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 2011

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 (Resigned on 1 March 2011)

Independent non-executive directors:

Mr. Cheung Yat Hung, Alton

Mr. Yue Fu Wing

Mr. Chan Choi Kam

COMPANY SECRETARY

Mr. Lau Kwok Hung

AUDIT COMMITTEE

Mr. Cheung Yat Hung, Alton
Mr. Yue Fu Wing
Mr. Chan Choi Kam

AUDITORS

CCIF CPA Limited
34/F, The Lee Gardens
33 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

Unit 1101, 11/F,
Office Tower One,
The Harbourfront,
18-22 Tak Fung Street,
Hunghom, Kowloon, Hong Kong

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STOCK CODE

00070

Group Financial Summary

CONSOLIDATED PROFIT AND LOSS ACCOUNT (HK$'000)

	Year ended 30 June 2008	Year ended 30 June 2009	Year ended 30 June 2010	**Year ended 30 June 2011**
Turnover	390,767	463,268	411,965	**438,787**
Profit/(Loss) attributable to shareholders	(149,514)	42,590	66,645	**201,133**

CONSOLIDATED BALANCE SHEET (HK$'000)

	As at 30 June 2008	As at 30 June 2009	As at 30 June 2010	**As at 30 June 2011**
Fixed assets	142,880	120,808	103,527	**107**
Investment properties	30,500	31,527	38,760	**32,800**
Interest in an associate	148,617	133,928	49,724	**46,465**
Intangible asset	2,016,793	1,754,993	1,491,593	**1,444,493**
Other non-current assets	15,145	10,483	10,483	**10,438**
Net current assets	379,037	251,290	217,390	**273,439**
Total assets less current liabilities	2,732,972	2,303,029	1,911,477	**1,807,742**
Convertible notes	685,393	492,440	114,937	**21,482**
Deferred tax liabilities	50,089	32,317	9,161	**2,301**
Net assets	1,997,490	1,778,272	1,787,379	**1,783,959**
Representing:				
Share capital	769,449	769,449	38,472	**38,472**
Reserves	536,446	364,626	969,441	**1,153,348**
Shareholder's funds	1,305,895	1,134,075	1,007,913	**1,191,820**
Minority interests	691,595	644,197	779,466	**592,139**
Total equity	1,997,490	1,778,272	1,787,379	**1,783,959**
Shareholder's funds – NBV per share (HK$)	0.34	0.29	0.26	**0.31**
Earnings/(loss) per share (HK$)	(5.61) cents	1.11 cents	1.73 cents	**5.23 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 the Neptune Group Limited (the "Company") and its subsidiaries (the "Group") for the year ended 30 June 2011.

CONTINUING BUSINESS REVIEW

The company has just closed the books on another successful and gratifying year. Our decision to remain steadfast in the booming Macau gaming market has proved once again to be a prudent one. With the entire world in amazement, the Macau gross gaming win has overtaken by five times the entire Las Vegas strip. Further predications show Macau overtaking the entire United States market by 2012. This is truly a remarkable occurrence. Last year our company was truly proud to be a part of a 20% growth. In 2011 the 3 Billion USD benchmark was reached twice. It is difficult to put in words the likely hood of this achievement some three years ago. Gaming analyst euphoria is daily recorded in their coverage. The benefits to our "Group" continue. By year's end new projects will be completed and new opportunities will be afforded to us. Our analysis will be detailed and our involvement will be carefully orchestrated.

The ability of our "Company" to move forward is facilitated by the new records being set in VIP turnover and gamings win. No governmental impediments loom in the future year to come. Economically, pressures affecting North America have been spared from Asia. Such pressures always serve as a distraction from grasping the "big picture". We surely thank our customers for their loyalty and help in withstanding such a scenario. While predications are difficult, we see a course of economic benefit for all involved in Macau. Spillover from such benefits will be welcome.

By now, most are aware of our recent announcement of the sale of the MV Neptune. Such a sale was consistent with our company vision in Macau. Opportunity arose for such a sale in crowded cruise ship disposal market. A remarkably fair price was offered and our acceptance was quickly granted. The company's position was that the economic usefulness of this asset had waned. Macau's future importance directed our vision away from the cruise business. We believed that there was a time when the ship served us well. That time has passed. We are grateful for its orderly sale.

BUSINESS REVIEW AND LOOKING FORWARD STATEMENT

The "Company" has been vigilant in the past years in exploring expansion in Macau. That will always be a given. However, we have also in the past alluded to some diversification in other writings. That remains a distinct possibility through the coming year. While we never intend to minimize the growth of our core business in Macau, we still look outward. As of this communiqué, the executive team is considering other ventures both in scope large and small. No sector is beyond consideration. The "Company" takes very serious its responsibility for further growth. Thusly, a combination of accelerating our core business in Macau and coupling with non related activity is prudent.

We have in the past promised to protect our shareholders investment, we have. We have promised in the past to protect our employee's jobs, we have. Notwithstanding any new economic calamity, we continue the promise. Our shareholders and our employees are paramount in our decision process. We will always move forward on that pledge.

The past year has provided no significant new competition from any other Asia Pacific destination. As we have previously mentioned, only Singapore has presented any consumer distraction from our base. While they are progressing nicely, our core business has not been affected by that country's growth. Distance, demographics and multi branding continue to protect Macau's future and its ability to grow. Competition is the first line of failure for any gaming concern. We see no completion arising in the next 12 months to affect our business model.

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 dedication. Without them our success would not be possible.

Lin Cheuk Fung
Chairman of the Board
Hong Kong, 30 September 2011

Management Discussion and Analysis

BUSINESS OVERVIEW

The audited net profit of the Group for the year ended 30 June 2011 amounted to approximately HK$367,824,000 (2010: profit HK$201,914,000).

Underlying revenues grew by 6.5%, mainly resulting from combination of eccentric demeanor to serve our customers and more buoyant gaming and entertainment industry in last year, which all helped fuel our growth in revenue. Continued investment in refreshing and growing facilities by hotels and gaming concessions let our customers enjoy the lavish lifestyle when they played games in those embellished VIP gaming rooms. The growing numbers of high rollers were the steadfast support to our growth in revenue that posited their new marketing strategies strengthening supply chain source from mainland China, other Asian countries and this trend may continue if Asia Pacific economy are still expected to maintain modest GDP growth in the next few years. Underlying profits grew by 82% or more as benefited from a well-off less impairment amount of intangible assets which was reduced to approximately HK$47,100,000 (2010: HK$336,000,000) this year.

However we do not pitch for too optimistic expectation and should be cautious because the debt sodden world will remain mediocre for some time and emerging market economy also may be battered by global turmoil, this may directly impact on our business model as well.

GAMING RELATED BUSINESS

Our business model with gaming business segments is our core business has proven to be robust and solid. That is also confirmed by the development of the Group's new marketing strategies, which all closed the 2011 business year with a positive market response and contributed to our very good overall result.

The recovery of the market was especially noticeable in last quarter of 2010. Our operating result enjoyed a marked improvement compared to the same period last year, and the same could be said for the development in revenue, which was supported by the growing number of high rollers.

The cornerstones of our success were the focus on the junkets' management of their business, the systematic expansion of junkets in numbers who have successfully enticed high-value rollers, the continued development of growth markets, such as the China, Vietnam and India.

Revenue from the commission from rolling turnover for this year was recorded HK$414,787,000 (2010: HK$387,965,000). All of our group profit of the continuing operation came from investment return of gaming segment. We are increasingly focusing on the risk of credit assessment control, our ability to react to market changes quickly and flexibly, our solid strategy financially and operationally, and last, but clearly not least, our excellently functioning and highly motivated team of employees and management staff.

CRUISE BUSINESS

Revenue for the leasing of the cruise ship for the year was recorded HK$24,000,000 (2010: HK$24,000,000) remained the same. This business segment encountered an adversity situation when our operator faced far more ferocious competition, declining demand to cruising and also increased operation cost hampered by oil price rises inexorably and increasing of gigantic mountain of money for ship maintenance which ultimately slash most of their bottom line margin. We were unable to negotiate for higher yield in leasing of this cruise when this market was stagnant slowdown.

Management Discussion and Analysis

FINANCIAL REVIEW

For the financial year ended 30 June 2011, the Group recorded a turnover of approximately HK$438,787,000(2010: HK$411,965,000) which showed an increase of 6.5% compared to same period last year.

A profit attributable to equity shareholders was approximately HK$201,133,000, or HK$5.23 cents (profit) a share, or compared with last year net profit of approximately HK$66,645,000 or HK$1.73 cents (profit) a share.

Our earning before interest, taxes, depreciation and amortization (EBITDA) this year was HK$377,984,000 compared to HK$233,103,000 for last year, an increase of 62.2%. An increase of HK$144 million EBITDA is mainly attributable to the noticeable increase of commission from rolling turnover amounted to approximately HK$26.8 million, decrease of HK$288.9 million in impairment loss of intangible assets as compare by last year, significant increase of share of profit from associate companies which amount to approximately HK$104.7 million. These positive figures were partly offset by increase of provision of bad debt in amount of HK$10.6 million, no more compensations from guarantee profit HK$142.3 million, no record of negative goodwill HK$22.1 million, loss on fair value of investment properties in amount of HK$13.1 million, turnaround an net loss on redemption of convertible bonds in amount HK$83.7 million as compare with same period last year.

DIVIDEND

The Director do not recommend the payment of final dividend for the year 30 June 2011 (2010:Nil).

CAPITAL STRUCTURE

As at 30 June 2011, the total issued share capital of the Company was HK$38,472,445 divided into 3,847,244,500 ordinary shares of HK$0.01 each.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group had net current assets of HK$273,439,000 as at 30 June 2011(2010: HK$217,390,000).There are no bank and other borrowings as at 30 June 2011 (2010: HK$ NIL). The total equity of the Group as at year-end was HK$1,783,959,000 (2010: HK$1,787,379,000) The gearing ratio, calculated on the basis of total liabilities over total shareholders' fund as at 30 June 2011, was approximately 1.80% (2010: 11.4%). The great improvement of our liquidity ratio was due to our early redemption of the principal amount of two convertible bonds in total amount of HK$126 million during this year.

As at 30 June 2011, the face value of total indebtedness approximately amount to HK$208,795,000 (2010: HK$355,149,000), comprising of HK$168 million dividend payable to non-controlling shareholders, HK$15.7 million trade payable and other payable, HK$1.8 million tax payable, HK$2.3 million deferred tax liabilities and the carrying amount of liability component which were HK$21.5 million, representing the principal amount of convertible bond of HK$26.2 million, with conversion price of HK$0.3 per share and HK$1.5 million with a conversion price of HK$0.3 per share. All of which are unsecured, with effective interest rate approximately 5% and maturing on 16 March 2018.

PLEDGE OF GROUP'S ASSETS

As at 30 June 2011, no leasehold land and buildings in Hong Kong of the Group were pledged to secure the bank facilities (2010: HK$ NIL).

Management Discussion and Analysis

CONTINGENT LIABILITIES

On 1 September 2004, a writ of summons and statement of claims 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 Jun 2004. During the year ended 30 Jun 2011, 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 Jun 2011, the Group did not have any foreign currency investments, which have been hedged by currency borrowings and other hedging instruments.

CAPITAL COMMITMENT

During the year, the Group did not have any capital commitment.

EMPLOYEES

The Group employs approximately 30 staff in Hong Kong and their remuneration packages are generally structured by reference to market terms and individual merit. Salaries are normally reviewed on annual basis based on performance appraisals and other relevant factors.

SUBSEQUENT EVENT

On 23 August 2011, the Company entered into a conditional sale and purchase agreement to dispose of its entire equity interest in the Jumbo Profit Investments Limited and World Target International Limited (the "Disposal Group") to an independent third party at a consideration of HK$33,000,000. The primary assets of the Disposal Group are investment properties located in the PRC held by subsidiaries of the Disposal Group. Up to the date of these financial statements, the disposal was not completed.

On 24 June 2011, the Group entered into a memorandum of agreement to sell the cruise ship owned by a subsidiary of the Company for a cash consideration of US$11,800,000 (equivalent to approximately HK$92,000,000) to an independent third party. The disposal of the cruise ship was completed in August 2011 (For details, please refer to note 33 of Notes to 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.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Lin Cheuk Fung, aged 38, 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 18 years or more experience in many business activities including property investments, entertainment business, casino operation, and securities business etc. Currently, he is a director of Yan Oi Tong in the year 2011, school board member of Yan Oi Tong Chan Wong Suk Fong Memorial Secondary School, Fellow member of Asian College of Knowledge Management; an honorable Vice President of Nanjing (HK) Association Limited, member of Hong Kong Commerce & Industry Association and a member of Hong Kong Chiu Chow Chamber of Commerce.The Board is of the view that Mr. Lin's extensive business experience is valuable to the Group and will be, in the long run, amenable of diversification into other business sector.

Formerly he was also a vice president and fellow member of Asian College of Knowledge Management in Year 2007-2008 and director of Yan Oi Tong in the 27th and 28th anniversary.

Mr. Nicholas J. Niglio, aged 65, 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. Through out 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 Oct 1993 to Aug. 2001, he originally joined Trump in Oct 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 under all 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 55, 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 from Australia. He is currently affiliated member of American Society of Appraisers, a Fellow member of Hong Kong Institute of Certified Public Accountants and Fellow member of Certified Public Accountants (Australia).; member of the Institute of Chartered Secretaries and Administrators, the Hong Kong Institute of Company Secretaries. He has completed a certificate course in PRC accounting and PRC tax law from Chinese University of Hong Kong.

Mr. Chan has over 25 years of experience in property development, manufacturing, travel and gaming related industries. He has worked for multinational companies in China and listed companies in Hong Kong equipped with profound experience in merger and acquisition transactions, treasury, strategies and risk management, corporate finance, accounting, tax planning and company secretary practice.

Biographical Details of Directors and Senior Management

Mr. Lau Kwok Hung, aged 65, 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. He is currently a fellow of the Hong Kong Institute of Certified Public Accountants. Formerly, he was also a fellow of 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Alton Cheung, aged 48, was elected as an independent non-executive director on 5 June 2007. He has over 12 years 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 43, 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 10 years experience in accounting and finance. He has worked for a multinational company; a Hong Kong listed company and an international accounting firm.

Mr. Chan Choi Kam, aged 42, was appointed as an independent non-executive director and member of the audit committee of the Company on 24 February 2010. He received his education in Hong Kong and has over 15 years of accounting experience in general trading and shipping business.

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 Report

CORPORATE GOVERNANCE PRACTICES

During the year ended 30 Jun 2011 the Company has, as far as possible, complied with the provision 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 fro specific terms and subject to re-elections. All independent non-executive directors of the Company are not appointed fro specific terms, but subject to retirement by rotations and re-elections at annual general meeting of the Company in accordance with Bye -Laws of the Company.

MODEL 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 2011.

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 page 8 and 9 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 2011. Details of directors' attendance records are set out below:

	Attendance of Board meetings
Executive directors	
Mr. Lin Cheuk Fung	4/8
Mr. Nicholas J. Niglio	6/8
Mr. Chan Shiu Kwong, Stephen	8/8
Mr. Lau Kwok Hung	8/8
Mr. Wan Yau Shing, Ban (resigned)	1/8
Independent non-executive directors	
Mr. Cheung Yat Hung, Alton	2/8
Mr. Yue Fu Wing	5/8
Mr. Chan Choi Kam	3/8

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. Chan Choi Kam. 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.

Corporate Governance Report

BOARD COMMITTEES (Continued)

(a) Audit Committee (Continued)

2 audit committee meetings were held during the financial year ended 30 June 2011. Attendance of the members is set out below:

Members	Attendance of Audit Committee meetings
Mr. Cheung Yat Hung, Alton	1/2
Mr. Yue Fu Wing	2/2
Mr. Chan Choi Kam	2/2

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 2010 and audited financial statements for the year ended 30 June 2011;

– 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.

Corporate Governance Report

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 20 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 2011, 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$600,000 and HK$60,000 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.

Corporate Governance Report

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.

Report of the Directors

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 (resigned on 1 March 2011)

Independent non-executive directors:
Mr. Cheung Yat Hung, Alton
Mr. Yue Fu Wing
Mr. Chan Choi Kam

In accordance with Articles 79 and 84 of the Company's Articles of Association, Mr. Lau Kwok Hung shall retire by rotation and being eligible, offer himself for re-election as executive director. Mr. Yue Fu Wing shall retire by rotation and being eligible, offer himself for re-election as independent non-executive director.

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 this 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 at dependent.

Report of the Directors

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

(1) Shares

As at 30 June 2011, 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.

(2) 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.

Name of directors	Number of Share options held	Percentage of Outstanding Options As at 30 Jun 2011
Mr. Lin Cheuk Fung	2,390,000	6.87%
Mr. Chan Shiu Kwong Stephen	2,388,000	6.87%
Mr. Lau Kwok Hung	2,388,000	6.87%
Mr. Nicholas J. Niglio	2,300,000	6.62%
Mr. Chan Choi Kam	23,000,000	66.15%

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.

Report of the Directors

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 31 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 31 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 AND ASSOCIATES

Details of the Company’s subsidiaries and associates as at 30 June 2011 are set out in Notes 19 and 20 to financial statements respectively.

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

Save as disclosed in Note 37 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.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS AND INTERESTS DISCLOSEABLE UNDER THE SFO

At 30 Jun 2011, 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 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%
Miss Lin Yee Man	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 SFO as at 30 June 2011.

MATERIAL RELATED PARTY TRANSACTIONS

Details of other related party transactions of the Group are set out in Note 37 to financial statements.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Details of biographical details of directors and senior management are set out on pages 8 to 9 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 30 to financial statement. In the opinion of the directors, the Group had no significant obligations at 30 June 2011 for long service payment to its employee 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 Provision") 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 10 to 14 of this annual report.

MODEL CODE FOR SECURITIES BY DIRECTORS

The company has complied with the code of conduct regarding to securities transactions by the directors on terms no less than exacting than the required standard dealings as set in the Model Code. Having made specific enquiry of all directors, they have complied with the required standard set out in Model Code and the code of conduct regarding to securities transaction by the directors adopted by the Company. Details of compliance with Model Code by directors are set out in the Corporate Governance Report on page 10 of this annual report.

SUBSEQUENT EVENTS

On 23 August 2011, the Company entered into a conditional sale and purchase agreement to dispose of its entire equity interest in the Jumbo Profit Investments Limited and World Target International Limited (the "Disposal Group") to an independent third party at a consideration of HK$33,000,000. The primary assets of the Disposal Group are investment properties located in the PRC held by subsidiaries of the Disposal Group. Up to the date of these financial statements, the disposal was not completed.

On 24 June 2011, the Group entered into a memorandum of agreement to sell the cruise ship owned by a subsidiary of the Company for a cash consideration of US$11,800,000 (equivalent to approximately HK$92,000,000) to an independent third party. The disposal of the cruise ship was completed in August 2011 (For details, please refer to note 33 of Notes to 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 2011.

AUDITORS

CCIF CPA Limited retires and, being eligible, offers themselves for re-appointment. A resolution will be submitted to the annual general meeting to re-appoint CCIF CPA as auditors of the Company.

On Behalf of the Board

Lin Cheuk Fung
Chairman

Hong Kong, 30 September, 2011

Independent Auditor's Report

CCIF
CCIF CPA LIMITED
34/F The Lee Gardens
33 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") and its subsidiaries (together the "Group") set out on pages 22 to 101, which comprise the consolidated and company statements of financial position as at 30 June 2011, and the consolidated statement of comprehensive income, 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 information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with 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 about whether the consolidated financial statements are free from material misstatement.

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

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

Independent Auditor's Report

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 2011, 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, 30 September 2011

Yau Hok Hung
Practising Certificate Number P04911

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2011

	Note	2011 HK$'000	2010 HK$'000 (restated)
Continuing operations:			
Turnover	5	**414,787**	387,965
Other revenue	6	**1**	143,025
Other net (loss)/income	7	**(25,838)**	82,083
General and administrative expenses		**(5,883)**	(5,882)
Impairment of intangible assets	17	**(47,100)**	(336,000)
Profit from operations		**335,967**	271,191
Share of results of associate	20	**20,491**	(84,204)
Gain from bargain purchase of interest in a subsidiary	32	**–**	22,050
Finance costs	8(a)	**(1,551)**	(13,739)
Profit before taxation	8	**354,907**	195,298
Income tax	9(a)	**1,677**	(169)
Profit for the year from continuing operations		**356,584**	195,129
Discontinued operation:			
Profit for the year from discontinued operation	10	**11,240**	6,785
Profit for the year		**367,824**	201,914
Other comprehensive income/(loss) for the year		**–**	–
Total comprehensive income for the year		**367,824**	201,914
Attributable to			
– Equity shareholders of the Company	13	**201,133**	66,645
– Non-controlling interests		**166,691**	135,269
Profit and total comprehensive income for the year		**367,824**	201,914
Earnings per share – basic	14(a)		
– From continuing and discontinued operations		**5.23 cents**	1.73 cents
– From continuing operations		**5.03 cents**	1.61 cents
– From discontinued operation		**0.20 cents**	0.12 cents
Earnings/(loss) per share – diluted	14(b)		
– From continuing and discontinued operations		**5.23 cents**	0.08 cents
– From continuing operations		**5.03 cents**	(0.01) cents
– From discontinued operation		**0.20 cents**	0.09 cents

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

Consolidated Statement of Financial Position

At 30 June 2011

		2011		2010	
	Note	**HK$'000**	**HK$'000**	HK$'000	HK$'000
Non-current assets					
Property, plant and equipment	15(a)		**107**		103,527
Investment properties	16		**32,800**		38,760
Intangible assets	17		**1,444,493**		1,491,593
Goodwill	18		**10,438**		10,483
Interest in an associate	20		**46,465**		49,724
			1,534,303		1,694,087
Current assets					
Securities held for trading	21	**223**		426	
Trade and other receivables	22	**324,673**		411,043	
Derivative financial instruments	24	**–**		–	
Dividend receivable from an associate		**34,406**		27,455	
Cash and cash equivalents	23	**7,534**		9,517	
		366,836		448,441	
Assets classified as held for sale	33	**91,615**		–	
		458,451		448,441	
Less: Current liabilities					
Trade and other payables	25	**15,685**		19,775	
Dividend payable to non-controlling shareholders		**167,498**		209,447	
Income tax payable	26	**1,829**		1,829	
		185,012		231,051	
Net current assets			**273,439**		217,390
Total assets less current liabilities			**1,807,742**		1,911,477

Consolidated Statement of Financial Position

At 30 June 2011

	Note	2011		2010	
		HK$'000	HK$'000	HK$'000	HK$'000
Less: Non-current liabilities					
Deferred tax liabilities	27(a)	**2,301**		9,161	
Convertible notes	28	**21,482**		114,937	
			23,783		124,098
Net assets			**1,783,959**		1,787,379
Capital and reserves	29				
Share capital			**38,472**		38,472
Reserves			**1,153,348**		969,441
Total equity attributable to equity shareholders of the Company			**1,191,820**		1,007,913
Non-controlling interests			**592,139**		779,466
Total equity			**1,783,959**		1,787,379

Approved and authorised for issue by the Board of Directors on 30 September 2011.

Lau Kwok Hung
Director

Chan Shiu Kwong, Stephen
Director

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

Statement of Financial Position

At 30 June 2011

	Note	2011 HK$'000	2011 HK$'000	2010 HK$'000	2010 HK$'000
Non-current assets					
Property, plant and equipment	15(b)		**107**		127
Interests in subsidiaries	19		**1,524,594**		1,312,575
			1,524,701		1,312,702
Current assets					
Trade and other receivables	22	**942**		933	
Derivative financial instruments	24	**–**		–	
Cash and cash equivalents	23	**4,492**		1,582	
		5,434		2,515	
Less: Current liabilities					
Trade and other payables	25	**10,066**		10,241	
Amounts due to subsidiaries	19	**423,648**		277,672	
		433,714		287,913	
Net current (liabilities)/assets			**(428,280)**		(285,398)
Total assets less current liabilities			**1,096,421**		1,027,304
Less: Non-current liabilities					
Deferred tax liabilities	27(b)	**1,026**		6,396	
Convertible notes	28	**21,482**		114,937	
			22,508		121,333
Net assets			**1,073,913**		905,971
Capital and reserves	29				
Share capital			**38,472**		38,472
Reserves			**1,035,441**		867,499
Total equity			**1,073,913**		905,971

Approved and authorised for issue by the Board of Directors on 30 September 2011.

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 2011

	Attributable to equity shareholders of the Company								
	Share capital HK$'000	Share premium HK$'000	Convertible notes reserve HK$'000	Non-distributable reserve HK$'000	Share options reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Sub-total HK$'000	Non-controlling interest HK$'000	Total HK$'000
Balance at 1 July 2009	769,449	179,038	377,213	2,264	27,008	(220,897)	1,134,075	644,197	1,778,272
Profit and total comprehensive income for the year	–	–	–	–	–	66,645	66,645	135,269	201,914
Transfer to accumulated losses upon the redemption of convertible notes	–	–	(320,172)	–	–	104,040	(216,132)	–	(216,132)
Deferred tax effect on equity component of convertible notes	–	–	23,325	–	–	–	23,325	–	23,325
Transfer to accumulated losses upon lapse of share options	–	–	–	–	(17,446)	17,446	–	–	–
Capital reduction	(730,977)	730,977	–	–	–	–	–	–	–
Balance at 30 June 2010 and 1 July 2010	38,472	910,015	80,366	2,264	9,562	(32,766)	1,007,913	779,466	1,787,379
Profit and total comprehensive income for the year	–	–	–	–	–	201,133	201,133	166,691	367,824
Transfer to accumulated losses upon the redemption of convertible notes	–	–	(76,290)	–	–	53,881	(22,409)	–	(22,409)
Deferred tax effect on equity component of convertible notes	–	–	5,183	–	–	–	5,183	–	5,183
Transfer to retained profits upon lapse of share options	–	–	–	–	(4,986)	4,986	–	–	–
Dividend payable to non-controlling shareholders	–	–	–	–	–	–	–	(354,018)	(354,018)
Balance at 30 June 2011	**38,472**	**910,015**	**9,259**	**2,264**	**4,576**	**227,234**	**1,191,820**	**592,139**	**1,783,959**

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

Consolidated Cash Flow Statement

For the year ended 30 June 2011

	Note	2011 HK$'000	2010 HK$'000
Operating activities			
Cash generated from operations	23(b)	**504,163**	505,815
Hong Kong Profits Tax paid		**–**	(178)
Net cash inflow generated from operating activities		**504,163**	505,637
Investing activities			
Payment for purchase of property, plant and equipment		**(979)**	–
Interest received		**2**	2
Dividend received from an associate		**16,800**	–
Proceeds from redemption of Heritage Convertible Note	34	**–**	90,000
Acquisition of subsidiaries	32	**–**	(7,708)
Net cash generated from investing activities		**15,823**	82,294
Financing activities			
Payment for redemption of Neptune Convertible Note	34	**–**	(90,000)
Payment for redemption of convertible notes		**(126,000)**	(528,800)
Dividends paid to non-controlling shareholders		**(395,969)**	–
Net cash used in financing activities		**(521,969)**	(618,800)
Net decrease in cash and cash equivalents		**(1,983)**	(30,869)
Cash and cash equivalents at the beginning of the year		**9,517**	40,386
Cash and cash equivalents at the end of the year	23(a)	**7,534**	9,517

Note:

Major non-cash transactions

During the year ended 30 June 2010, the Company subscribed for the Heritage Convertible Note with a principal amount of HK$90 million. The subscription price of which was satisfied by the Group by the issue of the Neptune Convertible Note in the principal amount of HK$90 million by the Company. Further details of the above convertible notes are set out in note 34 to the financial statements.

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

Notes to Financial Statements

For the year ended 30 June 2011

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 Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited ("The Stock Exchange"). 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

The consolidated financial statements for the year ended 30 June 2011 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in an associate.

(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(v)).

Notes to Financial Statements

For the year ended 30 June 2011

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

(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. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 (Revised) "*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(v)).

Notes to Financial Statements

For the year ended 30 June 2011

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Basis of consolidation (Continued)

(ii) Subsidiaries and non-controlling interest

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.

Non-controlling interests represent the equity of subsidiaries not attributable directly or indirectly to the Company, 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. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from shareholders of non-controlling interests and other contractual obligations towards these shareholders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 1(m) or 1(n) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(d)) or, when appropriate, the cost on initial recognition of an investment in an associate (see note 1(c)(iii)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less 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(v)).

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Basis of consolidation (Continued)

(iii) Associate

An associate is 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(v)). 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 investee's net assets and any impairment loss relating to the investment (see note 1(k)). The Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of comprehensive income, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

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 or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest 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 associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that associate, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(d)).

(iv) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the Group's interest in the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

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)).

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.

Notes to Financial Statements

For the year ended 30 June 2011

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 the end of each reporting period, 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(s)(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 statement of financial position at cost less impairment losses (see note 1(k)).

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

(e) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period, the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

Notes to Financial Statements

For the year ended 30 June 2011

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 at fair value, unless they are still in the course of construction or development at the end of the reporting period 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(s)(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 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(t)).

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.

Notes to Financial Statements

For the year ended 30 June 2011

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:

– Leasehold improvements and decoration	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 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 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.

Notes to Financial Statements

For the year ended 30 June 2011

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 the end of each reporting period 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 value 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 subsidiaries and associate, 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.

Notes to Financial Statements

For the year ended 30 June 2011

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.

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 the end of each reporting period 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;
– intangible assets; and
– goodwill

Notes to Financial Statements

For the year ended 30 June 2011

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)

(k) Impairment of assets (Continued)

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34 "Interim financial reporting" in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see note 1(k)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill, available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised directly in other comprehensive income and not profit or loss.

(l) 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 convertible notes reserve is released directly to retained profits.

Notes to Financial Statements

For the year ended 30 June 2011

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) 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.

(m) 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.

(n) 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.

(o) 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.

Notes to Financial Statements

For the year ended 30 June 2011

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) 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.

Notes to Financial Statements

For the year ended 30 June 2011

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) 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 in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, 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 taxable 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 end of the reporting period. Deferred tax assets and liabilities are not discounted.

Notes to Financial Statements

For the year ended 30 June 2011

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Income tax (Continued)

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period 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.

(r) Provisions and contingent liabilities

(i) Contingent liabilities assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition 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(r)(ii). Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with note 1(r)(ii).

Notes to Financial Statements

For the year ended 30 June 2011

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) 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.

(s) 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

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.

Notes to Financial Statements

For the year ended 30 June 2011

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Revenue recognition (Continued)

(iv) Interest income

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

(t) 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.

(u) 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 end of the reporting period. Exchange gains and losses are recognised in profit or loss.

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. Statement of financial position 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 end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity 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.

Notes to Financial Statements

For the year ended 30 June 2011

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) 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.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale when the above criteria for classification as held for sale are met, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.

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.

(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.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) 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.

(x) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Notes to Financial Statements

For the year ended 30 June 2011

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued revised HKFRS, a number of amendments to HKFRSs and new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- Improvements to HKFRSs (2009)
- HK (Int) 5 "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause"

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

The improvements to HKFRSs (2009) and the issuance of HK (Int) 5 have had no material impact on the Group's financial statements as the improvements and Interpretation's conclusion were consistent with policies already adopted by the Group.

3. ACCOUNTING JUDGEMENT AND ESTIMATES

(a) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

(i) Determining an investee that is a subsidiary even though less than half of its voting or potential voting power is owned by the Group

The currently exercisable purchased call option, if exercised, 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 year ended 30 June 2011 and 2010, Base Move was consolidated as a subsidiary in accordance with HKAS 27 (Revised). 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 non-controlling interest.

3. ACCOUNTING JUDGEMENT AND ESTIMATES (Continued)

(b) Sources of estimation uncertainty

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 end of the reporting period, 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:

(i) 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.

(ii) Impairment of property, plant and equipment

If circumstances indicate that the carrying amounts of property, plant and equipment 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.

Notes to Financial Statements

For the year ended 30 June 2011

3. ACCOUNTING JUDGEMENT AND ESTIMATES (Continued)

(b) Sources of estimation uncertainty (Continued)

(iii) Impairment of receivables

Receivables that are measured at cost or amortised cost are reviewed at the end of each reporting period 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.

(iv) 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.

(v) Income tax

The Group is subject to income taxes in various jurisdictions. Judgement is required in determining the provision for income taxes in each of these jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

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 probability 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.

3. ACCOUNTING JUDGEMENT AND ESTIMATES (Continued)

(b) Sources of estimation uncertainty (Continued)

(vi) 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 judgement, 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

(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 the end of each reporting period.

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 the People's Republic of China.

Notes to Financial Statements

For the year ended 30 June 2011

3. ACCOUNTING JUDGEMENT AND ESTIMATES (Continued)

(b) Sources of estimation uncertainty (Continued)

(vii) Measurement of convertible notes

On issuance and redemption of convertible notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible note, and the remainder of the proceeds/payments is allocated to the equity components 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.

(viii) 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 24.

(ix) Estimated valuation of identifiable assets acquired in the acquisition of a subsidiary

During the year ended 30 June 2010, the Group acquired Best Max Enterprises Limited ("Best Max") at a consideration of approximately HK$57,708,000 (Note 32). The excess of Group's share of net fair value of the subsidiary's identifiable assets and liabilities over the consideration paid was recognised as Gain from bargain purchase of interest in a subsidiary in the consolidated statement of comprehensive income. The principal asset included in the subsidiary was the right in sharing of profit streams from junket business. The fair value of the right was determined based on the valuation performed by an independent professional qualified valuer. In determining the fair value, the valuer has based on valuation techniques which involve certain estimates including cash flow projections and growth rate for the profit streams. In relying on the valuation report, management has exercised their judgement and is satisfied that the method of valuation is reflective of the current market condition.

Notes to Financial Statements

For the year ended 30 June 2011

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

(a) Financial risk management

Exposure to credit, liquidity and market risks (including interest rate 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 an 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 22. In addition, the Group reviews the recoverable amount of each individual debt at the end of each reporting period 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 end of the reporting period, 0.00% (2010: 20.5%) and 68.8% (2010: 42.1%) of the total trade and other receivables was due from the Group's largest customer and the three largest customers respectively within the gaming and entertainment segment.

Notes to Financial Statements

For the year ended 30 June 2011

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(a) Financial risk management (Continued)

(i) Credit risk (Continued)

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 statement of financial position 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 22.

(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 shows the remaining contractual maturities at the end of the reporting period 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 end of the reporting period) and the earliest date the Group and the Company can be required to pay:

The Group	**Contractual undiscounted cash outflow**				
	Within 1 year or on demand HK$'000	**After 1 year but less than 5 years** HK$'000	**More than 5 years** HK$'000	**Total** HK$'000	**Statement of financial position carrying amount** HK$'000
At 30 June 2011					
Non-derivative financial liabilities					
Trade and other payables	15,685	–	–	15,685	15,685
Dividend payable to non-controlling shareholders*	167,498	–	–	167,498	167,498
Convertible notes	277	1,108	28,254	29,639	21,482
	183,460	1,108	28,254	212,822	204,665
At 30 June 2010					
Non-derivative financial liabilities					
Trade and other payables	19,775	–	–	19,775	19,775
Dividend payable to non-controlling shareholders*	209,447	–	–	209,447	209,447
Convertible notes	1,537	6,148	138,226	145,911	114,937
	230,759	6,148	138,226	375,133	344,159

* The dividend payable to non-controlling shareholders is unsecured, interest-free and repayable on demand.

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(a) Financial risk management (Continued)

(ii) Liquidity risk (Continued)

The Company	Contractual undiscounted cash outflow				
	Within 1 year or on demand	More than 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 2011					
Non-derivative financial liabilities					
Trade and other payables	**10,066**	**–**	**–**	**10,066**	**10,066**
Amounts due to subsidiaries	**423,648**	**–**	**–**	**423,648**	**423,648**
Convertible notes	**277**	**1,108**	**28,254**	**29,639**	**21,482**
	433,991	**1,108**	**28,254**	**463,353**	**455,196**
At 30 June 2010					
Non-derivative financial liabilities					
Trade and other payables	10,241	–	–	10,241	10,241
Amounts due to subsidiaries	227,672	–	–	227,672	227,672
Convertible notes	1,537	6,148	138,226	145,911	114,937
	239,450	6,148	138,226	383,824	352,850

(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.

Notes to Financial Statements

For the year ended 30 June 2011

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (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's and the Company's long-term borrowings at the end of the reporting period:

	The Group and the Company			
	2011		2010	
	Effective interest rate %	**HK$'000**	Effective interest rate %	HK$'000
Fixed rate borrowings:				
Convertible notes	**5**	**21,482**	5	114,397

(iv) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as securities held for trading (see note 21). 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 underline the fair values of financial derivatives of the Group. As at the end of the reporting period the Group is exposed to this risk through the redemption rights attached to the convertible notes issued by the Company as disclosed in note 24.

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.

Notes to Financial Statements

For the year ended 30 June 2011

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(a) Financial risk management (Continued)

(v) Fair value

(i) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the end of the reporting period across the three levels of the fair value hierarchy defined in HKFRS 7, “Financial Instruments: Disclosure” with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

Level 1: (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments

Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data

Level 3: (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

Assets

	30 June 2011			
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Derivative financial instrument – Redemption option derivatives embedded in convertible notes	–	–	–	–
Securities held for trading	223	–	–	223
	223	–	–	223

Notes to Financial Statements

For the year ended 30 June 2011

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(a) Financial risk management (Continued)

(v) Fair value (Continued)

(i) Financial instruments carried at fair value (Continued)

	30 June 2010			
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Derivative financial instrument				
– Redemption option derivatives embedded in convertible notes	–	–	–	–
Securities held for trading	426	–	–	426
	426	–	–	426

During the years ended 30 June 2011 and 2010, there were no significant transfer between instruments in level 1 and level 2.

(ii) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 June 2011 and 30 June 2010.

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(b) Estimation of fair values

Fair value estimates are made at a specific point in time and based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments.

(i) Cash and cash equivalents, trade and other receivables, trade and other payables

The carrying amounts approximate fair values because of the short maturities of these instruments.

(ii) Interest-bearing loans and borrowings

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

(iii) Derivatives

The Group selects appropriate valuation methods and makes assumptions with reference to market conditions existing at the end of each reporting period to determine the fair value of the derivatives. The details of these derivatives are set out in note 24.

(c) Capital 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 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 end of the reporting period was as follows:

	The Group		**The Company**	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Total debt#	**21,482**	114,937	**21,482**	114,937
Shareholders' equity	**1,191,820**	1,007,913	**1,073,913**	905,971
Gearing ratio	**1.80%**	11.40%	**2.00%**	12.69%

Total debt comprises convertible notes as detailed in Notes 28.

Notes to Financial Statements

For the year ended 30 June 2011

5. TURNOVER AND SEGMENT REPORTING

The principal activity of the Company is investment holding. The principal activity of its subsidiaries is receiving the profit streams from gaming and entertainment related business. The Group's leasing of cruise ship was discontinued during the year ended 30 June 2011.

Turnover from continuing operations represents the revenue from assignment of profit under the profit streams from gaming and entertainment related business during the year, while the turnover from discontinued operation represents the rental income generated from the cruise ship.

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management (the board of directors of the Company) for the purposes of resource allocation and performance assessment, the Group has identified the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

Continuing operations:

– the gaming and entertainment segment: this segment receives the profit streams from gaming and entertainment related business. The activities were carried out in Macau.

Discontinued operation:

– the cruise leasing segment: this segment leases the Group's cruise ship to generate rental income. Currently, the Group's cruise ship is located in Hong Kong and high sea.

(a) Segment Results, Assets and Liabilities

For the purposes of assessing segment performance and allocating resources between segments. In this regard, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of investments in financial assets, deferred tax assets and other corporate assets. Segment liabilities include trade and other payables attributable to the sales activities of the individual segments and borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

5. TURNOVER AND SEGMENT REPORTING (Continued)

(a) Segment Results, Assets and Liabilities (Continued)

The measure used for reporting segment profit/(loss) is "adjusted operating profit/(loss)". To arrive at "adjusted operating profit/(loss)", the Group's profit/(loss) are further adjusted for items not specifically attributable to individual segments, such as directors' and auditors' remuneration and other head office or corporate administration costs. Taxation charge is not allocated to reporting segments. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the year ended 30 June 2011 and 30 June 2010 is set out below.

	2011			2010 (restated)		
	Continuing operations	**Discontinued operation**		Continuing operations	Discontinued operation	
	Gaming and entertainment HK$'000	**Cruise ship leasing HK$'000**	**Consolidated HK$'000**	Gaming and entertainment HK$'000	Cruise ship leasing HK$'000	Consolidated HK$'000
Segment revenue:						
Revenue from external customers	**414,787**	**24,000**	**438,787**	387,965	24,000	411,965
Inter-segment revenue	**–**	**–**	**–**	–	–	–
Reportable segment revenue	**414,787**	**24,000**	**438,787**	387,965	24,000	411,965
Reportable segment profit	**388,114**	**11,240**	**399,354**	110,057	6,785	116,842
Interest income	**–**	**1**	**1**	–	1	1
Depreciation	**–**	**(10,233)**	**(10,233)**	–	(17,216)	(17,216)
Impairment loss on intangible assets	**(47,100)**	**–**	**(47,100)**	(336,000)	–	(336,000)
Impairment loss on goodwill	**–**	**(45)**	**(45)**	–	–	–
Compensation from the vendors for shortfall in guaranteed profit	**–**	**–**	**–**	142,315	–	142,315
Share of results of associate	**20,491**	**–**	**20,491**	(84,204)	–	(84,204)
Reportable segment assets	**1,854,448**	**97,175**	**1,951,623**	1,988,281	109,850	2,098,131
(including interest in associate)	**46,465**	**–**	**46,465**	49,724	–	49,724
Additions to non-current segment assets during the year	**–**	**946**	**946**	72,600	–	72,600
Reportable segment liabilities	**167,515**	**1,752**	**169,267**	209,465	5,668	215,133

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For the year ended 30 June 2011

5. TURNOVER AND SEGMENT REPORTING (Continued)

(b) Reconciliation of reportable segment revenue, profit or loss, assets and liabilities

	2011 HK$'000	2010 HK$'000 (restated)
Revenue		
Continuing operations:		
Reportable segment revenue	**414,787**	387,965
Elimination of inter-segment revenue	**–**	–
Consolidated turnover from continuing operations	**414,787**	387,965
Discontinued operation (Note 10)**:**		
Reportable segment revenue	**24,000**	24,000
Elimination of inter-segment revenue	**–**	–
Consolidated turnover from discontinued operation	**24,000**	24,000
Profit or loss		
Continuing operations:		
Reportable segment profit	**388,114**	110,057
Elimination of inter-segment profits	**–**	–
Reportable segment profit derived from Group's external customers	**388,114**	110,057
Gain from bargain purchase of interest in a subsidiary	**–**	22,050
Fair value changes on investment properties	**(5,960)**	7,233
Fair value changes on securities held for trading	**(203)**	81
(Loss)/gain on redemption of convertible notes	**(9,001)**	74,769
Impairment loss of deposit paid for acquisition of a company	**(10,629)**	–
Finance costs	**(1,551)**	(13,739)
Unallocated head office and corporate expenses and income	**(5,863)**	(5,153)
Consolidated profit before taxation from continuing operations	**354,907**	195,298
Discontinued operation (Note 10)**:**		
Reportable segment profit	**11,240**	6,785
Elimination of inter-segment profits	**–**	–
Reportable segment profit derived from Group's external customers and consolidated profit before taxation from discontinued operation	**11,240**	6,785

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5. TURNOVER AND SEGMENT REPORTING (Continued)

(b) Reconciliation of reportable segment revenue, profit or loss, assets and liabilities (Continued)

	2011 HK$'000	2010 HK$'000
Assets		
Reportable segment assets	**1,951,623**	2,098,131
Investment properties	**32,800**	38,760
Unallocated head office and corporate assets	**8,331**	5,637
Consolidated total assets	**1,992,754**	2,142,528
Liabilities		
Reportable segment liabilities	**169,267**	215,133
Convertible notes	**21,482**	114,937
Income tax payable	**1,829**	1,829
Deferred tax liabilities	**2,301**	9,161
Unallocated head office and corporate liabilities	**13,916**	14,089
Consolidated total liabilities	**208,795**	355,149

(c) Geographical information

The Group's business operates in two principal geographical areas – (i) Hong Kong and the People's Republic of China (the "PRC") and (ii) Macau. In presenting information on the basis of geographical segments, segment turnover is based on the location of customers. Non-current assets are based on the physical location of the assets, in case of property, plant and equipment, the location of the operation to which they are allocated, in case of intangible assets and goodwill, and the location of operations, in case of interests in an associate.

	Hong Kong and the PRC		Macau	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
Turnover from external customers				
– continuing operations	**–**	–	**414,787**	387,965
– discontinued operation	**24,000**	24,000	**–**	–
	24,000	24,000	**414,787**	387,965
Non-current assets				
– continuing operations	**32,907**	142,333	**1,501,396**	1,551,754

Notes to Financial Statements

For the year ended 30 June 2011

5. TURNOVER AND SEGMENT REPORTING (Continued)

(d) Major customer

Revenue of approximately HK$171,700,000 (2010: HK$163,736,000), HK$165,146,000 (2010: HK$156,514,000) and HK$55,048,000 (2010: HK$52,171,000) are derived from the largest external customers, the second largest external customer (which is owned by the beneficial shareholder of a substantial shareholder of the Company) and the third largest external customer (which is owned by the beneficial shareholder of another substantial shareholder of the Company), respectively. Transactions with each of these three customers have exceeded 10% of the Group's turnover.

6. OTHER REVENUE

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

	2011	2010
	HK$'000	HK$'000 (restated)
Continuing operations:		
Bank interest income	**1**	1
Compensations from the vendors for shortfall in guaranteed profits (see Note (b) below)	**–**	142,315
Sundry income	**–**	709
	1	143,025
Discontinued operation (Note 10)**:**		
Bank interest income	**1**	1
Total	**2**	143,026

Notes:

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

	2011	2010
	HK$'000	HK$'000 (restated)
Continuing operations	**1**	1
Discontinued operation	**1**	1
	2	2

6. OTHER REVENUE (Continued)

Notes (Continued):

(b) Pursuant to the profit guarantee agreements and the supplementary profit guarantee agreements in respect of the acquisition of Sky Advantage Limited ("Sky Advantage") and Profit Forest Limited ("Profit Forest"), the Group is entitled to receive compensations from vendors, which are non-controlling shareholders of Sky Advantage and Profit Forest and the substantial shareholders of the Company, for Sky Advantage's and Profit Forest's failure to achieving a predetermined guaranteed profits for the period up to 31 December 2011.

During the year ended 30 June 2010, profits generated from Sky Advantage and Profit Forest did not meet the guaranteed profits under the relevant profit guarantee agreements, and accordingly the Group is entitled to receive the compensations from the vendors for shortfall in guarantee profits of Sky Advantage and Profit Forest.

During the year ended 30 June 2011, profits generated from Sky Advantage and Profit Forest met the guaranteed profits under the relevant profits guarantee agreements and no compensations from the vendors were recognised.

7. OTHER NET (LOSS)/INCOME

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

	2011	2010
	HK$'000	HK$'000
Continuing operations:		
Fair value changes on investment properties (Note 16)	**(5,960)**	7,233
Fair value changes on securities held for trading	**(203)**	81
Impairment loss of goodwill (Note 18)	**(45)**	–
Impairment loss of deposit paid for acquisition of a company (see note below)	**(10,629)**	–
(Loss)/gain on redemption of convertible notes	**(9,001)**	74,769
	(25,838)	82,083

Note:

On 28 January 2011, the Company entered into a conditional sale and purchase agreement to acquire the 25% of the equity interest in RJB Recycling Environment Orleans ("RJB"), a company incorporated in the Republic of France, from the independent third parties (the "Vendors"). As part of the agreement, a refundable deposit of EUR1,000,000 was paid by the Group to the Vendors upon signing of the agreement. The acquisition was finally terminated in May 2011 due to the unsatisfactory result of the due diligence investigation on RJB and the Company requested the Vendors to refund the deposit accordingly. However, no repayment of deposit from the Vendors was received by the Company and the Company initiated legal process for the refund of the deposit from the Vendors. Based on the assets searches on the Vendors, the assets held by the Vendors were insignificant and the directors considered that the deposit is unlikely to be recoverable. As a result, an impairment loss of deposit of HK$10,629,000 was recognised during the year.

Notes to Financial Statements

For the year ended 30 June 2011

8. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

	2011	2010
	HK$'000	HK$'000
Continuing operations:		
Total interest expense on financial liabilities not at fair value through profit on loss		
– Imputed interest expense on convertible notes (Note 28)	**1,551**	13,739

(b) Staff costs (including directors' remuneration)

	2011	2010
	HK$'000	HK$'000
Continuing operations:		
Contributions to defined contribution retirement plan	**86**	73
Salaries and other benefits	**2,961**	2,982
Total staff costs	**3,047**	3,055

(c) Other items

	2011	2010
	HK$'000	HK$'000
		(restated)
Continuing operations:		
Auditors' remuneration		
– audit services	**600**	570
– other services	**60**	60
Depreciation of property, plant and equipment (Note 15)	**53**	65
Operating lease charges in respect of land and buildings	**506**	505
Discontinued operation (Note 10)**:**		
Depreciation of property, plant and equipment (Note 15)	**10,233**	17,216
Impairment loss on assets classified as held for sale	**2,498**	–

Notes to Financial Statements

For the year ended 30 June 2011

9. INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(a) Continuing operations

(i) Income tax (credited)/charged to profit or loss represents:

	2011	2010
	HK$'000	HK$'000
Current tax – Hong Kong Profits Tax		
Under-provision in respect of prior years	**–**	–
Deferred tax:		
Origination and reversal of temporary differences	**(1,677)**	169
	(1,677)	169

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 2011 and 2010.

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

	2011	2010
	HK$'000	HK$'000
		(restated)
Profit before taxation	**354,907**	195,298
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned	**58,053**	32,839
Tax effect of non-deductible expenses	**12,021**	69,683
Tax effect of non-taxable income	**(71,821)**	(103,618)
Tax effect of unrecognised temporary differences	**70**	637
Tax effect of unused tax loss not recognised	**–**	628
Actual tax (credit)/expense	**(1,677)**	169

Notes to Financial Statements

For the year ended 30 June 2011

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

(b) Discontinued operation

No provision for Hong Kong Profits Tax and other income taxes has been made as the company comprising the discontinued operation 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 2011 and 2010.

Reconciliation between tax expense and accounting profit at applicable tax rates:

	2011 **HK$'000**	2010 HK$'000 (restated)
Profit before taxation	**11,240**	6,785
National tax on profit before taxation, calculated at a rate of 16.5%	**1,854**	1,119
Tax effect of non-deductible expenses	**2,106**	2,841
Tax effect of non-taxable income	**(3,960)**	(3,960)
Actual tax expense	**–**	–

Notes to Financial Statements

For the year ended 30 June 2011

10. DISCONTINUED OPERATION

On 24 June 2011, the Group entered into a memorandum of agreement to sell the cruise ship owned by a subsidiary of the Company for a cash consideration of US$11,800,000 (equivalent to approximately HK$92,000,000) to an independent third party. The disposal of the cruise ship was completed in August 2011. Further details of such disposal are disclosed in note 33.

(a) The operation of cruise ship leasing was classified as discontinued operation and the results of the discontinued operation for the years ended 30 June 2011 and 2010 were as follows:

	Note	**2011** **HK$'000**	2010 HK$'000 (restated)
Turnover	5	**24,000**	24,000
Cost of sales		**(10,233)**	(17,216)
Gross profit		**13,767**	6,784
Other revenue	6	**1**	1
Impairment loss on assets classified as held for sale		**(2,498)**	–
General and administrative expenses		**(30)**	–
Profit from operations		**11,240**	6,785
Finance costs		**–**	–
Profit before taxation	8	**11,240**	6,785
Income tax	9(b)	**–**	–
Profit for the year		**11,240**	6,785

(b) The net cash flows of the discontinued operation for the year ended 30 June 2011 and 2010 were as follows:

	2011 **HK$'000**	2010 HK$'000 (restated)
Net cash (outflow)/inflow from operating activities	**(3,945)**	3,781
Net cash outflow from investing activities	**(946)**	–
Net cash (outflow)/inflow incurred by the discontinued operation	**(4,891)**	3,781

Notes to Financial Statements

For the year ended 30 June 2011

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		Total	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Executive director								
Mr. Lin Cheuk Fung	**–**	–	**603**	600	**12**	12	**615**	612
Mr. Lau Kwok Hung	**–**	–	**523**	520	**12**	12	**535**	532
Mr. Chan Shiu Kwong, Stephen	**–**	–	**497**	494	**12**	12	**509**	506
Mr. Wan Yau Shing, Ban	**–**	–	**135**	208	**6**	9	**141**	217
Mr. Nicholas J. Niglio	**–**	–	**392**	377	**12**	12	**404**	389
Independent non-executive director								
Mr. Yue Fu Wing	**60**	60	**–**	–	**–**	–	**60**	60
Mr. Cheung Yat Hung, Alton	**60**	60	**–**	–	**–**	–	**60**	60
Mr. Chan Choi Kam (appointed on 24 February 2010)	**20**	20	**–**	–	**–**	–	**20**	20
Mr. Wong Tat Tung (retired on 25 November 2009)	**–**	24	**–**	–	**–**	–	**–**	24
	140	164	**2,150**	2,199	**54**	57	**2,344**	2,420

During the years ended 30 June 2011 and 2010, 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 2011 and 2010.

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For the year ended 30 June 2011

12. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, five (2010: five) are directors, details of whose emoluments are disclosed in Note 11 above.

13. PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a profit of approximately HK$185,168,000 (2010: HK$67,340,000) which has been dealt with in the financial statements of the Company.

14. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share is based on the consolidated profit attributable to ordinary equity shareholders of the Company (see below) and the weighted average of approximately 3,847,245,000 ordinary shares (2010: 3,847,245,000 ordinary shares) in issue during the year, calculated as follows:

Profit attributable to ordinary equity shareholders of the Company

	2011 **HK$'000**	2010 HK$'000 (restated)
Continuing operations	**193,265**	61,896
Discontinued operation	**7,868**	4,749
	201,133	66,645

Notes to Financial Statements

For the year ended 30 June 2011

14. EARNINGS PER SHARE (Continued)

(b) Diluted earnings/(loss) per share

Diluted earnings per share for the year ended 30 June 2011 was the same as basic earnings per share because the exercise of the Company's outstanding share options and convertible notes were anti-dilutive.

The calculation of diluted earnings per share for the year ended 30 June 2010 is based on the consolidated profit/(loss) attributable to ordinary equity shareholders of the Company (see (i) below) and the weighted average number of approximately 5,175,195,000 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)

	2010 HK$'000 (restated)
From continuing and discontinued operations:	
Profit attributable to equity shareholders	66,645
After tax effect of effective interest on liability component of convertible bonds	12,100
Effect of gain recognised on redemption of convertible notes	(74,769)
Profit attributable to equity shareholders (diluted)	3,976
Attributable to:	
Continuing operations	(773)
Discontinued operation	4,749
	3,976

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

	2010 Shares '000
Weighted average number of ordinary shares at 1 July	3,847,245
Effect of conversion of convertible bonds	1,327,950
Weighted average number of ordinary shares (diluted) at 30 June	5,175,195

During the year ended 30 June 2010, the computation of diluted earnings/(loss) per share did not assume the exercise of the Company's share options since the exercise price of the options exceeded the average market price of ordinary shares during that year.

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For the year ended 30 June 2011

15. PROPERTY, PLANT AND EQUIPMENT

(a) The Group

	Leasehold improvements and decoration	Plant and machinery	Furniture, fixtures and equipment	Computer equipment	Cruise ship	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost:						
At 1 July 2009 and 30 June 2010	38,617	20,222	165	225	129,180	188,409
Additions	946	–	–	33	–	979
Classified as assets held for sale	(39,563)	(20,222)	–	–	(129,180)	(188,965)
At 30 June 2011	–	–	165	258	–	423
Accumulated depreciation:						
At 1 July 2009	30,332	11,235	86	112	25,836	67,601
Charge for the year	7,724	3,033	31	34	6,459	17,281
At 30 June 2010	38,056	14,268	117	146	32,295	84,882
At 1 July 2010	38,056	14,268	117	146	32,295	84,882
Charge for the year	741	3,033	21	32	6,459	10,286
Classified as assets held for sale	(38,797)	(17,301)	–	–	(38,754)	(94,852)
As 30 June 2011	–	–	138	178	–	316
Carrying amount:						
At 30 June 2011	–	–	27	80	–	107
At 30 June 2010	561	5,954	48	79	96,885	103,527

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For the year ended 30 June 2011

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) The Company

	Furniture, fixtures and equipment HK$'000	Computer equipment HK$'000	Total HK$'000
Cost:			
At 1 July 2009, 30 June 2010, 1 July 2010	165	225	390
Additions	–	33	33
At 30 June 2011	165	258	423
Accumulated depreciation:			
At 1 July 2009	86	112	198
Charge for the year	31	34	65
At 30 June 2010	117	146	263
At 1 July 2010	117	146	263
Charge for the year	21	32	53
At 30 June 2011	138	178	316
Carrying amount:			
At 30 June 2011	**27**	**80**	**107**
At 30 June 2010	48	79	127

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For the year ended 30 June 2011

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 2011, the Group's total future minimum lease payments under a non-cancellable operating lease are receivables as follows:

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Within 1 year	**–**	12,000
After 1 year but within 5 years	**–**	–
	–	12,000

16. INVESTMENT PROPERTIES

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Fair value:		
At 1 July	**38,760**	31,527
Fair value changes	**(5,960)**	7,233
At 30 June	**32,800**	38,760

The fair value of the Group's investment properties at 30 June 2011 and 2010 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 have among their staff members of The Hong Kong Institute of Surveyors with 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.

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For the year ended 30 June 2011

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:

	2011 HK$'000	2010 HK$'000
Representing:		
Leasehold land in the People's Republic of China (the "PRC"):		
– Long term lease	**32,800**	38,760

17. INTANGIBLE ASSETS

THE GROUP

	Rights in sharing of profit streams HK$'000
Cost:	
At 1 July 2009	2,187,793
Additions through acquisition of a subsidiary	72,600
At 30 June 2010, 1 July 2010 and 30 June 2011	2,260,393
Accumulated amortisation and impairment losses:	
At 1 July 2009	432,800
Impairment loss recognised for the year	336,000
At 30 June 2010	768,800
At 1 July 2010	768,800
Impairment loss recognised for the year	47,100
At 30 June 2011	**815,900**
Carrying amount:	
At 30 June 2011	**1,444,493**
At 30 June 2010	1,491,593

Notes to Financial Statements

For the year ended 30 June 2011

17. 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$'000	New Star Profit Agreement HK$'000	Total HK$'000
At 1 July 2009	567,793	296,800	890,400	–	1,754,993
Additions through the acquisition of a subsidiary	–	–	–	72,600	72,600
Impairment loss recognised for the year	–	(84,000)	(252,000)	–	(336,000)
At 30 June 2010 and 1 July 2010	567,793	212,800	638,400	72,600	1,491,593
Impairment loss recognised for the year	–	(11,800)	(35,300)	–	(47,100)
At 30 June 2011	567,793	201,000	603,100	72,600	1,444,493

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"), 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 0.00% (2010: 0.00%) 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 14.17% (2010: 13.41%). The discount rate used are pre-tax and reflect specific risks relating to the gaming and entertainment segment.

The impairment loss of approximately HK$47,100,000 (2010: HK$336,000,000) recognized during the year solely relates to the Group's gaming and entertainment segment. The main factors contributing to the impairment were (i) the increase in discount rate and (ii) the decrease in profit forecasts in relation to Sky Advantage and Profit Forest by the directors of the Company. In the opinion of the directors of the Company, the keen competition in Macau's gaming and entertainment industry and the development of gaming and entertainment industry in Singapore were the major factors leading to the decrease in profit forecasts in relation to Sky Advantage and Profit Forest. 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.

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For the year ended 30 June 2011

18. GOODWILL

THE GROUP

	2011 HK$'000	2010 HK$'000
Cost:		
At 1 July and 30 June	**221,411**	221,411
Accumulated impairment losses:		
At 1 July	**(210,928)**	(210,928)
Impairment loss recognised for the year	**(45)**	–
At 30 June	**(210,973)**	(210,928)
Carrying amount:		
At 30 June	**10,438**	10,483

For the purposes of impairment testing, goodwill (net of accumulated impairment losses) as at 30 June 2011 has been allocated to the following cash generating units (CGUs) as follows:

	2011 HK$'000	2010 HK$'000
Gaming and entertainment unit	**10,438**	10,438
Cruise leasing unit	**–**	45
	10,438	10,483

Gaming and entertainment unit

During the year ended 30 June 2011, the directors of the Company assessed the recoverable amount of goodwill, and determined that impairment loss on the goodwill associated with the Group's gaming and entertainment unit of approximately HK$Nil (2010: HK$Nil) and cruise leasing unit of approximately HK$45,000 (2010: HK$Nil) should be made. The recoverable amount of the gaming and entertainment unit was assessed by reference to value in use. A discount factor of 14.17% (2010: 13.41%) per annum was applied in value in use model and reflected specific risk relating to the gaming and entertainment segment.

The value in use calculation uses cash flow projections based on financial budgets approved by the directors covering a 5-year period. Cash flows beyond that five year period are extrapolated using a steady 0.00% (2010: 0.00%) growth rate. This growth rate used does not exceed the long-term average growth rate for the industry in which the gaming and entertainment unit operates.

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For the year ended 30 June 2011

18. GOODWILL (Continued)

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
Cost:				
At 1 July 2009, 30 June 2010, 1 July 2010 and 30 June 2011	10,438	4,266	206,662	221,366
Accumulated impairment losses:				
At 1 July 2009, 30 June 2010, 1 July 2010 and 30 June 2011	–	(4,266)	(206,662)	(210,928)
Carrying amount:				
At 30 June 2011 and 2010	**10,438**	**–**	**–**	**10,438**

19. INTERESTS IN SUBSIDIARIES

	THE COMPANY 2011 HK$'000	2010 HK$'000
Unlisted investments, at cost	**308,373**	308,373
Less: Accumulated impairment losses recognised in respect of investment cost	**(5,000)**	(5,000)
	303,373	303,373
Amounts due from subsidiaries (note (a))	**1,365,390**	1,365,371
Less: Accumulated impairment losses recognised in respect of amounts due from subsidiaries	**(144,169)**	(356,169)
	1,221,221	1,009,202
Total interests in subsidiaries	**1,524,594**	1,312,575
Amounts due to Subsidiaries (note (b))	**423,648**	277,672

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For the year ended 30 June 2011

19. INTERESTS IN SUBSIDIARIES (Continued)

Note:

(a) The amounts due from subsidiaries are non-trade nature, unsecured, interest free and not repayable within one year.

The directors of the Company had reviewed the net asset values of the Company's subsidiaries as at 30 June 2011 and considered their operating performance, the directors are of the view that a reversal of impairment loss of approximately HK$212,000,000 (2010: a reversal of impairment loss of approximately HK$10,600,000) 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 2011 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
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
Hero Will Limited	The British Virgin Islands/Hong Kong	US$100	100	–	Investment holding
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
Profit Forest Limited	The British Virgin Islands/Macau	US$100	–	85	Receive profit streams from gaming and entertainment related business

19. INTERESTS IN SUBSIDIARIES (Continued)

Note: (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 %	
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
Best Max Enterprises Limited	The British Virgin Islands/Macau	US$100	–	100	Receive profit streams from gaming and entertainment related business
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
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 ship 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 2011 and 2010, Base Move was consolidated as a subsidiary in accordance with HKAS 27 (Revised). 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 non-controlling interests.

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20. INTEREST IN AN ASSOCIATE

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Share of net assets	**46,465**	49,724

As at 30 June 2011, 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:

	2011	2010
	HK$'000	HK$'000
Intangible assets	**231,722**	192,714
Other assets	**35,039**	193,211
Total assets	**266,761**	385,925
Total liabilities	**(34,435)**	(137,303)
Net assets	**232,326**	248,622
Group's share of net assets of associate	**46,465**	49,724
Revenue	**63,450**	55,912
Profit/(loss) for the year	**102,454**	(421,020)
Group's share of results of associate for the year	**20,491**	(84,204)

21. SECURITIES HELD FOR TRADING

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Securities held for trading, at fair value		
– Equity securities listed in Hong Kong	**223**	426

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.

22. TRADE AND OTHER RECEIVABLES

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**247,677**	195,601	**–**	–
Compensations receivable under the profit guarantee agreements	**74,992**	213,447	**–**	–
Other receivables	**911**	902	**808**	799
Loans and receivables	**323,580**	409,950	**808**	799
Sundry deposits and prepayments	**1,093**	1,093	**134**	134
	324,673	411,043	**942**	933

Movement of trade receivables

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Trade receivables	**247,677**	195,601
Less: Impairment loss recognised in respect of trade receivables	**–**	–
	247,677	195,601

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 and cruise leasing 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, 64.8% (2010: 56%) of the outstanding trade receivables as at 30 June 2011 and 100% (2010: 20.7%) of the outstanding compensations receivable under the profit guarantee agreements have been settled subsequently.

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

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
0 – 30 days	**18,935**	31,789
31 – 60 days	**24,809**	35,078
61 – 90 days	**29,501**	35,879
Over 90 days	**174,432**	92,855
	247,677	195,601

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22. 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	
	2011	2010
	HK$'000	HK$'000
Neither past due nor impaired	**18,935**	31,789
Less than 1 month past due	**24,809**	35,078
1 to 3 months past due	**29,501**	35,879
More than 3 months but less than 12 months past due	**174,432**	92,855
Amounts past due	**228,742**	163,812
	247,677	195,601

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.

23. CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at banks and in hand	**7,272**	9,253	**4,245**	1,335
Cash balance maintained with securities companies	**262**	264	**247**	247
Cash and cash equivalents in statements of financial position and the consolidated cash flow statement	**7,534**	9,517	**4,492**	1,582

23. CASH AND CASH EQUIVALENTS (Continued)

(b) Reconciliation of profit before taxation to cash generated from operations:

	Note	**2011 HK$'000**	2010 HK$'000 (restated)
Operating activities			
Profit before taxation			
– continuing operations		**354,907**	195,298
– discontinued operations	10(a)	**11,240**	6,785
		366,147	202,083
Adjustments for:			
Interest income	6	**(2)**	(2)
Fair value changes on securities held for trading	7	**203**	(81)
Fair value changes on investment properties	7, 16	**5,960**	(7,233)
Gain from bargain purchase of interest in a subsidiary	32	**–**	(22,050)
Impairment loss of goodwill	7, 18	**45**	–
Depreciation	15(a)	**10,286**	17,281
Finance costs	8(a)	**1,551**	13,739
Share of results of associate	20	**(20,491)**	84,204
Loss/(Gain) on redemption of convertible notes	7	**9,001**	(74,769)
Impairment of intangible assets	17	**47,100**	336,000
Impairment loss of assets held for sale	33	**2,498**	–
Impairment loss of deposit paid for acquisition of a company	7	**10,629**	–
Changes in working capital:			
Decrease/(increase) in trade and other receivables		**75,741**	(25,304)
Decrease in trade and other payables		**(4,505)**	(18,053)
Cash generated from operations		**504,163**	505,815

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For the year ended 30 June 2011

24. DERIVATIVE FINANCIAL INSTRUMENTS

	THE GROUP AND THE COMPANY	
	2011	2010
	HK$'000	HK$'000
Assets		
Redemption option derivatives embedded in convertible notes		
At 1 July and 30 June	**–**	–

Pursuant to the agreements in relation to the issuance of two convertible notes (Note 28), 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 2011, the fair value of the redemption option derivatives embedded in the convertible notes was approximately HK$Nil (2010: HK$Nil) 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	
	2011	2010	**2011**	2010
Remaining life at 30 June	**6.7 years**	7.7 years	**6.7 years**	7.7 years
Risk free interest rate	**2.52%**	2.38%	**2.52%**	2.38%
Expected volatility	**89.5%**	97.5%	**89.5%**	97.5%

25. TRADE AND OTHER PAYABLES

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts due to cruise tenant (note (a))	**1,728**	5,644	**–**	–
Interest payable	**8,607**	8,192	**8,607**	8,192
Other payables	**1,540**	1,564	**–**	–
Accruals	**2,218**	2,783	**1,459**	2,049
Provision for legal claim for rental payment	**1,592**	1,592	**–**	–
Financial liabilities measured at amortised cost	**15,685**	19,775	**10,066**	10,241

Note:

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

26. INCOME TAX PAYABLE

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Balance of Hong Kong Profits Tax provision relating to prior years	**1,829**	1,829

27. DEFERRED TAX LIABILITIES

(a) The Group

The components of deferred tax liabilities recognised in the consolidated statement of financial position and movements during the year are as follows:

Deferred tax arising from:	**Convertible notes**	**Deferred tax on fair value gains on investment properties**	**Total**
	HK$'000	HK$'000	HK$'000
At 1 July 2009	31,360	957	32,317
Charged/(credited) to profit or loss			
– continuing operations	(1,639)	1,808	169
Credited to reserves	(23,325)	–	(23,325)
At 30 June 2010	6,396	2,765	9,161
At 1 July 2010	6,396	2,765	9,161
Credited to profit or loss			
– continuing operations	(187)	(1,490)	(1,677)
Credited to reserves	(5,183)	–	(5,183)
At 30 June 2011	**1,026**	**1,275**	**2,301**

Notes to Financial Statements

For the year ended 30 June 2011

27. DEFERRED TAX LIABILITIES (Continued)

(b) The Company

Deferred tax liabilities recognised in the statement of financial position and the movements during the year are as follows:

Deferred tax arising from:	Convertible notes HK$'000
At 1 July 2009	31,360
Credited to profit or loss	(1,639)
Credited to reserves	(23,325)
At 30 June 2010	6,396
At 1 July 2010	6,396
Credited to profit or loss	(187)
Credited to reserves	(5,183)
At 30 June 2011	**1,026**

28. 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 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%. The holder of the First Convertible Note is Ultra Choice Limited, which is a substantial shareholder of the Company.

During the year, the Company redeemed total principal amount of HK$108,000,000 (2010: HK$453,800,000) of the First Convertible Note for a total consideration of HK$108,000,000 (2010: HK$453,800,000) (the "Redemptions of the First Convertible Note"), resulting in a loss of approximately HK$7,715,000 (2010: a gain of approximately HK$64,259,000) from the Redemption of the First Convertible Note, which was recognized in profit or loss. After the Redemptions of the First Convertible Note, the principal amount of HK$26,200,000 (2010: HK$134,200,000) of the First Convertible Note remained outstanding.

Notes to Financial Statements

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28. CONVERTIBLE NOTES (Continued)

(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 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 holder of the Second Convertible Note is Faith Mount Limited, which is a substantial shareholder of the Company.

During the year, the Company redeemed total principal amount of HK$18,000,000 (2010: HK$75,000,000) of the Second Convertible Note for a total consideration of HK$18,000,000 (2010: HK$75,000,000) (the "Redemptions of the Second Convertible Note"), resulting in a loss of approximately HK$1,286,000 (2010: a gain of approximately HK$10,510,000) from the Redemption of the Second Convertible Note, which was recognized in profit or loss. After the Redemptions of the Second Convertible Note, the principal amount of HK$1,500,000 (2010: HK$19,500,000) of the Second Convertible Note remained outstanding.

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 24). The effective interest rate of the liability component is approximately 5%.

	First Convertible Note HK$'000	**Second Convertible Note** HK$'000	**Total** HK$'000
At 1 July 2009	424,256	68,184	492,440
Interest expenses charged	11,860	1,879	13,739
Interest expenses payable	(3,285)	(521)	(3,806)
Redemption of convertible notes	(332,476)	(54,960)	(387,436)
At 30 June 2010	100,355	14,582	114,937
At 1 July 2010	100,355	14,582	114,937
Interest expenses charged	1,422	129	1,551
Interest expenses payable	(380)	(35)	(415)
Redemption of convertible notes	(81,078)	(13,513)	(94,591)
At 30 June 2011	**20,319**	**1,163**	**21,482**

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For the year ended 30 June 2011

29. 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	Share premium	Convertible notes reserve	Non-distributable reserve	Share options reserve	Retained profit/ (Accumulated losses)	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 July 2009	769,449	179,038	377,213	1,264	27,008	(322,534)	1,031,438
Profit and total comprehensive income for the year	–	–	–	–	–	67,340	67,340
Transfer to accumulated losses upon the redemption of convertible notes	–	–	(320,172)	–	–	104,040	(216,132)
Deferred tax effect on equity component of convertible notes	–	–	23,325	–	–	–	23,325
Transfer to accumulated losses upon lapse of share options	–	–	–	–	(17,446)	17,446	–
Capital reduction	(730,977)	730,977	–	–	–	–	–
Balance at 30 June 2010	**38,472**	**910,015**	**80,366**	**1,264**	**9,562**	**(133,708)**	**905,971**
Balance at 1 July 2010	38,472	910,015	80,366	1,264	9,562	(133,708)	905,971
Profit and total comprehensive loss for the year	–	–	–	–	–	185,168	185,168
Transfer to accumulated losses upon the redemption of convertible notes	–	–	(76,290)	–	–	53,881	(22,409)
Deferred tax effect on equity component of convertible notes	–	–	5,183	–	–	–	5,183
Transfer to accumulated losses upon lapse of share options	–	–	–	–	(4,986)	4,986	–
Balance at 30 June 2011	**38,472**	**910,015**	**9,259**	**1,264**	**4,576**	**110,327**	**1,073,913**

Notes to Financial Statements

For the year ended 30 June 2011

29. SHARE CAPITAL AND RESERVES (Continued)

(b) Share capital

	Number of shares '000	Share capital HK$'000
Authorised:		
At 1 July 2009		
– ordinary shares of HK$0.2	50,000,000	10,000,000
Capital reduction (note)	–	(9,500,000)
At 30 June 2010, 1 July 2010 and 30 June 2011		
– ordinary shares of HK$0.01 each	50,000,000	500,000
Issued and fully paid:		
At 1 July 2009		
– ordinary shares of HK$0.2	3,847,245	769,449
Capital reduction (note)	–	(730,977)
At 30 June 2010, 1 July 2010 and 30 June 2011		
– ordinary shares of HK$0.01 each	3,847,245	38,472

Note:

By a special resolution passed at the extraordinary general meeting held on 7 October 2009, the Company's authorised ordinary share capital 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 divided into 50,000,000,000 ordinary shares of HK$0.01 each ("Reduced Shares") and the issued share capital of the Company was reduced from approximately HK$769,449,000 to approximately HK$38,472,000 divided into approximately 3,847,245,000 Reduced Shares, giving rise to a total credit of approximately HK$730,977,000 which was credited to the share premium account of the Company.

(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(l)(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 share-based payments in note 1(p)(ii).

Notes to Financial Statements

For the year ended 30 June 2011

29. SHARE CAPITAL AND RESERVES (Continued)

(d) Distributability reserves

At 30 June 2011, 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$110,327,000 (2010: HK$Nil).

30. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Schemes (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the plan vest immediately.

31. 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;

(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.

31. EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

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.

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.

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For the year ended 30 June 2011

31. EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

New Share Option Scheme (Continued)

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 of 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

As at 30 June 2011, the total number of shares available for issue under the Scheme is 266,000 (2010: 3,266,000) shares, representing 0.01% (2010: 0.1%) of the share capital of the Company in issue as at 30 June 2011. During the year ended 30 June 2011, 3,000,000 (2010: 5,576,000) options granted under the Scheme have been lapsed because some of the eligible participants left the Group.

As at 30 June 2011, the total number of shares available for issue under the New Scheme is 34,500,000 (2010: 57,500,000) shares, representing 0.9% (2010: 1.8%) of the share capital of the Company in issue as at 30 June 2011. During the year ended 30 June 2011, 23,000,000 (2010: 107,000,000) options granted under the New Scheme have been lapsed because some of the eligible participants left the Group.

The options outstanding at 30 June 2011 had exercise price of HK$0.728 or HK$0.337 (2010: HK$0.728 or HK$0.337) and a weighted average remaining contractual life of 6.14 years (2010: 7.14 years).

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31. EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

Details of specific categories of share options and the movements during the years ended 30 June 2011 and 2010 are as follows:

		Number of share options outstanding and exercisable									
Participants	Share option type*	At 1 July 2009 '000	Lapsed during the year '000	At 30 June 2010* '000	Lapsed during the year '000	At 30 June 2011* '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	–	90	26/02/2007	26/02/2007 to 25/02/2017	0.728	0.686	0.7
	2008A	2,300	–	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	–	88	26/02/2007	26/02/2007 to 25/02/2017	0.728	0.686	0.7
	2008A	2,300	–	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	–	88	26/02/2007	26/02/2007 to 25/02/2017	0.728	0.686	0.7
	2008A	2,300	–	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	(3,000)	–	26/02/2007	26/02/2007 to 25/02/2017	0.728	0.686	0.7
	2008A	23,000	–	23,000	(23,000)	–	29/10/2007	29/10/2007 to 28/10/2017	0.337	0.127	0.325
Mr. Nicholas J. Niglio	2008A	2,300	–	2,300	–	2,300	29/10/2007	29/10/2007 to 28/10/2017	0.337	0.127	0.325
Mr. Chan Choi Kam	2008A	23,000	–	23,000	–	23,000	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	94,500	(94,500)	–	–	–	29/10/2007	29/10/2007 to 28/10/2017	0.337	0.127	0.325
Consultants											
In aggregate	2008A	14,800	(12,500)	2,300	–	2,300	29/10/2007	29/10/2007 to 28/10/2017	0.337	0.127	0.325
		173,342	(112,576)	60,766	(26,000)	34,766					

* Share option types of 2007A and 2008A represent share options granted during the years ended 30 June 2007 and 2008, respectively. During the years ended 30 June 2011 and 2010, no share options were granted or exercised.

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

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32. ACQUISITION OF SUBSIDIARIES

On 11 September 2009, Rich Pearl Limited ("Rich Pearl"), a wholly owned subsidiary of the Company acquired the entire issued share capital of Best Max Enterprises Limited ("Best Max"), which shares 0.04% of the rolling turnover generated by Lucky Star Entretenimento Sociedade Unipessoal Limitada at Level 3 at the StarWorld Hotel in Macau.

The consideration of approximately HK$57,708,000 for this acquisition was paid in cash. 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$22,050,000.

	Acquiree's carrying amount	**Fair value adjustment**	**Fair value**
	HK$'000	HK$'000	HK$'000
Net assets acquired:			
Right in sharing of profit streams	–	72,600	72,600
Trade and other receivables	7,168	–	7,168
Other payables	(10)	–	(10)
Deferred taxation (note 3)	–	–	–
100% equity interest of Best Max	7,158	72,600	79,758
Gain from bargain purchase of interest in a subsidiary			(22,050)
Total consideration paid			57,708

	HK$'000
Total consideration satisfied by:	
Cash consideration	7,708
Deposits for acquisition of a subsidiary	50,000
	57,708

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32. ACQUISITION OF SUBSIDIARIES (Continued)

Notes:

(1) Gain from bargain purchase of interest in a subsidiary arose in the business combination is attributable to the discount on the cost of the combination paid to acquire Best Max so as to compensate the risks arising from the gaming and entertainment business in the future. The Company has reassessed the fair value of acquiree's identifiable net assets and considered the values of net assets are measured reliably.

(2) During the year ended 30 June 2010, Best Max contributed turnover and profit of approximately HK$15,544,000 and HK$15,540,000 to the Group's turnover and profit respectively for the period from the date of acquisition to the balance sheet date.

If the acquisition had been completed on 1 July 2009, total Group's turnover and profit for the year attributable to equity holders of the Company would have been approximately HK$416,045,000 and HK$70,724,000 respectively. 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 2009, nor is it intended to be a projection of future results.

(3) No provision for deferred taxation arising from the right in sharing of profit steams has been recognised since, in the opinion of the Company's directors, the amount of deferred taxation is insignificant.

33. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

In June 2011, the Group intended to dispose of the cruise ship owned by a subsidiary of the Company, the assets related to the cruise ship, which was expected to be sold within twelve months, have been classified as assets held for sale and presented separately in the consolidated statement of financial position.

On 24 June 2011, the Group entered into a memorandum of agreement to sell the cruise ship for a cash consideration of US$11,800,000 (equivalent to approximately HK$92,000,000) to an independent third party. The disposal was completed in August 2011. The proceeds of the disposal are expected to be less than the net carrying amount of the assets related to the cruise ship, and accordingly, an impairment loss of HK$2,498,000 for the write-down of the value to fair value less costs to sell was recognised in the consolidated statement of comprehensive income for the year ended 30 June 2011.

Non-current assets classified as held for sale are as follows:

	At 30 June 2011 HK$'000
Cruise ship	**90,426**
Less: impairment loss	**(2,498)**
Plant and machinery	**2,921**
Decoration	**766**
	91,615

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For the year ended 30 June 2011

34. OTHER CONVERTIBLE NOTES

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").

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;

(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

Notes to Financial Statements

For the year ended 30 June 2011

34. OTHER CONVERTIBLE NOTES (Continued)

(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.

On 23 June 2010, Heritage fully redeemed the whole principal amount of the Heritage Convertible Note by paying HK$90,000,000 in cash to the Company.

On 24 June 2010, the Company fully redeemed the whole principal amount of Neptune Convertible Note by paying HK$90,000,000 in cash to Heritage.

As the Heritage Convertible Note and Neptune Convertible Note were issued and fully redeemed during the year ended 30 June 2010 and the fair values of these convertible notes at the date of redemption were not materially different from the fair values at the date of issuance, the impact of these convertible note on the Group's results and financial position are insignificant.

35. COMMITMENTS

At 30 June 2011, 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	
	2011	2010
	HK$'000	HK$'000
Within 1 year	**80**	400
After one year but within 5 years	**–**	1,152
	80	1,552

36. CONTINGENT LIABILITIES

(i) Contingent liability in respect of legal claim for office rental

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 Company's 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 2011 and 2010, there has been no significant progress. At the date of approval of these financial statements, the case is still pending for hearing.

Notes to Financial Statements

For the year ended 30 June 2011

36. CONTINGENT LIABILITIES (Continued)

(ii) Contingent liability in respect of legal claim for passenger's injury in the cruise ship

On 12 January 2010, the Company received a notice that it is being sued by a passenger (the "plaintiff") on the Group's cruise ship in respect of a personal injury purported to have been suffered during his journey in the Group's cruise ship. If the Company is found to be liable, the total expected monetary compensation may amount to approximately HK$3.6 million. The Group leased its cruise ship to the tenant in accordance with the relevant tenancy agreement whereby the tenant operated the ship. The Company denied any liability in respect of the injury and, based on legal advice, the directors do not believe it probable that the court will find against the Company. No provision has therefore been made in respect of this claim. In October 2010, the Company received a notice of discontinuance from the high court of the Hong Kong Special Administration Region, pursuant to which, the plaintiff wholly discontinue the legal action against the Company.

37. 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.

38. COMPARATIVE FIGURES

As a result of the classification of the operation of cruise ship leasing to discontinued operation, certain comparative figures have been adjusted to conform with current year's presentation.

39. SUBSEQUENT EVENTS

On 23 August 2011, the Company entered into a conditional sale and purchase agreement to dispose of its entire equity interest in the Jumbo Profit Investments Limited and World Target International Limited (the "Disposal Group") to an independent third party at a consideration of HK$33,000,000. The primary assets of the Disposal Group are investment properties located in the PRC held by subsidiaries of the Disposal Group. Up to the date of these financial statements, the disposal was not completed.

Notes to Financial Statements

For the year ended 30 June 2011

40. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 30 JUNE 2011

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 2011 and which have not been adopted in these financial statements.

	Effective for accounting periods beginning on or after
Improvements to HKFRSs (2010)	1 January 2011
Amendments to HKFRS 7 "Financial Instruments: Disclosures" – *Transfer of financial assets*	1 July 2011
Amendments to HKFRS 12 "Income Taxes" – *Deferred tax: Recovery of underlying assets*	1 January 2012
HKAS 24 (Revised) "Related Party Disclosures"	1 January 2011
Amendments to HK(IFRIC) – Int 14 "HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" – *Prepayments of a minimum funding requirement*	1 January 2011
HKFRS 9 "Financial Instruments"	1 January 2013
HKAS 27 (2011) "Separate Financial Statements"	1 January 2013
HKAS 28 (2011) "Investments in Associates and Joint Ventures"	1 January 2013
HKFRS 10 "Consolidated Financial Statements"	1 January 2013
HKFRS 11 "Joint Arrangements"	1 January 2013
HKFRS 12 "Disclosure of Interests in Other Entities"	1 January 2013
HKFRS 13 "Fair Value Measurement"	1 January 2013

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.

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