due nor impaired	**23,434**	75,798
Less than 1 month past due	**28,889**	46,880
1 to 3 months past due	**28,054**	73,122
More than 3 months but less than 12 months past due	**224,891**	170,074
Amounts past due	**281,834**	290,076
	305,268	365,874

Receivables that were neither past due nor impaired relate to the customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

Aging analysis of impaired trade receivables

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Over 90 days	**–**	493

27. DERIVATIVE FINANCIAL INSTRUMENTS

	THE GROUP AND THE COMPANY	
	2009	2008
	HK$'000	HK$'000
Assets		
Redemption option derivatives embedded in convertible notes		
At 1 July	**145,328**	–
Arising on issuance of convertible notes (Note 34)	**–**	106,807
Arising on redemption of convertible notes	**(32,726)**	–
Fair values changes	**(112,602)**	38,521
At 30 June	**–**	145,328

Pursuant to the agreements in relation to the issuance of two convertible notes (Note 34), redemption options are held by the Company. The Company may at any time from the date of issue of the convertible notes up to the date immediately before the maturity date of the convertible notes, redeem the convertible notes (in whole or in part) at the principal amount of the convertible notes to be redeemed.

The redemption option derivatives are carried at fair value at the balance sheet date. At 30 June 2009, the fair value of the redemption option derivatives embedded in the convertible notes was approximately HK$Nil (2008: HK$145,328,000) and was calculated using the Binomial option pricing model. Details of the variables and assumptions of the model are as follows:

	First Convertible Note		Second Convertible Note	
	2009	**2008**	**2009**	**2008**
Remaining life at 30 June	8.7 years	9.7 years	8.7 years	9.7 years
Risk free interest rate	2.64%	2.357%	2.64%	2.357%
Expected volatility	105.8%	86.4%	105.8%	86.4%

28. CONSTRUCTION CONTRACTS

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Contracts in progress at the balance sheet date		
Contract costs incurred plus recognised profits less recognised losses	–	43,280
Less: Progress billings	–	(46,810)
	–	(3,530)
Analysed for reporting purposes as:		
Amounts due from customers for contract work as included in current assets	–	2,211
Amounts due to customers for contract work as included in current liabilities	–	(5,741)
	–	(3,530)

At 30 June 2008, retentions held by customers for contract works amounted to approximately HK$287,000 as included in trade and other receivables under current assets and no advances received from customers for contract works as included trade and other payables under current liabilities.

During the year ended 30 June 2009, the Group disposed of these assets and liabilities through disposal of subsidiaries (see note 39).

29. BANK OVERDRAFTS

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank overdrafts, unsecured	–	867	–	37

As at 30 June 2008, the Group's fixed deposits of approximately HK$214,000 was pledged to secure general banking facilities.

30. PROMISSORY NOTES

THE GROUP AND THE COMPANY

On 1 August 2007, the Company issued First Promissory Note I in a principle amount of HK$15,000,000 and First Promissory Note II in a principal amount of HK$15,000,000. First Promissory Note I and First Promissory Note II were issued for acquiring the entire issued share capital of Koppert International Limited ("Koppert") and interest free.

First Promissory Note I is payable, if the rolling turnover generated by Hoi Seng Sociedade Unipessoal Limitada for the first six months period commencing on the first month following the date of completion of acquisition of Koppert (the "First Six Months Period") is not less than HK$6,000,000,000.

First Promissory Note II is payable if the rolling turnover generated by Hoi Seng Sociedade Unipessoal Limitada for the second next six months period following the First Six Months Period is not less than HK$6,000,000,000.

	First Promissory Note I HK$'000	First Promissory Note II HK$'000	Total HK$'000
At 1 July 2006, 30 June 2007 and 1 July 2007	–	–	–
Fair value of promissory notes	15,000	15,000	30,000
Repayment of promissory notes	(15,000)	–	(15,000)
At 30 June 2008	**–**	**15,000**	**15,000**
At 1 July 2008	–	15,000	15,000
Repayment of promissory notes	–	(15,000)	(15,000)
At 30 June 2009	**–**	**–**	**–**

The First Promissory Note II due on 31 July 2008 and was classified as current liabilities in the financial statements as at 30 June 2008.

31. TRADE AND OTHER PAYABLES

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables (note (a))	**–**	13,262	**–**	–
Amounts due to cruise tenant (note (b))	**23,547**	–	**–**	–
Interest payable	**4,387**	2,823	**4,387**	3,078
Other payables	**2,327**	3,986	**–**	–
Accruals	**1,500**	4,296	**1,476**	2,667
Provision for legal claim for rental payment	**1,592**	1,592	**–**	–
Financial liabilities measured at amontised cost	**33,353**	25,959	**5,863**	5,745
Advances received	**–**	883	**–**	–
	33,353	26,842	**5,863**	5,745

Note:

(a) Aging analysis of Group's trade payables

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
0 – 30 days	**–**	4,975
31 – 60 days	**–**	5,730
61 – 90 days	**–**	2,490
Over 90 days	**–**	67
	–	13,262

(b) The amount due to cruise tenant is unsecured, interest free and repayable on demand.

32. INCOME TAX PAYABLE

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Provision for Hong Kong Profits Tax for the year	**–**	1,410	**–**	–
Balance of Hong Kong Profits Tax provision relating to prior years	**2,667**	2,854	**178**	–
	2,667	4,264	**178**	–

33. DEFERRED TAX LIABILITIES

(a) The Group

The components of deferred tax liabilities recognised in the consolidated balance sheet and movements during the year are as follows:

Deferred tax arising from:	Convertible notes	Accelerated tax depreciation	Deferred tax on fair value gains on investment properties	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 July 2007	–	112	281	393
Charged/(credited) to profit or loss				
– continuing operations	(1,134)	–	420	(714)
– discontinued operations	–	6	–	6
Charged to reserves	50,404	–	–	50,404
At 30 June 2008	**49,270**	**118**	**701**	**50,089**
At 1 July 2008	49,270	118	701	50,089
Charged/(credited) to profit or loss				
– continuing operations	(3,527)	–	256	(3,271)
– discontinued operations	–	82	–	82
Credited to reserves	(14,383)	–	–	(14,383)
Derecognised through disposal of subsidiaries	–	(200)	–	(200)
At 30 June 2009	**31,360**	**–**	**957**	**32,317**

33. DEFERRED TAX LIABILITIES (Continued)

(b) The Company

Deferred tax liabilities recognised in the balance sheet and the movements during the year are as follows:

Deferred tax arising from:	Convertible notes HK$'000
At 1 July 2007	–
Credited to profit or loss	(1,134)
Charge to reserves	50,404
At 30 June 2008	**49,270**
At 1 July 2008	49,270
Credited to profit or loss	(3,527)
Charge/(credited) to reserves	(14,383)
At 30 June 2009	**31,360**

34. CONVERTIBLE NOTES

THE GROUP AND THE COMPANY

(a) On 17 March 2008, the Company issued convertible notes due on 16 March 2018 with a principal amount of HK$846,000,000 which is interest bearing at 1% per annum payable semi-annually in arrears (the "First Convertible Note"). The First Convertible Note due on 16 March 2018 is convertible into fully paid ordinary shares with a par value of HK$0.2 each of the Company at an initial conversion price of HK$0.3 per share, subject to adjustment. The First Convertible Note was issued as part of the consideration for the acquisition of 85% issued share capital of Profit Forest Limited ("Profit Forest"). The effective interest rate is approximately 5%.

(b) On 17 March 2008, the Company issued convertible notes due on 16 March 2018 with a principal amount of HK$138,000,000 which is interest bearing at 1% per annum payable semi-annually in arrears (the "Second Convertible Note"). The Second Convertible Note due on 16 March 2018 is convertible into fully paid ordinary shares with a par value of HK$0.2 each of the Company at an initial conversion price of HK$0.3 per share, subject to adjustment. The Second Convertible Note was issued as part of the consideration for the acquisition of 85% issued share capital of Sky Advantage Limited ("Sky Advantage"). The effective interest rate is approximately 5%.

The convertible notes contain liability component, equity component and redemption option. The equity component is presented in equity heading "convertible notes reserve" and the redemption option is presented in current assets heading "derivative financial instruments" (Note 27). The effective interest rate of the liability component is approximately 5%.

34. CONVERTIBLE NOTES (Continued)

	First Convertible Note HK$'000	Second Convertible Note HK$'000	Total HK$'000
Fair value of convertible notes issued	1,003,765	163,734	1,167,499
Derivative financial instruments	91,828	14,979	106,807
Liability component	(583,365)	(95,158)	(678,523)
Equity component	512,228	83,555	595,783
At 1 July 2007	–	–	–
Liability component at date of issue	583,365	95,158	678,523
Interest expenses charged	8,333	1,359	9,692
Interest expenses payable	(2,427)	(395)	(2,822)
At 30 June 2008	**589,271**	**96,122**	**685,393**
At 1 July 2008	589,271	96,122	685,393
Interest expenses charged	25,769	4,182	29,951
Interest expenses payable	(7,374)	(1,197)	(8,571)
Redemption of convertible notes	(183,410)	(30,923)	(214,333)
At 30 June 2009	**424,256**	**68,184**	**492,440**

The fair value of the liability component of the convertible notes at 30 June 2009 and 2008 was determined based on the present value of the estimate future cash outflows discounted at the prevailing market rate for an equivalent non-convertible loan at the balance sheet date, approximately the corresponding carrying amounts.

At initial recognition, the estimate of the fair value of the equity component and redemption option embedded in the convertible notes was measured using Binomial option pricing model carried out by BMI. The inputs into the model were as follows:

	First Convertible Note	Second Convertible Note
Date of issue	17 March 2008	17 March 2008
Share price at date of issue:	HK$0.221	HK$0.221
Risk free interest rate:	2.357%	2.357%
Expected volatility:	131.56%	131.56%
Dividend yield	0%	0%

35. SHARE CAPITAL AND RESERVES

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company	Share capital HK$'000	Share premium HK$'000	Convertible notes reserve HK$'000	Non-distributable reserve HK$'000	Share options reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 1 July 2007	287,953	61,752	–	1,264	6,068	(125,443)	231,594
Changes in equity for 2007/2008:							
Equity component of convertible notes	–	–	595,783	–	–	–	595,783
Deferred tax arising on issue of convertible notes	–	–	(50,404)	–	–	–	(50,404)
Recognition of equity-settled share-based payment expenses	–	–	–	–	30,640	–	30,640
Lapse of equity-settled share-based payment expenses	–	–	–	–	(9,700)	9,700	–
Share issued under the open offer	143,976	–	–	–	–	–	143,976
Shares issued under the share placement	49,520	91,612	–	–	–	–	141,132
Shares issued for the acquisition of subsidiaries	288,000	30,240	–	–	–	–	318,240
Share issue expenses	–	(4,566)	–	–	–	–	(4,566)
Profit for the year	–	–	–	–	–	4,522	4,522
Balance at 30 June 2008 and 1 July 2008	769,449	179,038	545,379	1,264	27,008	(111,221)	1,410,917
Changes in equity for 2008/2009:							
Redemption of convertible notes	–	–	(182,549)	–	–	(46,244)	(228,793)
Deferred tax effect on equity component of convertible notes	–	–	14,383	–	–	–	14,383
Loss for the year	–	–	–	–	–	(165,069)	(165,069)
Balance at 30 June 2009	**769,449**	**179,038**	**377,213**	**1,264**	**27,008**	**(322,534)**	**1,031,438**

35. SHARE CAPITAL AND RESERVES (Continued)

(b) Share capital

	Number of shares '000	Share capital HK$'000
Authorised:		
At 1 July 2007		
– ordinary shares of HK$0.2	5,000,000	1,000,000
Increase in authorised share capital (note (i))	45,000,000	9,000,000
At 30 June 2008, 1 July 2008 and 30 June 2009		
– ordinary shares of HK$0.2	50,000,000	10,000,000
Issued and fully paid:		
At 1 July 2007		
– ordinary shares of HK$0.2	1,439,763	287,953
Shares issued under the open offer (note (ii))	719,882	143,976
Shares issued under the share placement (note (iii))	247,600	49,520
Shares issued for the acquisition of subsidiaries (note (iv))	1,440,000	288,000
At 30 June 2008, 1 July 2008 and 30 June 2009		
– ordinary shares of HK$0.2	3,847,245	769,449

Note:

(i) Pursuant to an ordinary resolution passed in the special general meeting on 7 March 2008, the authorised share capital of the Company was increased from HK$1,000,000,000 to HK$10,000,000,000 by the creation of additional 45,000,000,000 unissued ordinary shares of HK$0.2 each.

(ii) The Company issued 719,881,500 ordinary shares of HK$0.2 each at a price of HK$0.2 per share by way of open offer to the qualifying shareholders on the basis of one offer share for every two shares. The ordinary shares were issued on 9 July 2007 for the purpose of increasing general working capital for the Group. The new shares rank pari passu with the existing shares in all respects.

(iii) The Company placed 247,600,000 ordinary shares of HK$0.2 each at a placing price of HK$0.57 per share. The ordinary shares were issued on 6 August 2007 for the purpose of increasing general working capital for the Group. The new shares rank pari passu with the existing shares in all respects.

35. SHARE CAPITAL AND RESERVES (Continued)

(iv) On 29 November 2007, the Company entered into a conditional sale and purchase agreement to acquire from Ultra Choice Limited, 85% of the total issued share capital of Profit Forest for a total consideration of HK$1,144,440,000. The conditional sale and purchase agreement was completed on 17 March 2008. The consideration for the acquisition was satisfied by (i) HK$82,440,000 in cash; (ii) the issue of convertible notes in a principal amount of HK$846,000,000; and (iii) the issue of 720,000,000 ordinary shares at an issue price of HK$0.3 per share for the rest of the consideration in sum of HK$216,000,000. The new shares rank pari passu with the existing shares in all respects. For further details, please refer to the Company's circular dated on 13 February 2008.

On 29 November 2007, the Company entered into a conditional sale and purchase agreement to acquire from Faint Mount Limited, 85% of the total issued share capital of Sky Advantage for a total consideration of HK$381,480,000. The conditional sale and purchase agreement was completed on 17 March 2008. The consideration for the acquisition was satisfied by (i) HK$27,480,000 in cash; (ii) the issue of convertible notes in a principal amount of HK$138,000,000; and (iii) the issue of 720,000,000 ordinary shares at an issue price of HK$0.3 per share for the rest of the consideration in sum of HK$216,000,000. The new shares rank pari passu with the existing shares in all respects. For further details, please refer to the Company's circular dated on 13 February 2008.

(c) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by section 48B of the Hong Kong Companies Ordinance.

(ii) Convertible notes reserve

Convertible notes reserve comprises the amount allocated to unexercised equity component of convertible notes issued by the Company recognised in accordance with the accounting policy adopted for convertible notes in note 1(m)(i).

(iii) Share options reserve

Share options reserve comprises the portion of the grant date fair value of unexercised share options granted to employees of the Company that has been recognised in accordance with the accounting policy adopted for shae-based payments in note 1(q)(ii).

(d) Distributability reserves

At 30 June 2009, the aggregate amount of reserves available for distribution to equity shareholders of the Company, as calculated under the provisions of section 79B of the Hong Kong Companies Ordinance, was HK$Nil (2008: HK$Nil).

36. RETIREMENT BENEFITS SCHEME

The Group operates defined contribution Mandatory Provident Fund retirement benefits schemes (the "MPF Schemes") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Schemes. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated income statement as they become payable in accordance with the rules of the MPF Schemes. The assets of the MPF Schemes are held separately from those of the Group in independently administered funds. The Group's employer contributions vest fully with the employees when contributed into the MPF schemes, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Schemes.

The employees of the Company's subsidiary in the PRC are members of the state-sponsored retirement benefit scheme organised by the relevant local government authority in the PRC. The subsidiary is required to contribute, based on a certain percentage of the basic salary of its employees, to the retirement benefit scheme and has no further obligations for the actual payment of pensions or post-retirement benefits beyond the annual contributions. The state-sponsored retirement benefit scheme represent for the entire pension obligations payable to retired employees.

37. EQUITY SETTLED SHARE-BASED TRANSACTIONS

Old Share Option Scheme

Under the terms of the Share Option Scheme adopted by the Company on 30 November 2000 (the "Scheme"), the Board may, at its discretion, invite employees, including the directors of the Company and its subsidiaries, to take up options to subscribe for shares in the share capital of the Company. The subscription price for the Company's shares under the Scheme is determined by the Board and will not be less than 80% of the average of the closing prices of the Company's shares listed on The Stock Exchange on five trading days immediately preceding the date of offer of the option or the nominal value of the Company's shares, whichever is the higher. The maximum number of shares in respect of which options may be granted may not exceed 10% of the issued share capital of the Company (excluding shares issued under the Scheme) from time to time and that the maximum number of shares in respect of which options may be granted to any one employee shall not exceed 25% of the aggregate number of shares under the Scheme.

The Scheme was adopted prior to the new rules on share option schemes under the Listing Rules coming into operation. The Company may only grant further options under the Scheme if the options are granted in accordance with the requirements of the new rules of Chapter 17 of the Listing Rules which include, inter alia, the followings:

(i) the total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes must not in aggregate exceed 10% of the relevant class of shares of the Company (or its subsidiaries) in issue at the date of approval of the Scheme. Subject to compliance with the Listing Rules, the limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes must not exceed 30% of the relevant class of shares of the Company in issue from time to time;

37. EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

Old Share Option Scheme (Continued)

(ii) the maximum number of shares issuable under share options to each eligible participant within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting. Grant of options to connected persons are subject to more stringent requirements; and

(iii) the exercise price of the share options is determined by directors, but may not be less than the higher of (a) The Stock Exchange closing price of the Company's share on the date of offer of the grant of the share options; and (b) the average of The Stock Exchange closing price of the Company's shares of five trading days immediately preceding the date of the offer of the grant of the share options.

New Share Option Scheme

On 18 September 2007, an ordinary resolution passed to approve the termination of the Scheme and adoption of a new share option scheme (the "New Scheme"). Upon adoption of the New Scheme, the Scheme was terminated and no further option would be granted.

The Company operates the New Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the New Scheme include employees of the Group, executive or non-executive directors (including independent non-executive directors) of the Company, its subsidiaries or invested entity, suppliers of goods or services to the Group or invested entity, person or entity that provides research, development or other technical support to the Group or invested entity, shareholders of members of the Group or invested entity, holders of securities issued by members of the Group or invested entity, advisers or consultants to business development of the Group or invested entity, and joint venture partners or counter-parties to business operation or business arrangements of the Group or its employees. The New Scheme became effective on 18 September 2007 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The subscription price for the Company's shares under the New Scheme is determined by the Board and shall be at least the highest of (i) the closing price of the Company's shares listed on The Stock Exchange on the date of the offer of the share options; (ii) the average closing price of the Company's shares listed on The Stock Exchange on five trading days immediately preceding the date of the offer of the share options, and (iii) the nominal value of the Company's shares.

37. EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

New Share Option Scheme (Continued)

The total maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and Scheme shall not exceed 30% of the shares in issue from time to time. The total number of shares available for issue upon exercise of all options which have been or may be granted under the New Scheme and Scheme must not exceed 69,120,000 shares. The maximum number of shares issued and to be issued upon exercise of the options granted and to be granted to each eligible participant in any 12-month period up to the date of grant must not exceed 1% of the aggregate number of shares for the time being in issue. Any further grant of share options in excess of this limit is subject to shareholder's approval in a general meeting.

Share options granted to a connected person or its associates shall be approved by independent non-executive directors. In addition, any share options granted to a connected person who is also a substantial shareholder or an independent non-executive director of the Company, or to any their associates, in excess of 0.1% of the shares of the Company in issue at any time and the aggregate value (based on the closing price of the Company's shares listed on The Stock Exchange at the date of the offer of the share options) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of the share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the offeree. The exercise period of the share options ends on ten years from the date of the offer of the share options, notwithstanding the expiry of the New Scheme.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

Details of share options granted

During the year ended 30 June 2008, the Company had granted 240,700,000 options to employees, including the directors of the Company and consultants under the New Scheme. During the year ended 30 June 2008, 76,200,000 options granted have been lapsed because some of the eligible participants left the Group.

As at the date of this report, the total number of shares available for issue under the Scheme is 8,842,000 (2008: 8,842,000) shares, representing 0.2% (2008: 0.2%) of the share capital of the Company in issue as at the date of this report.

As at the date of this report, the total number of shares available for issue under the New Scheme is 164,500,000 (2008: 164,500,000) shares, representing 4.3% (2008: 4.3%) of the share capital of the Company in issue as at the date of this report.

The options outstanding at 30 June 2009 had exercise price of HK$0.728 or HK$0.337 (2008: HK$0.728 or HK$0.337) and a weighted average remaining contractual life of 8.14 years (2008: 9.14 years).

37. EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

Details of specific categories of share options and the movements during the years ended 30 June 2009 and 2008 are as follows:

Participants	Share option type*	Number of share options outstanding and exercisable: At 1 July 2007 '000	Granted during the year '000	Exercised during the year '000	Lapsed during the year '000	At 30 June 2008 and 2009* '000	Date of grant of share options**	Exercise period of share options	Exercise price of share options	Fair value at grant date	Closing price of the Company's shares immediately before the grant date
Directors											
Mr. Lin Cheuk Fung	2007A	90	–	–	–	90	26/02/2007	26/02/2007 to 25/02/2017	0.728	0.686	0.7
	2008A	–	2,300	–	–	2,300	29/10/2007	29/10/2007 to 28/10/2017	0.337	0.127	0.325
Mr. Chan Shiu, Kwong, Stephen	2007A	88	–	–	–	88	26/02/2007	26/02/2007 to 25/02/2017	0.728	0.686	0.7
	2008A	–	2,300	–	–	2,300	29/10/2007	29/10/2007 to 28/10/2017	0.337	0.127	0.325
Mr. Lau Kwok Hung	2007A	88	–	–	–	88	26/02/2007	26/02/2007 to 25/02/2017	0.728	0.686	0.7
	2008A	–	2,300	–	–	2,300	29/10/2007	29/10/2007 to 28/10/2017	0.337	0.127	0.325
Mr. Wan Yau Shing, Ban	2007A	3,000	–	–	–	3,000	26/02/2007	26/02/2007 to 25/02/2017	0.728	0.686	0.7
Mr. Nicholas J. Niglio	2008A	–	2,300	–	–	2,300	29/10/2007	29/10/2007 to 28/10/2017	0.337	0.127	0.325
Employees other than directors											
In aggregate	2007A	5,576	–	–	–	5,576	26/02/2007	26/02/2007 to 25/02/2017	0.728	0.686	0.7
	2008A	–	153,500	–	(13,000)	140,500	29/10/2007	29/10/2007 to 28/10/2017	0.337	0.127	0.325
Consultants											
In aggregate	2008A	–	78,000	–	(63,200)	14,800	29/10/2007	29/10/2007 to 28/10/2017	0.337	0.127	0.325
		8,842	240,700	–	(76,200)	173,342					

* Share option types of 2007A and 2008A represent share options granted during the years ended 30 June 2007 and 2008, respectively. No share options were granted, exercised or lapsed during the year ended 30 June 2009.

** The vesting period of the share options is from the grant date until the commencement of the exercise period.

37. EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

Fair value of share options and assumption

The fair value of the share options granted during the year ended 30 June 2008 was approximately HK$30,640,000. The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. For the share options with parties other than employees, the directors of the Company measure the services received by reference to the fair value of the share option granted as the fair value of the services received cannot be estimated reliably. The fair value of the share options granted during the year were priced using Binomial option pricing model. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of share option varies with different variables of certain subjective assumptions.

In accordance with terms of the share-based arrangement, options issued during the year, vest at the date of grant. Expected volatility was determined by using the historical volatility of the Company's share price volatility over previous 10 years.

Inputs into the model:

	Share option type 2008A
Grant date share price	HK$0.325
Exercise price	HK$0.337
Expected volatility	130.94%
Option life	10 years
Dividend yield	0%
Risk-free interest rate	3.87%

The Company recognises the fair value of share options granted as an expense in the income statement over the vesting period with a corresponding increase being recognised in share options reserve. The share options reserve is transferred to share capital and share premium, together with the exercise price, when the option holder exercise its rights.

38. ACQUISITION OF SUBSIDIARIES

(a) On 11 July 2007, the Company acquired the entire issued share capital of Credible Limited ("Credible"). Credible holds 20% equity interest in Base Move, which shares 0.4% of the rolling turnover generated by Hou Wan Entertainment Unipessoal Limitada. The Company has also been granted a call option from Certain Champ for further acquisition of 50% equity interest in Base Move which is considered to be the potential voting right held by the Company. Base Move is therefore accounted for as a subsidiary of the Company.

The consideration for the acquisition was approximately HK$140,092,000 which represented the cash paid. The amount of goodwill arising as a result of the acquisition was approximately HK$10,438,000.

	Acquiree's carrying amount HK$'000	**Fair value adjustment** HK$'000	**Fair value** HK$'000
Net assets acquired:			
Right in sharing of profit streams	–	567,793	567,793
Trade and other receivables	80,509	–	80,509
Other payables	(11)	–	(11)
	80,498	567,793	648,291
Minority interest			(518,637)
100% equity interest of Credible			129,654
Goodwill			10,438
Total consideration paid			140,092

	HK$'000
Total consideration satisfied by:	
Cash consideration	140,000
Related expense paid on acquisition	92
	140,092

38. ACQUISITION OF SUBSIDIARIES (Continued)

Net cash outflow arising on acquisition:

	HK$'000
Cash consideration paid	(140,092)

Note:

(i) Goodwill arise in the business combination because the cost of the combination included a control premium paid to acquire Credible. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of synergies, revenue growth, future market development of Credible. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

(ii) During the year ended 30 June 2008, Credible contributed approximately HK$159,862,000 to the Group's turnover for the period from the date of acquisition to the balance sheet date.

If the acquisition had been completed on 1 July 2007, total Group's revenue for the year would have been approximately HK$396,575,000, and loss for the year attributable to equity holders of the Company would have been approximately HK$148,352,000. The pro forma information is for illustrative purpose only and is not necessarily an indication of revenue and results of the Group that actually would have been achieved had the acquisition been completed on 1 July 2007, nor is it intended to be a projection of future results.

38. ACQUISITION OF SUBSIDIARIES (Continued)

(b) On 1 August 2007, the Company acquired the entire issued share capital of Koppert. Koppert holds 20% equity interest in Good Omen Enterprises Limited ("Good Omen"), which shares 0.4% of the rolling turnover generated by Hoi Seng Sociedade Unipessoal Limitada.

The consideration for the acquisition was approximately HK$100,279,000 which represented the cash paid and the fair value of promissory notes. The amount of excess of acquirer's interest in fair value of acquiree's identifiable net assets over cost arising as a result of the acquisition was approximately HK$48,333,000.

	Acquiree's carrying amount HK$'000	**Fair value adjustment** HK$'000	**Fair value** HK$'000
Net assets acquired:			
Interest in an associate	3,108	145,509	148,617
Other receivables	1	–	1
Other payables	(6)	–	(6)
100% equity interest of Koppert	3,103	145,509	148,612
Excess of acquirer's interest in fair value of acquiree's identifiable net assets over cost			(48,333)
Total consideration paid			100,279

	HK$'000
Total consideration satisfied by:	
Cash consideration	70,000
Fair value of promissory notes	30,000
Related expense paid on acquisition	279
	100,279

38. ACQUISITION OF SUBSIDIARIES (Continued)

Net cash outflow arising on acquisition:

	HK$'000
Cash consideration paid	(70,279)

Note:

(i) Excess of acquirer's interest in fair value of acquiree's identifiable net assets over cost arose in the business combination is attributable to the discount on the cost of the combination paid to acquire Koppert. The Company has reassessed the fair value of acquiree's identifiable net assets and considered the values of net assets are measured reliably.

(ii) During the year ended 30 June 2008, Koppert contributed share of profit of approximately HK$42,470,000 to the Group's loss for the period from the date of acquisition to the balance sheet date.

If the acquisition had been completed on 1 July 2007, total Group's loss for the year attributable to equity holders of the Company would have been approximately HK$146,405,000. The pro forma information is for illustrative purpose only and is not necessarily an indication of revenue and results of the Group that actually would have been achieved had the acquisition been completed on 1 July 2007, nor is it intended to be a projection of future results.

(c) On 17 March 2008, Hero Will Limited, a wholly owned subsidiary of the Company acquired 85% of the total issued share capital of Sky Advantage, which shares 0.4% of the rolling turnover generated by Neptune Ouro Sociedade Unipessoal Limitada.

The consideration for the acquisition was approximately HK$350,560,000 which represented the cash paid, the fair value of convertible notes and consideration shares as at the date of acquisition. The amount of goodwill arising as a result of the acquisition was approximately HK$6,314,000.

	Acquiree's carrying amount HK$'000	**Fair value adjustment** HK$'000	**Fair value** HK$'000
Net assets acquired:			
Right in sharing of profit streams	–	405,000	405,000
Other receivables	1	–	1
Other payables	(6)	–	(6)
100% equity interest of Sky Advantage	(5)	405,000	404,995
Minority interest			(60,749)
85% equity interest of Sky Advantage			344,246
Goodwill			6,314
Total consideration paid			350,560

38. ACQUISITION OF SUBSIDIARIES (Continued)

	HK$'000
Total consideration satisfied by:	
Cash consideration	27,480
Fair value of convertible notes	163,734
Fair value of consideration shares	159,120
Related expense paid on acquisition	226
	350,560

Net cash outflow arising on acquisition:

	HK$'000
Cash consideration paid	(27,706)

Note:

(i) The fair value of the convertible notes issued has been arrived at on the basis of a valuation carried out on the completion date of the acquisition by BMI, independent qualified professional valuers not connected with the Group. The valuation was arrived at by reference to Binomial option pricing model.

(ii) The fair value of the consideration shares determined based on the quoted closing price of the Company's share of HK$0.221 at the date of acquisition and 720,000,000 shares.

(iii) Goodwill arise in the business combination because the cost of the combination included a control premium paid to acquire Sky Advantage. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of synergies, revenue growth, future market development of Sky Advantage. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

(iv) During the year ended 30 June 2008, Sky Advantage contributed approximately HK$18,794,000 to the Group's turnover for the period from the date of acquisition to the balance sheet date.

If the acquisition had been completed on 1 July 2007, total Group's revenue for the year would have been approximately HK$411,324,000, and loss for the year attributable to equity holders of the Company would have been approximately HK$132,041,000. The pro forma information is for illustrative purpose only and is not necessarily an indication of revenue and results of the Group that actually would have been achieved had the acquisition been completed on 1 July 2007, nor is it intended to be a projection of future results.

38. ACQUISITION OF SUBSIDIARIES (Continued)

(d) On 17 March 2008, Stand Great Limited, a wholly owned subsidiary of the Company acquired 85% of the total issued share capital of Profit Forest, which shares 0.4% of the rolling turnover generated by Hao Cai Sociedade Unipessoal Limitada.

The consideration for the acquisition was approximately HK$1,245,551,000 which represented the cash paid, the fair value of convertible notes and consideration shares as at the date of acquisition. The amount of goodwill arising as a result of the acquisition was approximately HK$212,805,000.

	Acquiree's carrying amount HK$'000	Fair value adjustment HK$'000	Fair value HK$'000
Net assets acquired:			
Right in sharing of profit streams	–	1,215,000	1,215,000
Other receivables	1	–	1
Other payables	(6)	–	(6)
100% equity interest of Profit Forest	(5)	1,215,000	1,214,995
Minority interest			(182,249)
85% equity interest of Profit Forest			1,032,746
Goodwill			212,805
Total consideration paid			1,245,551

38. ACQUISITION OF SUBSIDIARIES (Continued)

	HK$'000
Total consideration satisfied by:	
Cash consideration	82,440
Fair value of convertible notes	1,003,765
Fair value of consideration shares	159,120
Related expense paid on acquisition	226
	1,245,551

Net cash outflow arising on acquisition:

	HK$'000
Cash consideration paid	(82,666)

Note:

(i) The fair value of the convertible notes issued has been arrived at on the basis of a valuation carried out on the completion date of the acquisition by BMI, independent qualified professional valuers not connected with the Group. The valuation was arrived at by reference to Binomial option pricing model.

(ii) The fair value of the consideration shares determined based on the quoted closing price of the Company's share of HK$0.221 at the date of acquisition and 720,000,000 shares.

(iii) Goodwill arise in the business combination because the cost of the combination included a control premium paid to acquire Profit Forest. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of synergies, revenue growth, future market development of Profit Forest. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

(iv) During the year ended 30 June 2008, Profit Forest contributed approximately HK$56,382,000 to the Group's turnover for the period from the date of acquisition to the balance sheet date.

If the acquisition had been completed on 1 July 2007, total Group's revenue for the year would have been approximately HK$452,438,000, and loss for the year attributable to equity holders of the Company would have been approximately HK$97,094,000. The pro forma information is for illustrative purpose only and is not necessarily an indication of revenue and results of the Group that actually would have been achieved had the acquisition been completed on 1 July 2007, nor is it intended to be a projection of future results.

38. ACQUISITION OF SUBSIDIARIES (Continued)

(e) Summary of the acquisitions of subsidiaries is set out as follow:

	Credible HK$'000	Koppert HK$'000	Sky Advantage HK$'000	Profit Forest HK$'000	Total HK$'000
Effective equity interest acquired	100%	100%	85%	85%	
Acquiree's carrying amount	80,498	3,103	(5)	(5)	83,591
Fair value adjustment	567,793	145,509	405,000	1,215,000	2,333,302
	648,291	148,612	404,995	1,214,995	2,416,893
Minority interest	(518,637)	–	(60,749)	(182,249)	(761,635)
Net assets acquired	129,654	148,612	344,246	1,032,746	1,655,258
Goodwill	10,438	–	6,314	212,805	229,557
Excess of acquirer's interest in fair value of acquiree's identifiable net assets over cost	–	(48,333)	–	–	(48,333)
Total consideration paid	140,092	100,279	350,560	1,245,551	1,836,482
Total consideration satisfied by:					
Cash consideration	140,000	70,000	27,480	82,440	319,920
Fair value of promissory notes	–	30,000	–	–	30,000
Fair value of convertible notes	–	–	163,734	1,003,765	1,167,499
Fair value of consideration shares	–	–	159,120	159,120	318,240
Related expense paid on acquisition	92	279	226	226	823
	140,092	100,279	350,560	1,245,551	1,836,482
Net cash outflow arising on acquisition:					
Cash consideration paid	(140,092)	(70,279)	(27,706)	(82,666)	(320,743)

39. DISPOSAL OF SUBSIDIARIES

During the year ended 30 June 2009, the Group disposed of a 80% equity interest in the Linfield Group to an independent third party at a consideration of HK$40,000,000, resulting in a loss of approximately HK$15,222,000 on this disposal.

Details of the net assets disposed of in respect of the disposal of Linfield Group are summarised below:

	2009 HK$'000
Net assets disposed of	
Property, plant and equipment	3,825
Prepaid land premiums	4,661
Development cost	–
Inventories	15,387
Trade receivables, net of impairment losses	31,441
Other receivables, deposits and prepayments	296
Amounts due from customers for contract work	1,546
Pledged bank deposits	214
Cash and bank balances	30,703
Bank overdrafts	(162)
Trade payables	(9,016)
Accruals and other payables	(3,094)
Amounts due to customers for contract work	(4,669)
Income tax payable	(2,649)
Deferred tax liabilities	(200)
Minority interests	(13,061)
	55,222
Loss on disposal subsidiaries	(15,222)
Cash consideration	40,000
Analysis of net inflow of cash and cash equivalents in respect of disposed of subsidiaries	
Cash consideration received	40,000
Cash and cash equivalents disposed of	(30,541)
	9,459

The impact of Linfield Group on the Group's results and cash flows in the current and prior year are disclosed in note 10.

40. COMMITMENTS

(a) At 30 June 2009, Capital commitments not provided for in the financial statements were as follow:

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Contracted but not provided for:		
– acquisition of a subsidiary	**7,708**	4,320,000

(b) At 30 June 2009, the total future minimum lease payments under non-cancellable operating leases in respect of the properties are payable as follows:

	THE GROUP AND THE COMPANY	
	2009	2008
	HK$'000	HK$'000
Within 1 year	**–**	1,017
After one year but within 5 years	**–**	414
	–	1,431

41. CONTINGENT LIABILITIES

(a) Contingent liability in respect of legal claim

On 1 September 2004, a writ of summons and statement of claim was made by The Center (49) Limited against the Company in respect of the office previously rented by the Group. The claim is for a sum of approximately HK$3.3 million together with interest and cost. In the opinion of the directors, the amount claimed is unreasonable. The Group would vigorously contest against such claim. After obtaining legal advice, a provision of approximately HK$1.6 million has been made in the financial statements for the year ended 30 June 2004. During the years ended 30 June 2009 and 2008, there has been no significant progress. At the date of approval of these financial statements, the case is still pending for hearing.

(b) Financial guarantee issued

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Guarantee given by a subsidiary to banks for securing the Group's due performance of its obligations and responsibility of specific contracts	**–**	**214**

42. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in the financial statements, during the year, the Group had entered into transactions with related parties which, in the opinion of the directors, were carried out on normal commercial terms and in the ordinary course of the Group's business, as shown below:

Key management personnel remuneration

All members of Key management personnel of the Group are the directors of the Company, and the remuneration for them is disclosed in note 11.

43. NON-ADJUSTING POST BALANCE SHEET EVENTS

(a) On 31 March 2009, Rich Pearl Limited ("Rich Pearl"), a wholly owned subsidiary of the Company, entered into a new share acquisition agreement with Mr. Choi Tai Wai ("Mr. Choi") to acquire the entire issued share capital of Best Max Enterprises Limited ("Best Max") for a total consideration of approximately HK$57,708,000. The main asset of Best Max is the Star Profit Agreement. Under this new share acquisition agreement, the consideration shall be settled by Rich Pearl in cash. At 30 June 2009, the Group recorded a desposit of HK$50,000,000 for such acquisition as included in trade and other receivables under the current assets in the consolidated balance sheet. Subsequent to the balance sheet date, the acquisition was completed.

(b) On 15 July 2009, the Group entered into a conditional subscription agreement with Heritage International Holdings Limited ("Heritage"), a company incorporated in Bermuda with limited liability and the shares of which are listed on The Stock Exchange of Hong Kong Limited, to subscribe a zero coupon convertible note due 2012 to be issued by Heritage in the principal amount of HK$100 million (the "Heritage Convertible Note"), the subscription price of which will be satisfied by the Group by the issue of the convertible note due 2012 in the principal amount of HK$100 million by the Company (the "Neptune Convertible Note"). Further details of such subscription are set out in the Company's announcement dated 17 July 2009 (the "Announcement I").

43. NON-ADJUSTING POST BALANCE SHEET EVENTS (Continued)

(b) (Continued)

Assuming that the Heritage Convertible Note is converted in full at the initial conversion price of HK$0.96 per Heritage Share ("Heritage Conversion Price"), subject to adjustments, a total of 104,166,666 ordinary shares of HK$0.10 each of Heritage ("Heritage Shares") will be issued, representing approximately 33.96% of the entire issued share capital of Heritage as at the date of the Announcement I and approximately 25.35% of the entire issued share capital of Heritage as enlarged by the issue of such Heritage Shares.

The Neptune Convertible Note, on the other hand, if fully converted at the initial conversion price of HK$0.13 per ordinary share of the Company ("Neptune Conversion Price"), will give rise to an issue of 769,230,769 ordinary shares of the Company, representing approximately 19.99% of the entire issued share capital of the Company as at the date of the Announcement I and approximately 16.66% of the entire issued share capital of the Company as enlarged by the issue of such shares.

On 7 September 2009, the Company and Heritage entered into a supplemental agreement (the "Neptune Supplemental Agreement") to amend certain terms of the Neptune Convertible Note and another supplemental agreement (the "Heritage Supplemental Agreement") to amend certain terms of the Heritage Convertible Note. Further details of these amendments are set out in the Company's announcement dated 8 September 2009 (the "Announcement II"). The major amended terms are summarized as follows:

(i) both the principal amount of the Neptune Convertible Note and the Heritage Convertible Note is reduced from HK$100 million to HK$90 million;

(ii) the initial Neptune Conversion Price is reduced from HK$0.13 to HK$0.117 per ordinary share of the Company;

(iii) the initial Heritage Conversion Price is reduced from HK$0.96 to HK$0.76 per ordinary share of Heritage;

43. NON-ADJUSTING POST BALANCE SHEET EVENTS (Continued)

(b) (Continued)

(iv) assuming that the Neptune Convertible Note is converted in full at the revised initial Neptune Conversion Price, subject to adjustments, a total of 769,230,769 ordinary shares of the Company will be issued, representing approximately 19.99% of the entire issued share capital of the Company as at the date of the Announcement II and approximately 16.66% of the entire issued share capital of the Company as enlarged by the issue of such shares; and

(v) assuming that the Heritage Convertible Note is converted in full at the revised initial Heritage Conversion Price, subject to adjustments, a total of 118,421,052 Heritage Shares will be issued, representing approximately 38.60% of the entire issued share capital of Heritage as at the date of the Announcement II and approximately 27.85% of the entire issued share capital of Heritage as enlarged by the issue of such Heritage Shares.

(c) By a special resolution passed on 7 October 2009, the following changes became effective on 8 October 2009.

– the authorized share capital of the Company was reduced from HK$10,000,000,000 divided into 50,000,000,000 ordinary shares of HK$0.20 each to HK$500,000,000 dividend into 50,000,000,000 ordinary shares of HK$0.01 each (the "Reduced Shares"); and

– such capital reduction was effected by cancelling HK$0.19 of the paid up capital on each issued share and reducing the nominal value of each issued or unissued share in the capital of the Company from HK$0.20 per ordinary share to HK$0.01 per Reduced Share.

44. COMPARATIVE FIGURES

Certain comparative figures have been reclassified due to compliance with the disclosure requirements of HKFRS 5 "*Non-Current Assets Held for Sale and Discontinued Operations*". In addition, certain comparative figures have been reclassified to conform with the current year's presentation.

45. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 30 JUNE 2009

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 30 June 2009 and which have not been adopted in these financial statements.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application.

So far it has concluded that the adoption of them is unlikely to result in a restatement of the Group's or the Company's results of operations and financial position.

In addition, the following developments are expected to result in amended disclosures in the financial statements, including restatement of comparative amounts in the first period of adoption:

	Effective for accounting periods beginning on or after
HKFRS 8 "*Operating segments*"	1 January 2009
HKAS 1 (revised) "*Presentation of financial statements*"	1 January 2009

Particulars of Major Properties

INVESTMENT PROPERTIES

Location	Lease expiry	Type	Gross floor area (sq.m.)	Effective % held	Nature
Old Government Building located at Zhong Shan Road West, Heng Li Zhen, Dongguan, Guangdong Province, The PRC	2063	Commercial/ residential	9,001	100%	For resale/ rental
Commercial/residential development located at Zhong Shan Road, Heng Li Zhen, Dongguan, Guangdong Province, The PRC	2064	Commercial/ residential	6,534	100%	For resale/ rental